Testimony on Section 8 Voucher Block Grant
before the
Subcommittee on Housing and Community Opportunity
House Committee on Financial Services
by
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Chairman Ney, Ranking Member Waters, and other Members of the Subcommittee, my name is John Sidor. I am a public policy and management consultant, focusing primarily in housing and community development, and I am also an adjunct faculty member in the Graduate Program in Strategic Leadership at Mountain State University in Martinsburg, West Virginia. I thank you for the opportunity to testify on H.R. 1841 and the voucher program. While I believe the Section 8 voucher program may be the most powerful tool in the national housing policy toolbox, I also believe it is a tool that underperforms, perhaps to a substantial degree.

Twenty-five years of experience in the housing and community development field lead me to believe three key characteristics heavily influence the making of national housing policy, and I hope that this subcommittee can avoid these.

- We tend to look over our shoulders, at what happened yesterday, spending most of our time identifying problems and determining how to fix these problems. Often, however, by the time these fixes are legislated, enacted, and implemented they, too, become problems that need to be fixed. It seems we rarely look ahead to the future, to design a housing policy or program to meet a changing world.

- We tend to focus on one program, even one sub-program, at a time, such as HOME, tax credits, public housing development, or vouchers, and rarely consider how these and related programs actually or potentially relate to one another. We carve out very specific definitions or delineations of the broad issue of housing and deal with housing from a narrow perspective. Each of these "carve-outs" becomes institutionalized, accreting over time, and increasingly making it extraordinarily difficult to change significantly any given program. Innovation occurs, thus, only through new policies and programs and not through major adjustments in extant programs and policies. In the long run, however, this complicates housing's Gordian knot of policies and programs.

- We focus on housing as an end in itself, assuming that if people are housed in adequate housing at reasonable prices and if this housing is located in pleasant-looking neighborhoods, we somehow have solved the problem. Housing is a policy area where outputs invariably are treated as outcomes.

Two Key Issues in the Voucher Program

I believe housing vouchers underperform for two overlapping reasons: the geography of housing vouchers and the relative isolation of vouchers.

The Geography of Housing Vouchers

The problem of geography has two important facets. One facet, a facet that I think is a major policy flaw undergirding all our housing policy, is the disconnect between where housing is made available and where employment opportunities are for people with modest levels of skills and education. Even more important and troubling for housing policy are the dynamics of employment location, which operate independent of organizational service areas and institutional jurisdictions.

Housing but no jobs, jobs but no housing. The table in the appendix to my statement shows data for seven metropolitan areas: Baltimore, Richmond, St. Louis, Denver, Nashville-Davidson, New Orleans, and Philadelphia. These areas were chosen simply because good job data is easily accessible for the central cities. Baltimore, Richmond, and St. Louis are the only typical central cities for which the Census Bureau regularly tracks jobs. Denver, New Orleans, and Philadelphia were selected because they are typically thought of as central cities although they are also single counties, and because they are counties, regular job data is available. Because of consolidation, Nashville-Davidson is considered both a single county and a central city. But Baltimore, St. Louis, and Richmond represent the more typical examples of central cities that also are not single counties. Further, because of city-county separation, the Richmond data illustrate a pattern that might frequently occur if job data were regularly available at the city level.

The table shows that almost without exception the central city has many fewer jobs per voucher than do other jurisdictions in the region. In other words, *generally areas with more jobs have fewer vouchers and areas with more vouchers have fewer jobs.* The data are particularly striking for Richmond (especially if one ignores the inner suburbs of Hopewell and Petersburg), Baltimore, Philadelphia, and New Orleans.

When job dynamics are considered, the net change in jobs between 1990 and 2000, the data become compelling in a red-flag kind of way. With the possible exception of Nashville-Davidson, central cities, relatively speaking, have an extraordinarily high number of vouchers relative to net job growth compared to other jurisdictions in the regions. In part this is due to central cities losing jobs or just about remaining stable in the number of jobs while the suburban areas experience very high net job growth. *Areas that now and in the foreseeable future are likely to be the major job generators in tend to fare very poorly in receiving housing assistance.*

One may try to dismiss the housing availability - job availability issue for a number of reasons. One may argue that housing assistance should flow to where poor people are and be unconcerned with the location of employment opportunities. *But even if one were to argue that housing subsidies should be solely a poverty benefit, the data show the ratio of poor people to vouchers is usually higher outside the central city*, with Philadelphia being the major exception. Using the number of people in poverty is not as effective as using the number of households in poverty since housing is allocated to households and not, per se, people. But given the unavailability of household poverty data, it serves as a decent proxy. The table suggests that, by and large, a disconnect exists in the distribution of vouchers and the distribution of poverty population.

One may argue that there should be no policy connection between employment and earnings on the one hand and the availability of housing subsidies on the other. This is clearly the case for housing for elderly and probably many, if not most, disabled populations. But nearly 70 percent of vouchers are held by households with children. I argue that especially for family households policy should connect housing subsidies with employment and earnings. *At its root, the housing* *affordability problem is primarily an earnings-income problem and not a housing cost problem. We will never have enough money to "house" our way out of housing affordability problems.*

Housing policy should have as a key objective the increasing of turnover or velocity in housing subsidies due to people not needing or needing much less housing subsidy as they increase their employment and earnings. I do not know what the numbers would be, but increasing the housing assistance turnover rate by 50 percent will likely lead to serving more new households compared to the new households assisted through the incremental additions to housing assistance that occurs through the appropriations process.

The housing and employment-earnings nexus is a complicated one; and locating housing assistance in areas proximate to jobs, especially job growth areas, is not a magic arrow that will solve all such problems. But given 1) the extraordinary complications and difficulties that occur in developing transportation connections between areas of poverty (or areas with substantial amounts of subsidized housing) and areas of job opportunities, 2) that the growth of jobs that can be accessed by people with model levels of education and skills increasingly occurs outside the central city, and 3) how very difficult, if not impossible in the longer term, it is to create subsidized jobs in the face of strong market inclinations that are otherwise, such location considerations should be an important arrow, albeit one among several, in the quiver in housing policy.

An additional consideration to the geography of the housing and employment-earnings nexus is that areas of job growth and, perhaps to a lesser extent, areas with high job levels tend to be areas with better overall quality of life than areas with low levels of jobs and, especially, declining job opportunities. These considerations should weigh heavily in considering the location of housing assistance for families with children.

Don't look at vouchers alone. Notwithstanding the above considerations, it would be a mistake simply to examine only voucher distribution. In all seven metropolitan areas identified in the appendix the percentage of the metropolitan area's public housing units that are located in the central city is much higher than the central city's share of vouchers. While New Orleans has 64 percent of the region's vouchers, it has 91 percent of the region's public housing units. Denver has 46 percent of the region's vouchers but 82 percent of its public housing units; St. Louis, 35 and 83; Baltimore, 58 and 86; Nashville-Davidson, 71 and 82; and Philadelphia, 58 and 87. In the Richmond region, all of the public housing units are in the central city of Richmond (81 percent) or the inner suburbs of Hopewell and Petersburg.

Additionally, other research suggests that tax credit units for families are disproportionately found in central cities, especially when compared to areas outside the central city county. Further, while the distribution of HOME-funded units is unavailable, the HOME funding formula heavily biases funding allocations to older, denser jurisdictions with relatively high percentages of poverty. For example, in the Richmond region only Richmond and Henrico and Chesterfield counties are local participating jurisdictions. For FY 2001, Richmond received $1,035 per capita and $186 per poor child in HOME funds compared to $168 per capita and $84 per poor child for Chesterfield County and $272 per capita and $113 per poor child for Henrico County.

The concentration of various kinds of assisted housing resources in localities with relatively high rates of poverty and relatively low job levels and/or low job increases creates an implicit, perhaps even a subtle, dynamic. And it is a dynamic that has become increasingly significant. If one assumes, say, a 10 percent turnover rate in assisted housing, in, for example, vouchers, public housing, tax credit housing, and HOME-financed housing, then areas presently with a large cache of assisted housing become much better off in the future ("better off" meaning having more housing assistance) because turnovers by and large produce more housing assistance than incremental (new) increases in housing assistance.

This dynamic has two policy implications. First, making major adjustments in the geographical distribution of incremental housing assistance still will leave localities that now have large caches of assisted housing the ability to offer assisted housing to a significant numbers of new recipients. In such a change housing development organizations and organizations that rely heavily on administrative costs associated with incremental housing assistance will probably suffer the most adverse consequences; the impact on poorer households is apt to be minimal.

Second, poorer households that now are not well served by housing resources due to current geographical distribution problems will be much better off. And to the extent that these geographically redistributed housing resources are used by poorer people now living in poverty concentrated areas or job-poor areas — either through the growing awareness of the availability of such housing opportunities elsewhere or through programs explicitly designed to make these connections— they also are apt to be much better off. Of course, given the current minimal increments of housing assistance, these changes will become significant only over time. What is envisioned is a not a shift of 30 degrees, much less 180 degrees, but of a couple of degrees that over time can do a better effect assisted housing - employment linkages.

Without question, national housing policy generally distributes housing resources to areas with relatively low levels of jobs and/or relatively low levels of job growth. One can plausibly suggest that one of the key reasons poverty rates are so high in cities like St. Louis or Philadephia or many other central cities or inner suburbs is because of the relatively huge cache of subsidized housing compared to the relatively weak and/or declining job base of those cities. *One cannot pick up and move asset-based housing, but one can encourage the distribution and use of vouchers in locations that are more amenable to employment and earnings opportunities.* Given that few, if anyone, can determine where appropriate land uses will be 30 or 40 years in the future, it is almost folly to depend heavily on site-anchored housing assistance.

No vouchers at all. *Unfortunately, one cannot move to what this analysis would call a more effective geographical distribution of housing vouchers in the current institutional framework*, which is highly monopolistic. This situation exists not because of the explicit manipulation of current voucher administering agencies. It is simply that these organizations tend to have very limited geographical service areas. Both the difficulties and costs of portability and the desire to assist one's own customers add to this geographic problem.

One of the most noticeable aspects about the table in the appendix, and this is the other facet of the geographical location problem to which I earlier referred, is that there are some jurisdictions that have no vouchers because there no local organizations to administer them. In the Richmond region, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, Powhatan, and Prince George counties have vouchers, small in number as they may be, because of allocations from the state. Likewise, in Tennessee, Cheatham, Robertson, Sumner, Williamson, and Wilson counties have only state-allocated vouchers; and the same for Douglas County in Colorado. In each instance where states have provided vouchers to localities within a metro area, i.e., Virginia, Colorado, and Tennessee, the impact has been to improve geographic distribution. Although voucher portability recently has been emphasized, little evidence exists to show more than very marginal effects. Absent a local public housing authority, nearly all voucher-eligible households have access to vouchers only through state administration.

The Isolation of Vouchers

A second significant shortcoming of vouchers is their relative isolated use. The evidence here tends to be anecdotal or cursory. To an extent, this isolation refers to isolation from other housing resources, such as HOME and tax credits. More specifically, however, it refers to the relative lack of linkage of vouchers to human development resources. To encourage this linkage, the federal government often has had to create setasides or special additions to vouchers, whether these linkages be to welfare to work, family unification, developmental disabilities, homelessness or self-sufficiency. These special uses tend to be small and even when part of the more broad-based voucher resource, such as with the Family Self-sufficiency program, progress or effectiveness largely seems minimal. And these special programs reinforce the more general and I think more important point of “plain vanilla” vouchers, most of the vouchers in use, being unconnected to resources that over time could substantially lessen or even eliminate the need for housing assistance by voucher holders. And in saying this I am not implying that the use of such resources should be limited to, or even focused on, welfare recipients.

Two causes for this relative isolated use of vouchers can be suggested. First, nearly all the organizations that administer the voucher program are narrowly-focused housing agencies, with most not actively participating in the tax credit, HOME, McKinney, mortgage revenue, or Community Development Block Grant programs. Further many, perhaps most, voucher administering agencies have geographical service areas that correspond to their municipality; and most of these are relatively independent of municipal general purpose governments. Yet, nearly all mainstream human development resources are based in state and to a lesser extent, county and regional (multi-county) organizations (the advent of both TANF and the Workforce Investment Act have increased the number of multi-county delivery organizations, as states increasingly act on the fact that nearly all labor markets are multi-county). It is at best difficult for organizations that have a municipal geographic scope, especially when they are not integral to local general purpose government, to actively engage in coalitions and partnerships with mainstream human resource development deliverers.

Second, as mentioned earlier, housing policies and programs generally see housing as an end in itself, and view housing outputs as housing outcomes. In this context, organizations that administer housing resources are oriented to trying to use these resources efficiently, and this translates to using the resources as simply as possible, resulting in plain vanilla housing programs. And this view of turning housing resources into housing outputs as simply as possible is reinforced greatly when the amount of housing resources administered is fairly small. Using housing resources in other than plain vanilla ways requires much more in the way of leadership, managerial, and administrative resources. If there are no economies of scale in administering housing resources, there is much less opportunity to gather the extra resources to pay for the extra costs, and, in the beginning at least, the inefficiencies that usually accompany moving in new, innovative ways, even if these ways end up being much more cost-effective in the long run.

Does a State Voucher Block Well Address These Issues?

My perception is that tinkering with the current voucher framework will not address well the two *critical issues of geography and isolation and that the practical options to the current set of institutions are limited.* One option is for housing to embark on workforce development-type regional delivery system, as was done successively through CETA, JTPA, and WIA. But CETA embarked on fairly virgin territory with regard to employment training/development initiatives, and the housing field in anything but virgin in this regard. It would be impossible to initiate such a regional delivery system in housing and, although WIA has brought about improvements, workforce investment boards still are too often single county and, in some instances, single city.

Another option is to build on current regional organizations. One sub-option in this regard is to provide preference to effective multi-county organizations that have a track record of designing and implementing effective human resource development services and could staff up, if need be, to undertake housing. While some workforce development boards may move to become voucher providers in this scenario, most probably will not both because they have little experience with housing and may have their plates full with workforce development. Another sub-option is for HUD to RFP vouchers to a variety of existing or new organizations, with a very strong preference given to multi-county organizations and a preference to organizations that are involved in human resource development. While some such organizations may exist, most others would probably be cobbled together in response to such an RFP. HUD would be in a position to decide the relative merits of such applicants and probably also would be left with holes and gaps in coverage in most metropolitan areas. This last sub-option especially would require a long start up time, although it appears to be the option chosen in the voucher block grant bill if states opt not to administer the voucher program.

Almost by default it seems that states may be the best option. I will give several reasons for this but then close with some cautionary observations.

Why State Administration?

First, according to HUD's public housing data base in May 2003 33 states administered nearly 187,000 vouchers, and 28 states each administered more than 500 vouchers. Among these 28 states, the average number of vouchers administered is about 6,600. In addition to these 28 states, two states make significant use of their HOME funds for tenant-based assistance. Thus, there is a good-size core of states on which to build a voucher block grant. When coupled with the fact that nearly every state administers the HOME, CDBG, McKinney, tax credit, and mortgage revenue bond programs and that nearly all the state voucher administering agencies administer three or more of these programs, *one gets a sense that voucher administration would be nestled in a multiplicity of housing programs, unlike the current institutional framework for vouchers.*

Second, and perhaps most important, the characteristics of state voucher delivery systems lend themselves to overcoming one or both of the key issues of geographic distribution and isolation. States generally administer the voucher program through contracts to other organizations, or through state agency field offices, or through some combination. When contracting with other organizations states generally use a wide variety of organizations and/or organizations with multi-county service delivery areas. For example, Virginia uses 11 community action agencies, 14 city or county departments of housing or community development, four county boards of supervisors, 13 county social service agencies, a variety of nonprofit housing service or development agencies. New York uses even a more broad array of organization types, including several local public housing authorities. Colorado uses a variety of nonprofit human service agencies along with local public housing authorities, county social service agencies, and councils of governments. Montana uses human resource development councils, community action agencies, and local public housing authorities. In Indiana, Connecticut, and Colorado, voucher administering agencies are state human service agencies. *In other words, much of the state voucher delivery system is already structured to include or easily access human development resources.*

And in the relatively few instances where state use of human resource development organizations as voucher delivering agencies may not be substantial most states tend not to run plan vanilla voucher programs. Most states run a voucher program related to welfare to work (either a state-initiated program and/or the federal setaside); to the Family Self-sufficiency program; to homeless persons; to persons needing various kinds of health-related supports; and to those involved in education and training programs. Especially impressive for its links, mostly state-initiated, to a variety of support services is Massachusetts voucher program where in addition to Family Unification, Mainstream, a wide variety of services related to difficult-to-serve homeless populations, and welfare to work, the state has voucher programs that provide enhanced services to AIDS victims, to people needing community mental health services, and to elderly and near-elderly households who raise young children.

The point of this is not that many local public housing agencies don't have similar programs; some, perhaps many do, but that these kinds of service and support linkages tend to be the norm for most state voucher programs. And these expansive linkages tend to occur in state-administered programs for three reasons:

- The voucher delivery network of states usually encompasses a range of service-related organizations,

- State agencies work in a policy context where mainstream human development resources also are state-based, and

- States have some economies of scale that facilitate innovation, including service linkage. Another example of this is the relatively large share of states, compared to local public housing authorities, that have implemented homebuyer programs within their voucher programs.

Another aspect of most state delivery systems is that they are multi-county or even statewide. For example, Montana covers the entire state with its administration of the voucher program using 10 contractors each serving at least three counties (the exception is a local housing authority that for purposes of the state voucher program services an area 10 miles outside the city's limits). Massachusetts works statewide; Colorado covers three-fourths of its counties; Georgia serves all but 10 of the state's 159 counties; New Jersey uses field office staff in 18 of the state's 21 counties.

The geography of state voucher administration has two important policy implications. First, states reach into areas where there are no local public housing agencies and can easily solve many geographical allocation issues that HUD working through local public housing authorities cannot. Second, states substantially ease portability problems, in part through the geography of their service area but also in part because of their policies. For example, Colorado administers portable vouchers in numerous counties where housing authorities do not exist. New Jersey absorbs all the costs of all incoming vouchers that are received from other public housing agencies, and the state has won a HUD best practices award for its regional mobility program. Georgia reports that for fiscal year 2002, 1,193 families (about eight percent of its voucher recipients) either entered or exited the jurisdictions in which it managers vouchers, a significant percentage because it services 149 of the state's 159 counties. And as a final example, Michigan's policy encourages voucher holders to use rental assistance outside of concentrated areas of poverty and to this end the state places on its web site maps of nearly 100 cities and counties in which the "areas to expand beyond" are identified so that voucher recipients know in which neighborhoods they should seek housing.

Finally, it's important to raise another aspect, or possible consequence, of state voucher administration in light of HUD's need now to contract with over 2,000 local public housing authorities. A good example of this administrative simplification, which also produces economies of scale and geographic coverage, is shown in the neighboring states of Alabama and Georgia. Alabama, which does not administer vouchers, has 149 local public housing authorities, one for every 4,700 residents in poverty. Of the 149, 108, or 72 percent, each administers fewer than 250 units of public housing and of these 108 small housing authorities only 36 manage vouchers, averaging 110 vouchers per housing authority. In contrast, Alabama's neighbor, Georgia, has 199 local public housing authorities, one for every 5,200 poor residents. Of the 199, 147, or 74 percent, manage fewer than 250 public housing units. Yet of these 147 small housing authorities only two administers the voucher program, one for 1,538 units and one for 96 units. Georgia's management of the voucher program through its five regional offices nearly eliminates diseconomies of scale and provides for complete geographic coverage as the state's program covers all but 10 of the state's counties, with those 10 counties served by their local public housing authority.

What Might Happen?

In summary, it seems to me that state voucher administration is both the best and most practical way to overcome the critical issues of geography and isolation as well as to produce economies of scale in service delivery. But the extent to which states opt to administer the voucher program is a very open question, the answer depending in part of how flexible and simple the program is, administrative cost provisions, and the federal government's expressed commitment to continuing to fund the voucher program at a level that at a minimum ensures funding for the current number and type of vouchers and voucher recipients.

The vague funding commitment in the current bill may present a problem for states considering whether to accept a voucher block grant. And the other key problem perhaps is the requirement for a five-year status quo for current voucher recipients. As several witnesses before this subcommittee have testified, this can be an administrative nightmare. An alternative is to provide for a two-year status quo commitment, including keeping for these two years the current income targeting requirements. This would give states two years of running a voucher program largely similar to today's program and time to develop policies and organizational arrangements to move to a much more flexible block grant.

Although it is not primarily my purpose to comment on some of the details of the voucher block grant outline, I do want to raise or suggest some points for future consideration.

- States should be able to craft different voucher policy priorities in different parts of the state and should not have to operate uniform policies. It may be critical, for example, to give priorities to battered spouses in one part of the state, to people working while taking adult education in another part of the state, and to people with disabilities in another part of the state.

- State should be able to opt to use HQS in lieu of local codes.

- The issue of project-basing needs to be squarely addressed and given that the voucher program is a tenant-based assistance program, I would argue that the current limits, if not a tightening of these limits, be put in place.

- States should determine the appropriate delivery network.

- States should have no time limit, or at least an extended time limit, in choosing when to administer the voucher block program. These are not easy decisions, and even in the Small Cities Community Development Block Grant Program, states opted for administration largely over a three-year period (and some took even longer).

Even with this scenario I think we are looking at a transition to a flexible block grant that will occur only over time. States probably will opt for administration only gradually, and I would not be surprised if after three years of enactment many states still had not opted for the voucher block grant. I think this is good in the sense that states will opt for administration only when they feel confident about the program, their administration of the program, and the goals they wish to achieve with the program. My guess would be that many states would make use of larger and effective local public housing authorities for administration of the vouchers within a state policy framework. Further, my guess would be that states will make gradual changes year to year in the program punctuated periodically by larger, more innovative changes.

Contrary to many who earlier have testified before this subcommittee, I foresee a housing voucher block grant producing no cataclysmic shattering upheavals in housing but a responsible transition over time to a program that 1) deals well with the geographic distribution issues, providing to recipients improved access to employment opportunities and higher quality communities; 2) better integrates vouchers with other housing resources but more especially with human development resources; 3) creates value in ways not now anticipated; and 4) in the process creates economies of scale in voucher administration. And the need for a state voucher block grant rests primarily on the need to address the problems of geographic distribution and isolation.