

**Testimony before the House Committee on Financial Services
Subcommittee on Housing and Community Opportunity
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Thank you, Mr. Chairman. I appreciate the opportunity to be on this panel. My name is Jill Khadduri, and I work at Abt Associates, a national social science research firm. My company has done most of the basic research and program evaluation on the voucher program from the 1970s until now. We also provide technical assistance to voucher program administrators.

Examples of the research we have done recently at Abt Associates that may be of particular interest to this committee include:

- A study of what affects voucher utilization rates--meaning whether all subsidy funds allocated to a local program administrator are used (Finkel et al. 2002).
- A study of what affects voucher success rates--meaning what percentage of families to whom a voucher is issued use that voucher (Finkel and Buron 2001).
- A study of the circumstances that may bring a voucher program into conflict with residents of a neighborhood, how those circumstances can be avoided, and how conflicts can be resolved (Churchill et al. 2001).

We have also studied special uses of vouchers, including homeownership vouchers, welfare to work vouchers, and vouchers used by people with disabilities (Turnham et al. 2002, Wood and Patterson 2001, Technical Assistance Collaborative and Abt Associates 2002).

Before I came to Abt Associates, I worked for many years in the Office of Policy Development and Research at HUD. I was involved in virtually all of the changes to tenant-based housing assistance, as it evolved over the years from the Section 8 Certificate program to today's Housing Choice Voucher Program.

I can tell you on the basis of both my earlier experience and my involvement in recent studies that the voucher program is not flawed. Its basic design is sound, and it is an effective and cost-effective program for meeting the housing needs of low-income households—particularly low-income families with children, the poorest households (those with extremely low incomes), and people with disabilities.

At the same time, the idea of consolidating administration of the voucher program at the state level is very attractive and would overcome some of the *relative* shortcomings of the

voucher program. It is essential that any such consolidation into a state block grant should have four features:

- The choice-based character of the voucher program should be preserved.
- Flexibility for states to alter the structure of the subsidy formula, impose time limits, or alter the housing quality inspection should be carefully tested and evaluated before all states have such flexibility.
- The program should have clear performance goals and reporting requirements, including preservation of the requirement to report household-level data in standard format.
- The annual appropriation of funds for the program should be tied both to maintaining current numbers of families assisted at adequate assistance amounts for each household and to steady program growth to reduce the unmet need for rental housing assistance.

Let me turn to the results of some of our recent studies of the voucher program in order to tell you why I believe the basic design of the voucher program is sound and the program is working well.

The so-called utilization crisis is well on its way to being solved. What we found when we did intensive case studies at 48 housing authorities between December 2001 and April 2002 is that many of the programs that had low utilization rates made substantial improvements once they got the word from HUD that funds not used would be taken away. We also found that many of the housing authorities with low utilization rates had staffing problems. The voucher program director had left and had not been replaced, and basic program functions such as issuing new vouchers had ground to a halt. Or the program had received an allocation of funds for a special purpose and had turned all its energies to implementing that special program, while letting the regular program slide.

An important finding of that study is that, while it is *relatively* more difficult for housing authorities in difficult market conditions to use all of their voucher funds, good program administrators find ways of doing so.

Success rates for families, as I am sure this committee knows, are not the same as funds utilization rates for local programs. Not all families who are issued vouchers succeed in using them, but a large fraction does so. Vouchers not used go to the next family on the waiting list, so a program can fully use its voucher funds without a 100 percent success rate for families.

Our study of voucher success rates at urban PHAs tracked families through the process of trying to use their voucher during the summer of 2000. The overall success rate was 69 percent. Success rates were high for all types of households in all types of locations. They were high for all racial and ethnic groups, they were high for people with disabilities, and they were especially high for those households with the lowest incomes (incomes below 30 percent of the area median).

We are just completing a follow-up study on why some of these housing authorities had high success rates even though they were operating programs in tight housing markets. We have not yet presented a final report for that study to HUD, but a basic story is that overall quality of program administration is what counts (The QED Group and Abt Associates, forthcoming 2003).

Vouchers are particularly beneficial, and heavily used (more so than other HUD housing assistance programs), by families with children. People with disabilities—despite possible needs for special housing features and possible discrimination—have success rates just as high as other types of households and form a large and growing fraction of voucher users.

Vouchers are not harmful to neighborhoods. The isolated cases of neighborhood conflict we studied in 1999 and 2000 showed that neighborhood concerns about vouchers can be avoided or overcome by program administrators who are alert for possible over-concentration of voucher use in small areas and who act quickly when a complaint arises to find out the facts of the case and to work actively and responsively with neighborhood groups.

A common theme of these studies is that good program administration is at the heart of the distinction between excellent and inadequate program results. The voucher program's design is sound, and the program is not in crisis.

Having said that, there are some very good reasons to consolidate program administration at the state level and to give the states greater discretion over some features of the design of the program.

The advantages of state level administration are:

First, states would be in a position to rationalize the administration of the program, which now is fragmented into more than 2500 separate administrative entities. Many administer very small numbers of vouchers and, therefore, are inefficiently staffed. Overlapping jurisdictions confound good program administration.

Our utilization study found that there often were not two but *three* programs operating in the same geography, to the confusion of low-income families and owners of rental housing.

Our neighborhood relations study found that overlapping jurisdictions made it difficult to avoid and solve neighborhood conflict because it was hard for a housing authority to tell where another administrator's vouchers were being used and hard for a neighborhood group to know who was in charge.

Second, state administration could help overcome the barriers that currently exist to the use of vouchers across jurisdictional lines and help voucher users to gain access to the widest possible choice of housing locations.

Third, states would be in a good position to coordinate the voucher program with other programs that serve needy populations—welfare reform and services for people with disabilities, for example. Most of these programs are administered at the state level and state level administration of vouchers would enable coordinated policies.

Finally, if we are to experiment with changes to the basic design of the voucher program, states are the right level for this to happen. States have more freedom than the federal government to experiment with such controversial voucher program changes as time limits and altering the housing quality inspection. At the same time, they have more ability to create carefully designed and evaluated experiments around fundamental program design changes than do local housing authorities—and they can more easily be held accountable by the federal government.

I am not going to respond directly to the Administration's proposal for a block grant called Housing Assistance for Needy Families. Instead, I am going to outline four features that are essential should the Congress decide to consolidate program administration in a state level block grant.

First, the choice-based nature of the program should be preserved. We already have a housing block grant. It is called the HOME program. Permitting states to attach vouchers to housing developments would make a voucher block grant no different from HOME and would threaten the budgets for both programs. The most attractive and important feature of the voucher program is that families can choose their own housing rather than being forced to live where program administrators have decreed that they should live. That feature must be preserved.

This does not mean that vouchers could not be used for homeownership. The voucher homeownership option currently that is a current part of the program is choice-based. A household chooses the housing unit it buys.

Second, while state administrators of a voucher block grant should have immediate flexibility in program design, those features that go to the heart of the program should not be altered without careful testing. I am speaking of time limits and the programs housing quality standard and inspection, but I am also speaking of the structure of the subsidy formula. The subsidy formula—payment standard minus 30 percent of income—makes the program's benefit phase out as income grows and makes the subsidy smaller for households with relatively higher income levels. This means that in a very real sense the program targets itself to the most needy families. A program with a flat benefit level—say \$400 per month—would be just as attractive to relatively higher income family as to the poorest family, and relatively better off families might get on the program's waiting list. In time, the pattern of who gets the assistance from a program that we all know does not have enough resources to serve everyone in need would change.

I recommend modeling this feature of any voucher block grant on the AFDC state waivers that preceded welfare reform. Individual states should be permitted to

implement changes to the subsidy structure, time limits, or changes to housing quality standards, with careful experimental design and evaluation of results.

Third, legislation enacting a voucher block grant should include performance goals and measures and should mandate the continuation of the collection of household level data on income levels, demographic characteristics, subsidy amounts, and the location of housing units. This is essential so that Congress and the American public know what they are paying for. It is also essential for estimating budget levels for the program—what is needed to sustain the current program level and what is needed for the program to grow.

Finally, the legislation enacting a voucher block grant should include explicit statutory language relating the program's funding level to housing needs. Only such a congressional declaration of intent—and good data on households served and subsidy levels—will overcome the fears of those who believe that a voucher block grant would mean the loss of the federal commitment to meeting the housing needs of low income renters.

Note: The views expressed in this testimony are spelled out in more detail in a forthcoming article (Khadduri 2003). They are my own and should not be construed as representing the positions of Abt Associates Inc. or any other organization.

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