

New kid on the block

Would turning the Housing Choice Voucher Program into a block grant improve it, or create a new underfunded mandate for the states?

BY LAURIE CLEWETT

You've probably heard about TANF – Temporary Assistance for Needy Families, the state block grant program created through the 1996 federal welfare reform bill.

But have you heard of HANF? If not, that may be because it doesn't exist ... yet. Housing Assistance for Needy Families is a new proposal by the Bush administration, first introduced earlier this year as part of the U.S. Department of Housing and Urban Development's proposed fiscal year 2004 budget.

In April, H.R. 1841 and S.947, both known as the Housing Assistance for Needy Families Act of 2003, were introduced in Congress with details of the proposal.

Just as TANF replaced two major welfare programs – the Aid to Families with Dependent Children and Job Opportunities and Basic Skills Training programs – with a block grant for states, so would HANF replace Section 8, the largest federal housing program, with a state block grant.

While some people praise the proposal, saying it will make needed improvements, others say it is a radical, uncalled for reform that will undermine the program's effectiveness, hurt recipients, and may become an underfunded mandate for the states.

What is Section 8?

The Housing Choice Voucher Program, commonly known as Section 8,



serves about 1.9 million families, with more than \$12.4 billion in funding for FY 2003. Started in 1976 under the Nixon administration, the program gives very low-income families, the elderly and the disabled vouchers to help pay for rent in the private market.

Recipients typically pay about 30 percent of their income for rent, using the voucher to pay the rest. This market-based approach allows them to choose their own housing in any eligible property where the landlord accepts vouchers.

"Its most important advantage is that vouchers give recipients the freedom to choose the kinds of housing and the locations that best meet their needs," said Margery Austin Turner, director of the Metropolitan Housing and Communities Center at the Urban Institute.

In some cases, the vouchers go directly to landlords who agree to reserve a certain number of units for Section 8 participants. Some vouchers are also used toward mortgage payments and down-payment assistance.

According to the Center on Budget and Policy Priorities, 17 percent of voucher households are elderly and another 22 percent include an adult with a disability. In 42

percent of the households, the main income comes from pension, disability or retirement benefits, such as Social Security or Supplemental Security Income.

Thirty-five percent of voucher recipients are working poor, whose income comes mainly from wages. Another 22 percent receive welfare benefits, but only 13 percent receive most of their income from welfare benefits or state general assistance programs.

Currently, HUD funds more than 2,600 agencies that administer the program. Some states do currently administer a limited number of vouchers, but the vast majority are administered by local public housing authorities.

Under HANF, HUD would give block grants to the states, territories, Washington, D.C. and the commonwealths of Puerto Rico and the Northern Mariana Islands, reducing the number of administering agencies to about 60. States could then contract with local public housing authorities or other entities to manage the program.

States would submit a performance report to HUD and would receive an administrative fee. Fiscal year 2004 would be a transition year, and HUD would begin giving states block grants in FY 2005.



Why block grants?

Through block grants, the legislation aims to improve administration in order to make the program more effective; increase flexibility; and facilitate greater coordination with TANF and other programs that promote self-sufficiency, such as those under the Workforce Investment Act.

“The sheer number of local administrative entities has significantly diminished HUD’s ability to provide quality assistance and to monitor and accurately measure performance,” testified Michael Liu, HUD’s assistant secretary for public and Indian housing, at a recent congressional hearing. Liu noted that half of the 2,600 entities HUD works with administer 250 or fewer vouchers.

Liu said that a one-size-fits-all approach from Washington “has resulted in a program that is overly prescriptive and unnecessarily difficult to administer, with hundreds of pages of regulation and guidance.”

He told members of the U.S. House of Representatives that the plan would reduce the administrative burden by consolidating at the state level functions that are currently performed by multiple local agencies. States would be better positioned to respond to local needs, he said.

Barbara Thompson, executive director of the National Council of State Housing Agencies, agrees. “States are uniquely positioned to administer federal housing resources,” she said. “They understand local housing needs and markets, while bringing a regional perspective to problems that cannot be solved within municipal boundaries.”

In addition, proponents say, state administration would increase portability, making it easier for recipients to move from one jurisdiction to another.

“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,” Liu said. “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.”

Harvard University’s Howard Husock called the proposal one of “the most promising housing policy proposals in many years.” “A block grant and state administration of Section 8 can set the stage for a period of housing policy innovation – much as we saw state governments experiment, many successfully, with welfare-to-work programs in the early 1990s, even before the passage of TANF,” he said.

Range of responses

But most of the witnesses at recent House hearings have been less enthusiastic.

“It is a rash proposal, advanced under the guise of reform, that can damage a form of housing assistance that has had decades of bipartisan support,” said Craig Garrelts. Garrelts, executive director of a housing authority in Logan, Ohio, spoke on behalf of the National Leased Housing Association.

Opposition has been especially strong at the local level and from housing advocates. A variety of local organizations – including the U.S. Conference of Mayors, the National League of Cities, the National Association of Counties, and the National Association of Local Housing Finance Agencies have all expressed opposition to the idea of a block grant.

So have the National Association of Housing and Redevelopment Officials, the National Community Development Association, the National Low Income Housing Coalition, the Public Housing Authorities Directors Association, the Council of Large Public Housing Authorities, and others.

Even some people who support the idea of a state block grant are concerned about HANF’s provisions.

“HANF is a step in the right direction, but as currently designed, I don’t think it should be enacted,” said Jill Khadduri, principal associate with Abt Associates Inc., a research firm that has done most of the research and evaluation of the Section 8 program throughout its history.

“Though we support a Section 8 voucher block grant in concept, we have taken a neutral stance on the administration’s plan because of our serious concerns about the adequacy of the program funding and administrative flexibility it proposes,” said Thompson, on behalf of the National Council of State Housing Agencies.

Funding is key

Although opponents give a long list of reasons for their opposition, the key reason is funding. Many worry that HANF would not provide states with enough money to maintain the current level of assistance.



Historically, they argue, funding for block grants tends to decline over time relative to need. Moreover, as written, the bills do not tie funding to actual housing costs.

At the current funding level, there are already long waiting lists for vouchers. According to the Center on Budget and Policy Priorities, three-fourths of households eligible for vouchers receive no federal housing assistance.

“Replacing the voucher program with a block grant would take us backward,” said the Urban Institute’s Turner. “Instead of resolving the fundamental dilemma of inadequate funding for affordable housing, a block grant would make housing hardship a state problem rather than a federal problem, and open the door to untested program changes that could undermine the proven strengths of the voucher program.”

Inadequate funding, opponents argue, would leave states with few choices. “State flexibility would consist largely of flexibility to determine how cuts in voucher assistance would be implemented,” according to a recent brief by the Center on Budget and Policy Priorities.

Opponents also argue that, in the current fiscal climate, states would be tempted to use the funds for other purposes.

“If HANF goes forward, states will use the money like they’ve used the tobacco money,” said Neil Molloy, executive director of the Housing Authority of St. Louis County and a former Missouri state legislator. “They’ll substitute it for declining general revenues whenever they have a problem. Housing is not the first priority in the state of Missouri, and I don’t believe it’s the first priority in any of the states,” he said.

Indeed, some advocates worry not only that funding for vouchers would not keep pace with the demand, but also that the HANF proposal is a deliberate attempt to set the program up for future cuts.

“Protestations that erosion of the voucher program is not the intent of the proposal notwithstanding, the mounting federal deficit and the debt that it will create will force harsh measures in the not-too-distant future,” said Sheila Crowley, president of the National Low Income Housing Coalition. “In the current fiscal environment, converting the housing voucher program to a block grant is best understood as stage-setting

for future cuts to the program.”

However, HUD’s Liu disagreed. “Support in the budget and appropriations process for programs depends in good part on their performance,” he said. “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.”

Another underfunded mandate?

A decline in federal funding could not only affect voucher recipients, it could also hit states in the wallet.

Between 2005 and 2009, subject to availability of appropriations, states would be required to serve at least the average number of families they served during the 120-day period ending September 30, 2004. After 2009, there would be no minimum requirement.

The bills contain a “grandfathering provision” that allows families who receive current assistance to continue under the existing terms until 2009. If the block grant did not provide sufficient funds to cover all those families, states would be required to “make every effort to continue to provide assistance to the greatest extent possible to the same number of families.”

The National Association of Housing and Redevelopment Officials estimates the proposal would cost states between \$1.1 billion and \$1.8 billion over the next five years. NAHRO estimates 42 states would experience shortfalls, ranging

from \$100,000 in Wisconsin to \$727 million in California.

“HANF must not become an underfunded state mandate,” said the National Council of State Housing Agencies’ Thompson. “NCSHA shares the concern voiced by many other housing organizations that HANF as proposed would be vulnerable to future funding cuts or insufficient funding increases.”

Local control

Along with fears about funding, critics argue that states don’t have the capacity to administer the program. They say transferring the responsibility to them would create a new layer of bureaucracy that would complicate the program, undermine its effectiveness, and reduce funds available to tenants.

Local entities, they argue, are better equipped to administer the program, and have a long history of doing so effectively. Some say it’s ironic that a proposal ostensibly designed to increase responsiveness to local needs would actually diminish local control.

“Housing voucher assistance is essentially a local function, reliant upon local agencies to work with landlords and changing local markets to help families find housing at a reasonable cost,” said Jim Inglis, senior vice president of NAHRO.

“One of the most problematic aspects of the proposal is the states’ ability to discriminate against substate areas,” said Henry Marraffa Jr, a Gaithersburg, Md.

Internet Resources

- U.S. Department of Housing and Urban Development, “Housing Choice Vouchers”
www.hud.gov/offices/pih/programs/hcv/
- U.S. House of Representatives Committee on Financial Services, “The Section 8 Housing Assistance Program: Promoting Decent Affordable Housing for Individuals and Families Who Rent” (series of hearings)
<http://financialservices.house.gov/hearings.asp>
- Center on Budget and Policy Priorities, “Special Report Series: Housing Voucher Program”
www.cbpp.org/housingvoucher.htm
- National Council of State Housing Agencies
www.ncsha.org/
- National Association of Housing and Redevelopment Officials
www.nahro.org/

councilmember, speaking on behalf of the National League of Cities. “A state could shift vouchers from community to community, provide more administrative resources to one area over the exclusion of another, or even bar the use of vouchers in certain regions. This is politics at its worst.”

Inglis said that rural areas would probably suffer most in the intrastate competition for funds.

Integrating housing and social policy

But others argue that states have the capacity to administer the program, and could do so better than local governments because they could integrate it with other housing programs and social services.

“States have the capacity to administer the voucher program,” said Thompson, noting that state housing finance agencies “possess a multidecade record of responsibility, effectiveness, accountability and success in administering tens of billions of dollars in housing assistance.”


State-level administration would make it easier to integrate HANF not only with other housing programs, supporters say, but also with social services such as TANF and other self-sufficiency programs.

“[HANF’s] promise lies in the potential it holds for considering housing policy not in a vacuum but in the context of domestic policy more broadly,” said Husock.

But critics say the HANF/TANF comparison is misguided. Section 8 is not a welfare program, they argue, and serves a different population than TANF does – mainly the working poor, elderly and disabled.

Block grant debate continues

Although the details of the Housing Choice Voucher Program may be unfamiliar, the broader debate should sound familiar to many state government officials. HANF is one in a series of recent proposals to give states block grants for federal programs, including Medicaid and Head Start.

Whether or not HANF and its specific provisions ultimately pass, the block grant debate is likely to continue. 

— Laurie Clewett is the associate editor of *State Government News*.

Table 1. States' projected funding shortfalls under HANF

State	Scenario 1 (CPI)	Scenario 2 (AAF)
Alabama	\$1,171,008	-\$2,912,112
Alaska	\$1,062,120	\$209,880
Arizona	-\$19,952,592	-\$15,623,256
Arkansas	\$1,634,472	-\$1,522,416
California	-\$727,818,552	-\$398,519,508
Colorado	-\$37,923,696	-\$13,469,904
Connecticut	-\$22,288,200	-\$12,937,320
Delaware	-\$415,656	-\$879,504
District of Columbia	-\$22,578,576	-\$18,459,792
Florida	-\$46,630,200	-\$54,006,300
Georgia	-\$64,157,952	-\$41,988,264
Hawaii	\$37,024,176	\$21,116,676
Idaho	\$1,860,804	\$0
Illinois	-\$67,706,220	-\$5,355,588
Indiana	-\$2,089,152	-\$2,476,032
Iowa	-\$697,392	-\$4,572,720
Kansas	-\$4,903,920	-\$3,582,864
Kentucky	-\$3,631,836	-\$8,622,588
Louisiana	-\$14,975,856	-\$18,077,568
Maine	-\$4,591,560	-\$5,343,912
Maryland	-\$65,105,280	-\$51,597,216
Massachusetts	-\$194,026,884	-\$107,772,168
Michigan	-\$21,015,540	-\$16,560,180
Minnesota	-\$50,937,012	-\$31,080,828
Mississippi	-\$2,942,940	-\$6,879,180
Missouri	-\$41,696,232	-\$29,947,152
Montana	\$66,096	\$193,392
Nebraska	-\$1,834,560	-\$3,520,944
Nevada	-\$6,867,360	-\$4,021,920
New Hampshire	-\$7,883,688	-\$997,296
New Jersey	-\$41,582,376	-\$2,573,424
New Mexico	-\$800,064	-\$3,083,580
New York	-\$86,527,76	-\$140,160
North Carolina	-\$19,148,052	-\$26,520,564
North Dakota	-\$141,636	\$432,564
Ohio	-\$66,619,056	-\$53,778,480
Oklahoma	-\$16,355,712	-\$20,251,968
Oregon	-\$14,587,848	-\$10,491,984
Pennsylvania	-\$41,073,888	-\$35,824,896
Puerto Rico	\$0	\$0
Rhode Island	\$7,864,608	\$6,394,752
South Carolina	-\$1,660,176	-\$5,825,988
South Dakota	-\$427,584	-\$238,944
Tennessee	-\$5,754,672	-\$11,348,568
Texas	-\$109,717,704	-\$53,349,420
Utah	-\$12,923,856	-\$11,803,572
Vermont	-\$1,831,680	-\$2,424,960
Virgin Islands	\$0	\$0
Virginia	-\$47,414,880	-\$44,093,376
Washington	-\$35,524,248	-\$1,660,152
West Virginia	-\$843,696	-\$2,130,624
Wisconsin	-\$100,188	\$535,788
Wyoming	\$91,920	\$170,052
TOTAL	-\$1,884,930,774	-\$1,117,214,088

Source: National Association of State Housing and Redevelopment Officials.

Notes: Scenario 1 assumes the block grant inflates based on the Consumer Price Index.

Scenario 2 assumes inflation based on HUD’s Annual Adjustment Factors.

Negative numbers show projected funding shortfalls.