Written Testimony

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for a hearing regarding

H.R. 1841 - Housing Assistance for Needy Families Act

before the

Housing and Community Opportunity Subcommittee

House Financial Services Committee

May 22, 2003

Chairman Ney, Ranking Member Waters, and members of the Committee, thank you for this opportunity to testify before the Subcommittee on Housing and Community Opportunity to discuss H.R. 1841, which would reform and replace the current Housing Choice Voucher program with the Housing Assistance for Needy Families (HANF) block grant program.

The Housing Choice Voucher program is HUD's largest program both in terms of annual budget authority and units under contract, providing rental and homeownership assistance to more than 1.8 million families. The Voucher program provides tenant-based assistance allowing families to seek out the best available housing in the market.

The purpose of the HANF proposal is to improve the delivery of tenant-based assistance to very low-income families. It would accomplish this objective by retaining the core elements of the tenant-based assistance program while stripping away the unnecessary requirements and regulation that are not central to the program's fundamental mission.

The current program's basic concept is still sound. However, there are serious shortcomings with its design and effectiveness. This is evidenced by two troubling figures; 1) over a billion dollars of tenant-based assistance have been annually recaptured by Congress, and 2) HUD pays upwards of one billion dollars in over-subsidy errors resulting from complicated, restrictive program rules. On one hand the money goes unused and thousands of eligible low-income families do not receive subsidies, while on the other hand, the government is paying too much for what is used. Reforming and simplifying the program can eliminate both of these staggering problems and provide more, not less housing to those in need.

Presently, HUD must administer the Voucher program through rules and regulations that apply directly and uniformly to 2,600 entities throughout the nation, half of which administer 250 or fewer vouchers. The sheer number of local administrative entities has significantly diminished HUD's ability to provide quality assistance and to monitor and accurately measure performance.

Moreover, the development of regulatory and statutory measures intended to construct a one-size fits-all program for every market area has resulted in a program that is overly prescriptive and unnecessarily difficult to administer, with hundreds of pages of regulations and guidance. The complexity of the Voucher program, its inability to allow timely adjustments to changing local markets, the multiplicity of federal directives and requirements has all made the Voucher program less effective.

Under H.R. 1841, HUD would no longer contract directly with local public housing agencies to administer the tenant-based assistance program. Instead, HUD would make grants available to states to provide tenant-based rental and homeownership assistance, either directly or through local entities, to eligible families. We believe that states would be able to make more timely and informed policy and funding decisions based on local need and market conditions as compared to administrators in Washington, D.C. These decisions include moving unused funding to heavy demand areas of the state at any given time during the fiscal year, and tailoring the program to better address the practices of the local market and needs of the community.

Current program administration is balkanized by local PHA jurisdictional boundaries. For instance, the local PHA is only concerned with landlord recruitment and retention within its own jurisdiction, not in surrounding towns or counties. Families, however, are better served by considering housing opportunities throughout a metropolitan area. States could coordinate housing search efforts on a regional, as opposed to a local, level.

States would have the ability to contract with the most effective entities to manage the program in any given area of the state, fostering greater accountability and competition in the program. State administration would reduce the administrative burden associated with running the program by consolidating some of the administrative duties currently replicated by every PHA in the state, such as reporting and budgeting.

While families receiving subsidies may presently move anywhere in the country where there is a voucher program in operation, the process of transferring the administrative responsibility from one PHA to another is often cumbersome and time-consuming, ultimately discouraging such portability. HANF would retain and expand portability of tenant-based assistance to all areas of the country, including those few areas not currently covered by the Voucher program.

In addition, state administration would eliminate the administrative burden of portability moves within a state, which account for over three-fourths of all moves between PHA jurisdictions. Moves between states would also be easier to accomplish.

The number of vouchers available to the state at a given time through normal turnover would permit the state to absorb the family into its own program and eliminate the cumbersome billing process often employed between PHAs.

Tenant-based housing assistance is uniquely suited to support self-sufficiency efforts by families. The subsidy allows families to move in pursuit of employment and educational opportunities without jeopardizing their housing assistance. Economic self-sufficiency and homeownership efforts would receive greater support and achieve greater results through better coordination with other State administered assistance programs such as TANF and One-Stop Career Centers. If we are sincere in helping families move toward economic self-sufficiency, we must better coordinate our efforts with regard to welfare, housing, education, workforce training, transportation, and infrastructure. Given that the administrative responsibility for these services lies primarily with the states, we believe that the states are uniquely situated to effectively coordinate these services for families receiving housing subsidies.

Some concerns have been raised that the HANF grants may be more susceptible to budget cuts as a block grant, or that increases in rents would outpace inflation, leaving states no choice but to reduce the number of families served. We believe the opposite to be the case. Because the changes brought about by HANF would facilitate greater utilization, the funding levels should be more sustainable and justified compared to the current program, which Congress just this year adjusted funding levels for to account for under-utilization.

Some assert that block grants have been more vulnerable to cutting in the annual appropriations process than others, so that block granting vouchers means that funding is less likely to keep pace with inflation in the future. The funding history of HUD's HOME block grant for housing doesn't support this argument. If the President's FY 2004 budget request is funded, the appropriation for the HOME program in 2004, adjusted for inflation, will be 14 percent higher than in the program's first year. The program has received regular annual increases since 1993. In fact, support in the budget and appropriations process for programs depends in good part on their performance. By strengthening the performance of the housing voucher program, the Administration's proposal would increase the chances that future funding increases will be provided by Congress.

Under H.R. 1841, annual funding would be adjusted by a formula that would take into consideration data specifically tied to housing costs, not inflation in general, as well as the number of families assisted, extent of poverty, state performance, and funding utilization. If a state is unable to fully utilize HANF grant amounts, the renewal of the grant the following year would be reduced by the unspent amount, eliminating the need for recaptures. The amount by which the renewal would be reduced would be provided as additional funding to high performing states, so that the overall amount of funding for the HANF program would not be impacted.

Another misconception is that states would be able to divert HANF funds for other purposes. Eligible activities under the HANF program would be limited to tenant-based rental and homeownership assistance, and the costs of administering the grants. States would only use up to 10 percent of the total grant as reimbursement for program administration by the state and local administrators to be selected by the states. These safeguards ensure HANF funding would not be diverted to non-program purposes or to meet other pressing state budget needs.

Conversion to the HANF program would maximize the number of families receiving housing assistance without shifting assistance away from those families with the most need. The initial amount of the HANF grant would be equal to the sum of all Voucher funding currently provided to public housing agencies in the state. The states would be required to maintain assistance for at least as many families as are currently served, and families under the voucher program at the time of the conversion to HANF would continue to receive tenant-based rental assistance under the current regulations through fiscal year 2009. In addition, any family participating in the Homeownership Voucher program at the time of the transition to HANF would continue to receive homeownership assistance under the same terms and conditions as the current program. Lenders can continue to underwrite loans with the full assurance that the rules under which they based those loans would not be impacted by the conversion of voucher assistance to the HANF program.

HANF would retain the same income targeting requirements as under the current Voucher program. States would be able to submit waiver requests to HUD for additional flexibility as public housing agencies do now, but only to the extent that not less than 55 percent of new admissions are extremely low-income, ensuring that the program continues to serve those who need it most. Moreover, in the future, national performance standards would be used to encourage and reward states that do a better job of reaching households most likely to benefit from assistance, and placed on the path toward self-sufficiency.

A major goal of H.R. 1841 is to simplify and reduce administrative burden on the program providers. For instance, a significant problem plaguing the Voucher program is an unacceptable error rate of approximately one billion dollars in the calculation of adjusted incomes and rental subsidies. One of the root causes of the problem is the myriad of different rules covering what qualifies as annual and adjusted income, coupled with numerous temporary full and partial exclusions and income disregards. These policies, however well intended, have simply made income determinations a far too complicated process. Under HANF, all income determinations would be based on gross incomes. States would have the flexibility set the percentage of gross income that families would be required to contribute as their share of the rent, but that percentage could not exceed 30 percent. As under the current voucher program, families may choose to pay more for higher priced rental units if they wish. Income verification would continue to be required on an annual basis for families, but lengthening the verification period for the elderly to only once every three years would significantly reduce the administrative burden.

Another example of reduced administrative burden concerns housing quality standards and the inspection process. Housing quality remains a component of the HANF program to ensure taxpayer dollars are only used to subsidize properties that are decent, safe, and sanitary. However, the HANF program would make significant changes to streamline the administrative burden of this function. For instance, under HANF, states may adopt housing quality standards that reflect State and local code, rather than continue to apply the Federal, one-size-fits-all standard. All units would continue to have to be inspected for compliance before the unit is initially leased. However, subsequent inspections of currently assisted units would be reduced to a third of all units each year. The state would be required ensure that every assisted unit is inspected not less than once every three years. This flexibility would allow the state to concentrate its resources on those units that require the most attention.

In summary, H.R. 1841 offers us an opportunity to make significant improvements to a program that serves nearly two million low-income families. It moves administrative decision-making out of Washington and closer to the communities and families affected along with additional program flexibility to address local needs. The state would have the means to reallocate funds or take other actions that may be necessary so that program funds are expended promptly. Finally, the HANF program improves government support of self-sufficiency efforts for assisted families, efforts to reduce homelessness, and to help the disabled live independently. It does this by facilitating greater coordination with State-administered programs related to education, job training, child care and health care, inclusive of other state-administered federal programs like TANF (Temporary Assistance for Needy Families) and One-Stop Career Centers.

Thank you again for this opportunity to testify, and I look forward to answering any questions that you might have.