

Should the Housing Voucher Program Become a State-Administered Block Grant?

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Abstract

The Bush administration has proposed that the current national Housing Choice Voucher Program, which has an essentially uniform program design and is administered largely by local public housing authorities, become a block grant administered by the states. This article examines the potential benefits and hazards of such a change.

While this article does not support or analyze directly the administration's proposal, it concludes that state administration is fundamentally a good idea. However, the choice-based nature of the voucher program should be preserved, and the early stages of implementation should permit changes to the program's subsidy structure and housing quality inspection only in selected states and with careful evaluation. The law enacting the new program should include clearly articulated goals and mandated reporting requirements. Also, the program should be funded and monitored to maintain the national commitment to meeting the housing needs of low-income renters.

Keywords: Affordability; Housing assistance programs; Mobility

Introduction

The Housing Choice Voucher Program provides about \$11.5 billion each year in rental subsidies to more than 1.6 million poor and near-poor U.S. families and individuals. Started in 1974, the program supplies a subsidy that approximates the difference between a payment standard at about the middle of local private rent distribution and 30 percent of a household's income. As the word "choice" in the program's name is meant to convey, subsidized households choose their housing units from among all those available in the private rental market and affordable with the aid of the subsidy. The owner of the rental unit (the landlord) must be willing to participate in the program, and the housing unit must pass a health and safety inspection. The local program administrator pays the landlord the difference between an agreed-on rent for the unit and 30 percent of the household's income. The household makes a separate payment for its share of the rent. The program's costs—both the subsidies paid on behalf of households and the salaries and expenses of local administrators—are part of the federal budget and are appropriated by Congress each year for the Department of Housing and Urban Development (HUD).

The Bush administration has proposed to turn the voucher program into a block grant called Housing Assistance for Needy Families (HANF) to be administered by the states. The proposal was announced in the administration's fiscal year (FY) 2004 budget and elaborated in legislation introduced by Senator Allard and Congressman Ney in April 2003 (HUD 2003; S. 947 and H.R. 1841).

This article does not analyze the Bush administration's proposal, and it neither supports nor opposes that proposal as detailed in the bills that have been introduced. Rather, the proposal is used to provide a context for examining the concept of converting the Housing Choice Voucher Program to a state block grant. The article reviews the strengths and shortcomings of the voucher program as currently designed and implemented, assesses the advantages and disadvantages of consolidating program administration in a state-level block grant, and proposes design features that would overcome the potential disadvantages of a block grant.

The Bush administration's proposal

The funding level that will be requested for the block grant proposed by the Bush administration is not specified precisely because federal budgets are annual and FY 2004 would be a transition year, but presumably it would be at least the \$13 billion proposed for the voucher program in 2004. This program has never been an entitlement like Food Stamps, in which all households that meet certain criteria are eligible to receive a subsidy. Therefore, there is no dollar amount representing full funding, although HUD does estimate periodically the number of rental households that have severe (or worst-case) needs for housing assistance and do not receive it. As of 1999, there were 4.9 million such households (HUD 2001). As is currently the case, the program's annual budget might be sufficient to serve the same number of households at the same subsidy levels as the previous year, plus some additional number of program slots to be added in the current year. The program has experienced this kind of incremental growth since its enactment in 1974. Presumably, this would continue to be an annual decision made by Congress in response to the president's budget proposals.

State agencies are already among those administering the voucher program as agents of HUD, but more than 2,500 local public housing authorities (PHAs) administer the bulk of the program. PHAs are created pursuant to state law, but they have local boards of directors and are embedded to varying degrees in local city or county governments.

Under the Bush proposal, an annual amount would be allocated to the 50 states, the District of Columbia, and the U.S. territories. As primary grantees, the states would have several options for administering the program. They could use branch or district offices of a state agency (a housing agency or some other state agency such as the welfare department), they could contract with local PHAs, or they could contract with private nonprofit or for-profit program administrators.

The Bush budget proposal says that the allocation to the states “will be coupled with additional flexibility in program rules and laws, to allow states to better address local needs and to commit vouchers for program uses that would otherwise go unused.” The legislative proposals do not spell out this additional flexibility in great detail, but it could take several forms (HUD 2003; S. 947; and H.R. 1841).

1. States could be permitted to alter the part of the subsidy formula that relates the maximum benefit to local housing costs. HUD estimates and publishes Fair Market Rents (FMRs) that control a range within which the program’s payment standards can be set.¹ FMRs are set at a level intended to make approximately the same portion of the local rental housing stock available to voucher users in different geographic areas. (With some exceptions, this is 40 percent of rental units that are not substandard and that have “current” rents reflecting a recent change in occupants.) Under a block grant, states would be permitted much greater latitude in setting payment standards, so that benefit levels for similarly situated households would relate to local housing prices in very different ways. For example, one state administrator might determine that it is particularly difficult for households to find qualifying housing with willing landlords in a particular metropolitan area and set the payment standard there at the 50th percentile. Another state administrator might determine that the entire state has a relatively loose housing market and try to serve a larger fraction of households with unmet needs by setting the payment standard at the 35th percentile.
2. States could be permitted to alter the part of the subsidy formula associated with household income. Currently most households pay 30 percent of the income that remains after a few deductions for dependents and for medical and child care expenses. Changes to the household’s share of the rent could take many different forms. Some examples, by no means exhausting the possibilities, are as follows:

¹ Payment standards can be set anywhere between 90 and 110 percent of the FMR. HUD must approve payment standards outside this range.

- a. Providing work incentives through deductions for earned income and work-related expenses
 - b. Making the household's payment a flat amount, such as \$250 a month, not related income²
 - c. Setting floors and ceilings on the amount the household pays, with rent varying by income in the range between the floor and the ceiling
 - d. Pegging the initial household payment to income and then increasing the payment periodically without regard to income ("stepped rents")
3. States could be permitted to create time limits on the use of vouchers by particular households. These could be a specified number of years (or months)³ for which a subsidy could be paid, or they could be created by the subsidy formula. For example, pegging the initial household payment to income and then increasing it automatically could create a de facto time limit, as the household's payment grows to equal the entire payment standard.
 4. States could be permitted to use voucher block grant funds for purposes other than tenant or choice-based housing assistance. Under the Housing Choice Voucher Program, up to 20 percent of voucher subsidy slots can be attached to particular buildings. This quota is restricted to mixed-income housing,⁴ and the property must be in a census tract with a poverty rate below 20 percent. A block grant

² Note that \$250 is used as an example because that amount would be 30 percent of a \$10,000 annual income, the current average for voucher households. The amount might be made to vary with the size of the household or the number of bedrooms in the unit. A variant of this concept is to make the subsidy (the amount of rent paid by the program) a flat amount; the household's share would then vary depending on the total rent.

³ The model created by the Temporary Assistance for Needy Families program, in which the time limit is based on cumulative months receiving a welfare benefit, might not be appropriate for a housing voucher. Because the voucher subsidy is linked to occupancy of a unit, it is less likely that a household's status will change frequently between assisted and unassisted over a short period. In addition, the household's income is reexamined annually for the voucher program, so eligibility for assistance and benefit levels do not change as often as they do for welfare programs.

⁴ Mixed-income housing is defined as buildings that have no more than 25 percent project-based vouchers, unless the project consists of single-family properties or is intended for occupancy by elderly or disabled persons or by "families receiving supportive services" (*Federal Register*, 3606).

might increase this flexibility, permitting states to use a higher portion of funds—or even all funds—for housing subsidies that are not choice based.

5. States could be permitted more flexibility than exists under the current program for using block grant funds to cover administrative costs or services related to the use of choice-based vouchers. In the current program, subsidy and administrative funds are segregated. Examples of voucher-related uses of funds other than rent payments on behalf of households include the following:
 - a. Housing search counseling or direct assistance to households in the search for units
 - b. Financial assistance to households for the initial costs of leasing a new unit, such as security deposits and utilities start-up
 - c. One-time bonus payments to landlords to cover the additional expense of renting to voucher households—for example, for holding a unit off the market while the voucher’s housing inspection is completed and the appropriate rent level determined
6. States could be permitted to alter, or even eliminate, the quality standards that are now enforced by an inspection of the unit leased by a voucher family, both before the PHA begins rent payments to the landlord and annually thereafter.

The administration’s voucher block grant proposal envisions a transition period of 1 year (FY 2004), during which time states would “ramp up in preparation for administering the HANF program” (HUD 2003, 20). The budget request includes \$100 million to help states prepare for the program. States already administering vouchers could begin immediately to request “incremental” vouchers and waivers from current program rules. In 2005, each state would receive a share of the program’s appropriation proportional to the amount of voucher funding received by all program administrators in that state in 2004. Starting in 2006, allocations would be governed by a formula (S. 947).

Recommended features of a voucher block grant program

With such potential flexibility in mind, this article recommends the following as essential features of any voucher block grant legislation:

First, the choice-based nature of the program should be preserved, meaning that eligible activities should not be broadened to permit states to use funds to build or rehabilitate rental housing or homeownership units. If anything, the quota of vouchers that can be project based should be eliminated or further circumscribed.

Second, the program should continue to serve a number of households at subsidy levels that can be easily measured and reported, so that the adequacy of the proposed funding can be assessed and related to estimates of need for housing assistance at the national and local levels. There should be explicit legislative language relating the program to measures of housing need.

Third, the program should have carefully defined performance goals and a well-developed system for monitoring state performance.

Finally, a longer transition period, modeled on the transition of welfare assistance from Aid to Families with Dependent Children (AFDC) to Temporary Assistance for Needy Families (TANF), should pass before certain types of flexibility are permitted to all states. During that transition, states could experiment with changes to the subsidy formula, with time limits, and with alternatives to the housing quality inspection. On the basis of that experience, which would include evaluations of the effect of such changes on the behavior and well-being of households and on program costs, all states would be in a better position to make policy choices under the block grant.

The next section of this article provides support for the time needed for careful program design and a longer transition period by showing that the voucher program is not in crisis or broken in a way that demands immediate repair. The article then reviews, in turn, the considerable advantages of making the voucher program a flexible block grant to the states, the potential disadvantages, and, finally, the ways to prevent or overcome those disadvantages.

No need to act precipitously to change the voucher program

Voucher program accomplishments

The housing voucher program has been—and still is—among the most successful of HUD programs. It serves well the purpose for which it was created: to solve the housing problems of low-income households. These problems are dominated by severe rent burden, since many

families and individuals pay more than half of their income for rent if they do not receive federal housing assistance. Severe rent burden is especially prevalent among those with incomes below the poverty level or the locally varying equivalent to the poverty level—30 percent of area median income (HUD 2001). The voucher program addresses this problem by providing a subsidy permitting a family to rent typical private-market housing with a substantially reduced rent burden.⁵ For households with other types of housing problems—crowded housing, units in substandard condition, or housing that is not in a location that meets the household's needs—the voucher program enables a move to a more suitable unit. Three-quarters of voucher users move to different housing units (Finkel and Buron 2001).

Not every household that receives a voucher succeeds in using it, but a substantial percentage do. The voucher success rate—the percentage of households that lease a qualifying unit and receive a subsidy—has varied over time, increasing from 68 percent in the mid-1980s to 81 percent in 1993 and dropping back to 69 percent in 2000 (Finkel and Buron 2001). Voucher success rates vary somewhat by type of housing market; that is, rental markets with low vacancy rates show somewhat lower success rates than loose markets.⁶ Success rates vary less by type of household and do not vary at all based on the race or ethnicity of the head of household.⁷ Success rates are actually greater for relatively poorer households, those with incomes below 30 percent of area median income; such households make up three-quarters of all those using vouchers (Finkel and Buron 2001; HUD 2002a, 2002b).

The voucher program has been a particularly successful vehicle for serving families with children. Almost two-thirds of voucher households have children, compared with only 42 percent for public housing and 30 percent for privately owned project-based assisted housing (HUD 2002b). When offered a choice between using a housing voucher and moving to another public housing development, families with children

⁵ Some voucher households pay as much as 40 percent of their income for rent, rather than the 30 percent that is the program's benchmark because they are permitted to occupy units with rents above the payment standard. This feature of the program is intended to allow households to make trade-offs within their overall budgets and to avoid confining voucher households to lower-quality housing units and locations.

⁶ In a study of success rates in metropolitan areas in 2000, rates ranged from 61 percent in very tight markets to 80 percent in loose markets, when the tightness of the market was assessed for that portion of the rental market available to voucher holders (Finkel and Buron 2001).

⁷ The racial/ethnic makeup of the program is 40 percent non-Hispanic white, 41 percent non-Hispanic black, 16 percent Hispanic, and 3 percent other (HUD 2002b).

relocating from demolished public housing developments are particularly likely to choose a voucher (Buron et al. 2002). Vouchers can help stabilize the lives of welfare families and enable them to increase their employment and earnings (Lee et al. 2002).⁸ More than half of voucher households not headed by an elderly or disabled person receive the majority of their income from earnings.

People with disabilities have also used the program with great success. Even though these individuals may need services or special housing features, the voucher program serves them at the same rate as HUD's project-based rental assistance programs. Households headed by a person with a disability occupy 13 percent of public housing and project-based assisted housing units, and 13 percent of voucher users have a disability (HUD 2002b). The success rate for using vouchers is just as high for households headed by a disabled person as it is for other types of households (Finkel and Buron 2001). The program is increasingly popular among people with disabilities and their advocates because vouchers enable people to live in rental housing throughout the community rather than among other people with disabilities (Ridgway et al. 1994; Tanzman 1993).

Adjustments made to voucher program design

It has been possible for the federal government to fine-tune the voucher program over time—for example, adjusting subsidy levels to balance cost considerations against feasibility. The FMRs were originally set at a higher point in the rent distribution. Over time, they have been reduced from the 50th percentile of rents for standard-quality units to the 45th percentile and, ultimately, the 40th percentile to control program costs. To make the program more workable for families needing three or more bedrooms, FMRs for such units were increased relative to smaller units at the same time that overall FMRs were reduced (HUD 1986). Most recently, the FMRs for some metropolitan areas were increased to the 50th percentile in an attempt to expand locations in those metropolitan regions in which vouchers could be used.

Another feature of the program that has changed over time is the way in which the household's rent payment is related to the full rent paid to the landlord. The Housing Choice Voucher Program is a merger (completed in 2001) between two older programs, Section 8 certificates and Section 8 vouchers, both choice-based programs and commonly referred

⁸ Evidence on this point is limited but increasing.

to (as they are in this article) as “vouchers.” In the certificate program, households always paid the same percentage of their income (for most households, 30 percent), regardless of the rent for the unit. In the voucher program, the rent paid by the household varied by whether the rent was above or below the payment standard. Only if the unit rented exactly at the payment standard was the household’s rent exactly 30 percent of income. The current program builds on numerous evaluations of program performance—both survey research by external contractors (e.g., Leger and Kennedy 1990, who compared certificate and voucher program designs) and continuous analysis by HUD staff of administrative data. The Housing Choice Voucher Program contains some of the features of each of the earlier programs. For example, as in the original voucher program, households are permitted to lease units with rents higher than the payment standard and pay the difference. As in the original certificate program, local administrators must determine that the total rent received by the owner is no greater than rents for comparable private-market units.⁹

Finally, a feature was added to the voucher program in the mid-1980s to make vouchers “portable” outside the geographic limits of the PHA issuing the voucher. The household can take the voucher to another location, and the PHA responsible for that location takes over the administrative functions needed for leasing a local unit, including inspecting the unit and making rent payments to the landlord (Feins et al. 1997).

The voucher “utilization crisis”

The Bush administration’s proposal for turning the voucher program into a block grant to the states points to the problems some local administrators have had in using the full amount of voucher funds allocated to them. The justification for the block grant in HUD’s budget summary for FY 2004 argues that a smaller number of administrators with larger programs and greater flexibility would be in a better position to use program resources (HUD 2003). However, before moving hastily to a poorly designed block grant, it is important to put the voucher utilization crisis in perspective.

As of 2000, the portion of voucher subsidy funds used by some PHAs (their utilization rates) was indeed very low and varied widely. The

⁹ The original differences between vouchers and certificates are described in Leger and Kennedy 1990. The final rule implementing the merger of the programs was published in the *Federal Register* on October 21, 1999.

reasons for a low rate also varied greatly from PHA to PHA. Sometimes the reason was deliberately cautious fiscal management on the PHA's part, and that caution was sometimes a response to earlier guidance from HUD intended to prevent the voucher program from experiencing a budget shortfall. By the time HUD and Congress became concerned about underutilization of voucher funds, the cautious practices of PHA financial managers were difficult to change (Finkel et al. 2002).

For many PHAs with low utilization rates, the problem was that program staff did not have a systematic method for determining the number of vouchers they needed to issue to new households each month in order to use all available funds. Recordkeeping was poor on such matters as tracking how many of the households invited to come to the PHA's office to receive a voucher actually appeared. Other elements of program flow that were often poorly tracked included how long it took a typical household to start receiving the subsidy and how many households did not join the program, but instead turned back the voucher for reissuance to a different household (Finkel et al. 2002).

A study commissioned by HUD to help explain the reasons for low utilization rates found that the overall quality of the PHA's management of the voucher program affected utilization and that PHAs experiencing a hiatus in the leadership of the voucher program or other major staffing changes often had precipitous drops in utilization (Finkel et al. 2002). The study also found that good administrative practices, such as providing search assistance to households and good service to landlords, sometimes helped PHAs keep utilization rates high. While it was easier for PHAs with loose rental housing markets and high success rates for households trying to use vouchers to keep utilization rates high, some PHAs with very challenging market environments were nonetheless able to use all of their program resources (Finkel et al. 2002).

The size of a PHA's voucher program does not appear to affect the utilization rate. The utilization determinants study was not able to analyze this issue directly (because a specified number of high- and low-utilization PHAs were selected for the study from each size category) (Finkel et al. 2002). However, a separate analysis of HUD administrative data on utilization rates shows no pattern related to size and also no pattern related to whether the housing authority is a state agency or a local PHA. However, the study did find that utilization problems were sometimes related to overlapping jurisdictions of PHAs—multiple program administrators causing confusion by covering the same territory with different rules and practices. This issue will be discussed at more length in the next section.

One of the most interesting findings of the study is that utilization rates were rising rapidly during 2001 and 2002 in response to HUD's pressures on PHAs to increase their utilization rates or risk both losing program funds and scoring badly on the voucher program's performance measurement system (Finkel et al. 2002). In other words, the problem was being solved without a fundamental change in program administration.

Some shortcomings of the voucher program

The voucher program has been in operation for almost 30 years, has been remarkably free from scandal, and has been administered with a high degree of integrity. If it has a fundamental weakness, it is simply that it has never been an entitlement program and that budgetary constraints have prevented it from serving a larger portion of the low-income renters who need housing assistance.

In the program's earliest years, investigations by HUD's inspector general found that housing quality inspections were not rigorously administered. Extensive training and technical assistance and an emphasis on compliance with this requirement in HUD's monitoring of PHA performance greatly reduced this problem, although it may continue to occur on a localized basis (Churchill et al. 2001).

The Millennial Housing Commission reported to Congress in May 2002 on policies and programs for affordable housing. The commission examined the voucher program in some detail and concluded that it was working effectively as a national program.¹⁰ The commission considered, but did not recommend, turning the program into a block grant, proposing instead a continuation of the current program with minor modifications (Millennial Housing Commission 2002).

The only major and ongoing shortcomings of the voucher program are relative and present opportunities to make it work even better. First, the program does not give low-income households access to as many units in high-quality neighborhoods as it should be able to. Second, the program is administered inefficiently, because there are too many separate entities, often with overlapping jurisdictions, running it. Third, the program is not as well linked to other programs and services for needy populations as it might be.

¹⁰ The Millennial Housing Commission had a Consumer-Based Assistance Task Force and commissioned an options paper that discussed whether the single national design of the voucher program should continue (Turnham and Khadduri 2001).

Advantages of making the voucher program a flexible, state-administered block grant

The Housing Choice Voucher Program has been very successful as a national program with an essentially uniform design and some flexibility in local administration. It has been modified over time to control program costs, to reflect the findings of program monitoring and evaluation, and to address such management concerns as the full use of program budgetary resources. Nevertheless, major advantages would ensue from administering the program exclusively at the state level and providing for greater flexibility in program design. Three of these advantages stem from the broader reach of state policy makers and administrators compared with local PHAs. States would be in a good position to overcome the administrative barriers that limit the degree to which vouchers are used in all the neighborhoods where affordable housing is found. States would be able to rationalize the administration of the program, thus eliminating the confusion and waste now caused by overlapping PHA jurisdictions. Finally, states would be in a good position to coordinate the voucher program with TANF and with other programs administered at the state level and providing services to vulnerable populations.

One advantage of a state-administered voucher block grant stems from the narrower reach of state policy makers compared with the federal government. (Local administrators share this characteristic with states, but there are other reasons for preferring states to local administrators.) It would be much easier for states than for the federal government to experiment with program design. This is particularly true for proposals such as time limits for assistance, work requirements for working-age adult voucher users, or elimination of the housing quality standard. Such proposals threaten the deeply held values of many participants in public policy discussions. At the national level, such proposals are endlessly debated on an ideological level, sometimes resulting in meaningless or token measures (the community service requirement for families in public housing is a good, recent example), but rarely leading to careful testing of new approaches. Precisely because they have smaller policy communities, states can sometimes try new approaches when the federal government cannot.

Overcoming barriers to mobility for voucher households

While the voucher program is used in a broad range of locations, its penetration into neighborhoods where the subsidy level should make it possible for participants to find rental units has been uneven. That is

not to imply that the program concentrates households in a limited group of high-poverty neighborhoods. In the 50 largest metropolitan areas, well over 50 percent of voucher users live in neighborhoods with poverty concentrations of less than 20 percent, and close to 30 percent live in neighborhoods where less than 10 percent of the population is poor. More than 80 percent of all of the census tracts with affordable housing (housing that could be rented for the program's FMRs) have at least one voucher household (Devine et al. 2003).¹¹

However, the voucher program does not perform as well as it might in enabling low-income households to live in better neighborhoods. Given the subsidy levels (FMRs), it might be expected that voucher households would be distributed across neighborhoods in the same proportions as unsubsidized households living in units with rents below the FMRs. In fact, 41 percent of unsubsidized households living in affordable units are in census tracts with poverty rates below 10 percent, whereas only 28 percent of voucher families are in such tracts (Devine et al. 2003). Furthermore, voucher households live in neighborhoods very similar to those where unsubsidized low-income households live, despite the advantage that the voucher subsidy should give them (Khadduri, Shroder, and Steffen 2003; Newman and Schnare 1997). Finally, while households that use the voucher program to move to different housing live in neighborhoods with slightly lower concentrations of poverty than those who remain in their preprogram housing unit, the difference is not very large (Devine et al. 2003).

For many reasons, voucher households do not live in neighborhoods that are as affluent as those to which the program subsidy should give them access. The reasons can be summarized as (1) limited acceptance of the voucher program by landlords; (2) limited knowledge on the part of households about where to find rental housing units and how to shop for them; and (3) discrimination in many communities against households with vouchers or the types of households likely to use vouchers, such as families with children and racial and ethnic minorities.

The relatively poor performance of the current program in enabling voucher households to live in neighborhoods to which the program's FMRs should give them access might be addressed within the current system of administration by local PHAs. However, broadening the level of geography at which the program is administered, as would happen under a state block grant, would be a surer way to remove many of the current barriers that limit the neighborhoods actually chosen by voucher households.

¹¹ Census tracts are used as the proxy for neighborhood in this and other analyses of this issue.

Katz and Turner (2001) have argued that

the current system of administration by local PHAs reinforces these market barriers [such as zoning, land-use regulations, and racial and ethnic discrimination] and undermines the larger potential of the voucher program. By fragmenting the metropolitan rental market, the current system makes it difficult for low-income families, particularly minority families living in central cities, to know about and act on the full range of housing options. (241)

Katz and Turner (2001) make a good case that the portability feature of the voucher program does not work well and is administratively burdensome for PHAs. Staffs of receiving PHAs must either use up a unit of their own housing assistance (program slots for which they have competed over the years) by absorbing a household with a voucher issued in another location or face the continuing paperwork needed to bill the sending PHA for the subsidy (Feins et al. 1997). Sending PHAs have an added burden in that they have borne the administrative expense of verifying the household's income and issuing the voucher, but do not receive the administrative fee earned after the household leases a unit.¹² A sending PHA billed by a receiving PHA may pay higher subsidy costs associated with the FMRs for the receiving location. For all of these reasons, PHAs may not explain the portability option clearly when households receive their vouchers or expedite the processes needed to permit families to lease elsewhere (Katz and Turner 2001).¹³

Just as important as administrative roadblocks to the portability feature is the limited information households issued vouchers by local PHAs receive on where to seek housing. Administrative entities with a broader geographic perspective would be more likely to seek information on where affordable housing units are located throughout a metropolitan region (Katz and Turner 2001). State agencies would be able to develop regional databases containing the location of affordable housing units and to make them available to all the entities administering the voucher program in the region as subcontractors to the state. It would be especially easy to include information on the location of

¹² Some PHA staff claimed that the reason for their low utilization rate was that households were using the PHA's administrative resources and then "porting out" (Finkel et al. 2002).

¹³ In their response to Katz and Turner, Basgal and Villareal (2001) dispute this last point, noting the anecdotal nature of the evidence on which it is based. However, observations of PHA administrative practices for both research and technical assistance have produced many more anecdotes to support the notion that PHAs do not go out of their way to encourage households to use the portability option.

affordable housing units produced with the Low-Income Housing Tax Credit (LIHTC), since that program is administered by state agencies (Khadduri, Martin, and Buron 2001).

A study of voucher administrative geography by Feins et al. (1997) found that most agencies with the ability to use vouchers throughout a metropolitan area were state agencies. An obvious advantage is the ability of agencies with statewide coverage to permit movement throughout the state by using bookkeeping methods within a single funds allocation rather than complex portability procedures. The study found that state agencies also had advantages in facilitating portability between states. Sending PHAs from other states knew exactly whom to call to help households that wanted to move to the state, and state agencies were willing to absorb incoming households because of the relatively large size of their programs.

Katz and Turner (2001) propose metropolitan administration of the voucher program by regional entities selected through a competitive process and including public, nonprofit, and for-profit institutions, but acknowledge that the institutional (as well as the political) base for their proposal is weak. In most places, state agencies already exist as potential administrators of the voucher program,¹⁴ while metropolitan agencies do not.

Avoiding the costs and confusion of overlapping program jurisdictions

As of 2002, the voucher program was administered by 32 state agencies and no less than 2,500 local housing agencies, covering cities, towns, counties, and other geographic divisions. In many parts of the country, the administrative geography of the voucher program has become a crazy quilt of overlapping jurisdictions and responsibilities. Two studies of the administrative geography of the voucher program found this to be the case in the mid-1990s (Feins et al. 1997; Hughes 1997). The recent study of problems with voucher utilization between 2000 and 2002 confirmed and reinforced this finding (Finkel et al. 2002). Many of the PHAs studied were one of not just two but *three* agencies that took applications from households, inspected housing units, and signed leases with landlords in the same locations. Sometimes those agencies had coordinated their payment standards and other program rules, but

¹⁴ As of the late 1990s, 35 states were administering voucher programs (Feins et al. 1997). While many state agencies were running programs only in rural areas, those agencies already have the basic administrative capacity to run the program.

more often they had not. Voucher program staff at PHAs with low utilization rates often attributed their program's problems to competition from other housing authorities (Finkel et al. 2002).

State administrators of the voucher program would choose a single agent—a state administrative entity, a local PHA, or another contractor—to be responsible for all vouchers used in a particular geographic area. Program rules would be uniform throughout the area. Households would apply to a single waiting list, and landlords would know what to expect for allowable rents and housing quality requirements.

Perhaps even more important, neighborhood and community groups would know whom to turn to for redress if they believed the voucher program was causing problems. In a study of strategies that can enhance community relations in the voucher program, the exemplary performer—the agency that paid immediate attention to complaints, identified the underlying problems, acted quickly, and defused a potentially volatile situation—was a state agency (Churchill et al. 2001). The only remaining concern at the time the study was conducted was that the state voucher administrator had no ability to control the administrative practices of a local agency with jurisdiction over the voucher program in the same town. Even if two overlapping agencies both have good approaches to community relations, it is difficult for either to keep track of the locations of all the voucher units in the community, a task that is essential for determining whether voucher units are becoming concentrated and whether households can access affordable housing throughout the area.

Eliminating overlapping jurisdictions and creating administrative entities of a minimum size would also very likely create more efficient program staffing, at least eliminating redundancy in overhead. Some functions, such as verifying incomes, inspecting units, and negotiating rents, depend on caseload and would not necessarily be performed more efficiently by a large agency. Even for these functions, however, the extremely small size of many of the 2,500 local voucher programs probably means that they are inefficiently staffed.

Coordinating vouchers with welfare and social services

In its earliest years, the voucher program was thought of primarily as a new way of providing housing assistance to low-income families and individuals and was operated apart from other social programs. Over time, vouchers have been used increasingly as part of a package of benefits and services intended to help welfare families move to work and

individuals with disabilities live independently. Starting in the early 1990s, PHAs were mandated by housing legislation to operate Family Self-Sufficiency Programs to coordinate services for a portion of voucher households with working-age members (Rohe and Kleit 1998). In 1999, Congress appropriated funds for a Welfare to Work Voucher Demonstration program; it was to be an explicit part of welfare reform and targeted to families that a welfare or welfare to work agency determined could be helped by choice-based housing assistance to find and retain jobs and to increase earnings.

Implementation of the original concept of the Welfare to Work Voucher Demonstration has been mixed. Many PHAs have simply allocated vouchers to families meeting the basic eligibility criteria (current or recent receipt of TANF assistance or eligibility for TANF). Very few have attempted to target vouchers to those for whom housing assistance was critical to the work effort or coordinated with a welfare or welfare to work agency to provide expanded employment and training services or to deliver services in a way that takes advantage of the voucher (Smith and Johnson 2000; Wood and Patterson 2001).

State administration of the voucher program would make possible closer coordination of the use of vouchers with the state-administered TANF and Welfare to Work programs. The administrative geography of welfare programs varies significantly from state to state, and it has not always been easy for state administrators of the voucher program to create effective links with the local entities that operate welfare and welfare to work programs.¹⁵ Running both housing and welfare programs at the state level would not eliminate the hard work that is always necessary to form partnerships across delivery systems for social programs. However, policy making for both programs would occur at the state level, making it possible for them to work toward a single set of objectives.

States are also the level at which policies aimed at delivering services to vulnerable populations, including people with developmental disabilities, chronic mental illness, and physical impairment, are set. Vouchers have become an increasingly popular and effective vehicle for meeting the housing needs of these populations. This is likely to increase in the wake of the Supreme Court's 1999 Olmstead decision, which affirmed that the Americans with Disabilities Act prohibits states from confining people with disabilities to "restrictive settings." State agencies—administrators of the Medicaid program, along with other state

¹⁵ This is an observation from a colleague at Abt Associates, Inc., who provides technical assistance to the Welfare to Work Voucher Demonstration program.

agencies responsible for meeting the needs of people with disabilities—must find “housing and community based supports that are consistent with the integration mandate of the ADA” (Technical Assistance Collaborative 2002, 33).

Keys to the effective use of vouchers for people with disabilities are the timely issuance of the voucher (when the person needs a housing placement or when a suitable unit has become available) and the combination of the voucher with needed services. The Millennial Housing Commission noted that the move to community-based housing “will require establishing stronger partnerships between PHAs and other providers of supportive services, and permitting state agencies and nonprofits to administer special purpose vouchers” (2002, 61). The language was carefully crafted to avoid challenging the current administrative structure of the voucher program. However, the partnerships needed to “mainstream” people with disabilities would be more easily achieved if vouchers were administered at the state level like the other benefits and services available to people with special needs.

Permitting controversial innovations in program design

The basic structure of the voucher subsidy (payment standard minus 30 percent of income) has many attractive features. Because the subsidy varies with income, needier households receive more assistance. This may make sense from the point of view of equity among those households receiving assistance. It also makes it easier to target program slots to those who need them the most, because relatively higher-income households receive small enough subsidies that they do not bother to join the program.

However, liberals and conservatives alike are concerned that the structure of the subsidy may discourage work. Additional income is “taxed” at a 30 percent rate by the voucher program alone, and for the poorest households, the large size of the subsidy may relieve pressures to go to work (Khadduri, Shroder, and Steffen 2003). Potential solutions to this problem vary. They include making the subsidy relatively more generous as income goes up—for example, through earnings disregards, flat rents paid regardless of income, or ceilings on the maximum rent amount paid by the household. They also include reductions in benefits for the poorest households—for example, through flat rents paid regardless of income or through floors on the minimum paid by the household. Finally, potential solutions include work requirements and time limits for receiving assistance. These could be explicit work

requirements, subsidies that phase out over time, or explicit time limits.¹⁶

There have been many efforts over the years to change the subsidy formula for the national voucher program (and for project-based assisted housing with similar rent formulas). Generally, these efforts have foundered because of the potential budgetary impact of making the subsidy more generous and the potential impact on the well-being of needy households of reductions in benefits or time limits (Khadduri, Shroder, and Steffen 2003). Work requirements have been debated extensively, but disagreements about who exactly should be required to work and after what preparatory period have stopped most proposals in their tracks. The Family Self-Sufficiency Program increases the generosity of the subsidy for households whose earnings increase, but for a relatively small number of households.¹⁷ There is now a small minimum rent payment, subject to hardship exemptions. Families that lose welfare benefits through sanctions under the TANF program (but not those who reach the time limit) pay rent as though they still received the welfare benefit.

Fundamentally changing the subsidy formula for the voucher program has been extremely difficult because it is national in scope. The scale of the program means that the potential budgetary impact of any increase in benefits is large, and those responsible for controlling the federal purse (both at the Office of Management and Budget and in the congressional appropriations committees) are reluctant to agree to changes. At the same time, proposals for reductions in benefits, work requirements, or time limits give rise to national policy debates, with participants evoking strongly held and competing values such as compassion and self-reliance.

States would be in a much better position than the federal government to make changes to the voucher subsidy formula (and related terms of assistance) precisely because they are smaller than the nation as a whole. The history of the welfare program, both before and after the enactment of TANF, shows that state policy communities are both

¹⁶ Khadduri, Shroder, and Steffen (2003) discuss theoretical concerns and potential solutions for all types of housing assistance, including vouchers; Miller and Riccio (2002) discuss various designs for work incentives being tested at selected public housing developments. Most households in public housing pay 30 percent of their income for rent, so the work incentive issues are similar to those in the voucher program.

¹⁷ The FSS Program also creates an expectation (through a “contract” agreed to by the household) that assistance will be time limited. However, this feature of the program is rarely, if ever, enforced.

different from each other and sufficiently coherent that they can support innovations in such areas as generosity of benefits, work requirements, and time limits (Gais and Weaver 2002).

Another area that is ripe for experimentation but difficult for the federal government to change is the housing quality standard. Some analysts argue that the housing quality inspection is unnecessary and that any otherwise qualifying unit the household deems adequate to its needs should be subsidized. (Enforcement of local housing codes to address health and safety issues could still take place, but would be outside the voucher program.) These analysts argue that the delays and annoyances associated with the housing inspection are a major reason some owners of private rental housing refuse to participate in the program. Others believe that the quality inspection is what makes the voucher program a *housing* program and that it is important for neighborhood acceptance of households with vouchers. Increasingly, the voucher program's inspection of private rental units has become a vehicle for mitigating the lead poisoning hazards found in many units built before 1978 (Churchill et al. 2001; Turnham and Khadduri 2001).

The national government would be hard-pressed to eliminate or dilute the quality standard or its enforcement through program inspections because the standard relates to fundamental issues of public health. A state program might find it easier to test alternatives to the current standard or its implementation and to assess the implications for landlords' participation in the voucher program and for the health and safety of voucher families.¹⁸ Some states have substantial amounts of housing built at a time when lead paint was still being used, while others have very little. For hazards that are more visible and controllable by the adult occupants of the unit (such as missing switch plates from electrical outlets or broken railings), some state policy makers may be more willing than others to transfer safety responsibilities to the assisted household.

Local governments have even smaller and more coherent policy communities than states. However, local PHAs are less likely to have the staff resources and continuity required to support careful development and rigorous evaluation of innovations. In addition, states would have greater capacity to develop data systems that support goal setting and performance monitoring of program designs that vary from a national model.

¹⁸ Currently, PHAs can vary the standard to conform to local codes, but only when the local code is more stringent than the housing quality standard.

Potential disadvantages of moving to a voucher block grant

Turning the voucher program into a flexible block grant to the states has several potential disadvantages. First, there is the threat to the choice-based nature of the program. If flexibility means an option to use funds for purposes other than units selected by the household—that is, for units developed with program funds or in anticipation of having program funds attached to them—states may direct most of the available funds to this purpose. Almost no advocacy community for choice-based housing assistance exists at the state level. (Advocates for people with disabilities may be a small exception to this general rule.) The superiority of choice-based rental housing assistance for most types of households in most housing markets has been well established through years of research and program experience. There is no reason for the national government to back away from a choice-based approach that has been operating with great success for almost 30 years.

The second potential disadvantage is the loss of a national budgetary commitment for meeting the housing needs of low-income households. The “block and cut” danger is real.

The third danger is that states will make hasty, ill-considered policy choices that have perverse consequences for low-income households. Unlike the TANF block grant, a housing voucher block grant would not have been preceded by years of careful testing of alternatives to the subsidy mechanism and the rules for receiving the subsidy. The voucher formula, in which the subsidy phases out gradually as income increases, should be changed only if the benefits and costs of an alternative can be demonstrated in some states before others adopt similar changes.

A final danger is loss of accountability—the ability to measure performance and to monitor progress toward meeting goals. The history of federal block grants suggests that there will need to be careful front-end consideration of mechanisms for maintaining accountability and explicit legislative mandates for data collection and reporting.

Erosion or loss of the choice-based nature of the voucher program

The federal government already has a block grant for low-income housing. Enacted in 1990, the HOME Investment Partnerships Program provides grants to states and to city and county governments above a

certain size. In the HUD budget proposal for FY 2004, the HOME program is slated to receive \$2.2 billion. Eligible activities are land acquisition, new construction, rehabilitation, down payments, and choice-based rental assistance. State and local program administrators (called participating jurisdictions) are supposed to match their use of funds to housing needs based on census and other data and discussed publicly through a planning exercise called the Comprehensive Housing Affordability Strategy. Despite clear evidence that the largest needs in virtually every state and locality are for extremely low income households with severe rent burdens (a group particularly well served by vouchers), no participating jurisdiction spends more than a tiny fraction of its HOME funds for choice-based rental assistance. A gradual increase in the mid-1990s from virtually no choice-based assistance to a very small amount appears to be related to the desire of people with disabilities and their advocates to use vouchers to avoid the more institutional settings that they fear might be created by housing projects for people with special needs (HUD 2002a; Khadduri, Martin, and Buron 2001).

If the HANF program were not strictly a voucher block grant, but instead permitted funds to be used for all types of housing assistance, it is highly likely that state policy makers would use almost all program funds to develop housing units or to provide direct assistance to home buyers and homeowners, just as they do under the HOME program. Affordable housing has an industry of developers, both for-profit and nonprofit, who have close ties to all levels of government and who advocate effectively for public support for their activities. Homeowners are popular everywhere, because it is believed that homeownership stabilizes communities and that homeowners are more likely to vote than renters. Households that want to use vouchers have few if any advocates, except among public policy analysts (both liberal and conservative)¹⁹ in Washington, DC.

A natural division of functions between the national government on the one hand and state and local governments on the other is that the national government plays a redistributive role, while state and local public officials are more interested in developmental activities that will make their state or locality more attractive than other states or localities. According to this theory, it is inevitable that state and local officials will try to capture national programs that have redistributive

¹⁹ Conservatives like vouchers because they are market based, follow principles of consumer choice, and rely on private providers of market-rate housing. Liberals like vouchers because they are easier than production subsidies to target to the poorest households and because they seem to hold greater promise for overcoming spatial segregation by race and income.

purposes (such as vouchers) and use them for developmental purposes (such as homeownership or building new housing) (Peterson 1995). Even though the production of housing units for low-income occupancy has an ambiguous record of accomplishment as a developmental program (Cummings, DiPasquale, and Kahn 2002; Ellen et al. 2001; Galster 2002), local officials tend to believe that new buildings in their communities—or visible improvements to existing structures—will accomplish developmental objectives. Under pressure from local public officials, HUD has been granting waivers to the rule that limits project-basing of vouchers to low-poverty neighborhoods.

Where production programs are needed to complement choice-based vouchers—because of an insufficient supply of private rental housing or to achieve developmental objectives such as the preservation of mixed-income neighborhoods—federal resources outside the Housing Choice Voucher Program already exist. These resources are already administered at the state level: both the flexible HOME block grant, under which states get 40 percent of program funds, and the LIHTC Program for rental housing development, which is almost entirely administered by the states. Therefore, the original (early 1970s) rationale for block grants that combine “categorical” federal programs, thereby giving state officials the ability to match federal resources to local needs, does not apply to housing subsidies in the early 21st century (U.S. General Accounting Office 1995). Furthermore, were the voucher program to evolve into something very similar to the HOME program, congressional support for both budgets would be threatened.

This argument against permitting the project-basing of vouchers does not imply that vouchers should not be used for homeownership. Since the late 1990s, voucher program administrators have been permitted to use vouchers to support mortgage payments and other homeownership costs for households choosing their own housing units. The household may sell the unit and move without losing the ability to use the voucher subsidy elsewhere. The homeownership option within the current voucher program has been implemented by only a few program administrators, but those experiences have demonstrated that vouchers can be used for homeownership without giving up the choice-based character of the program (Turnham et al. 2002).

Loss of the national budgetary commitment for meeting the housing needs of low-income households

Between the enactment of the voucher program in 1974 and the early 2000s, the program has gradually grown, since each year (with very few

exceptions) Congress has appropriated funds not just to continue to assist the current level of households, but also to increase the number of households in the program through appropriations for incremental units. By 1984, 10 years after enactment, the program had almost a million units. By 1990, it had 1.3 million, and by 2002, it had 1.6 million vouchers in use and funding for a higher number.

Turning the voucher program into a block grant would create two dangers. First, it might be more difficult to sustain a commitment to serving the *current* number of households. Particularly if states used their flexibility to set payment standards at different places in the rent distribution or to vary the subsidy formula, it would be harder to point to a current number of program slots and to estimate the funding needed to sustain them. A particular challenge is that the nature of the benefit is not cash assistance (easy to compare with the Consumer Price Index), but, instead, adequate rent payments. Rents may increase faster than (or slower than) overall inflation (Sard and Fischer 2003a).

If the program no longer counted households or slots, but only dollars, it might also be less likely to *grow*, because comparing a current or proposed funding level with a standard of need, such as the number of unassisted households needing assistance, would be more difficult. Block grant programs tend to be funded with reference to the history of expenditures for the programs being superseded. However, past funding levels for the voucher program are not a good reference point. Unlike the welfare program (or Food Stamps), the voucher program has never been an entitlement, serving every household eligible for benefits and willing and able to claim them. When the AFDC program was replaced by TANF, the available funding target represented a fully populated program.²⁰ Moreover, there is evidence that funding for block grants has not kept pace with inflation (Sard and Fischer 2003b).

Potential for ill-considered policy choices without testing

Fundamental changes to the system of cash assistance for poor families with children (AFDC) started many years before the TANF block grant was enacted. Beginning in 1962, states could propose experimental or pilot programs. In the late 1980s, the Department of Health and Human Services (HHS) began to encourage experimentation in areas

²⁰ To be sure, AFDC benefit levels were low in some states. However, given the time limits and work requirements of TANF, it was reasonable to expect that recent budget levels for AFDC represented a high point, whereas recent budget levels for vouchers do not represent anything.

such as work requirements, time limits, and earnings disregards. At the same time, HHS set rigorous standards for evaluating the program designs permitted by the waivers, including random assignment of households to experimental and control groups (Besharov, Germanis, and Rossi 1997; Gueron and Pauly 1991). By the time the Personal Responsibility and Work Opportunity Reconciliation Act created TANF in 1996, 27 states had implemented major waivers and there was a body of knowledge produced by evaluations of early welfare experiments (Schoeni and Blank 2000). The accumulated body of evidence made it possible for states to reform the welfare system both through their own policy choices and through national mandates that became part of welfare reform (Campbell, Maniha, and Rolston 2002).

The current state of knowledge about the potential effects and costs of changes to the subsidy formula and rules of the voucher program is very different. In 1996, Congress created waiver authority known as the Moving to Work (MTW) Demonstration. HUD was authorized to select up to 30 PHAs that would be given flexibility in implementing the voucher and public housing programs. Employment incentives were among the variations from current law and regulation that PHAs could pursue. Congress asked for an evaluation of the MTW program, but did not specify an experimental design (Turnham 2002). HUD reviewed all waiver requests rigorously, but that review focused on ensuring that waiver programs would not increase the cost to the federal government or serve a smaller number of households, rather than on measuring the results of program modifications.

Many of the 21 PHAs for which waivers were granted made changes only to their public housing programs, but a few changed the terms of the voucher program subsidy. The new approaches include flat rents, stepped rents, ceiling rents, and time limits (Turnham 2002). However, no evaluability standards were set when HUD approved these provisions. Worse, HUD did not implement for the MTW PHAs the basic program requirement that they collect information on household income and rents in a way that permits retrieval and analysis. MTW PHAs do not have to report household data to HUD's Multifamily Tenant Certification System, as they did previously and as do all other PHAs. This has made it difficult even to determine the *outcomes* of the experiments with work incentives. (For example, did unemployed people get jobs? Did their incomes grow?)²¹ The lack of an experimental design makes it impossible to determine the *impact* of the waivers. (That is, did people get jobs or increase their income because of the

²¹ MTW PHAs are required to report on hardship indicators among households served and to have policies for mitigating hardships.

incentives created by MTW, because of general economic improvements, or because there was something special about the group of households affected by the new rules?) Further, for hardships that might result from the new rules, no attempt is made to study outcomes for households that see their income reduced because of increased rents or that leave the program because of time limits.

The point here is not to argue that state agencies would be more likely to evaluate the results of variations in voucher program design than local PHAs, although they might have more capacity to do so. Rather, it is to suggest that we do not yet know the implications of changes to the voucher subsidy formula and that this makes an immediate move to complete flexibility under a state block grant dangerous.

Loss of HUD's ability to measure performance

The history of HUD block grants—the Community Development Block Grants (CDBG) and HOME programs—shows that setting goals and measuring performance for block grants can be challenging. The CDBG program encompasses a wide range of eligible activities, and HUD has never succeeded in setting up a reporting system that tracks the purposes for which funds are used in meaningful categories, let alone a system for measuring the results of CDBG expenditures. A recent study explores the feasibility of an approach for measuring the effect of CDBG expenditures on neighborhood health—after the program has been operating for almost 30 years (Walker et al. 2002). The performance standards for the CDBG program in HUD's Annual Performance Report to Congress under the Government Performance and Results Act (GPRA) simply confirm that grantees are complying with the statutory mandate that the program benefit low- and moderate-income people and measure timely expenditure of funds (HUD 2002c).²² HUD has tracked the “low-mod benefit” and timeliness of CDBG expenditures over the years because these are statutory mandates, but has asserted that there is no statutory mandate for a more results-oriented reporting system.

The HOME housing block grant has a narrower range of eligible activities than the CDBG does. For HOME, HUD is able to report under GPRA the number of rental and homeownership units completed and

²² There is also a performance indicator that seems to relate better to results—the number of jobs created. On close scrutiny, however, this is simply arithmetic: that portion of the CDBG appropriation used for “economic development” divided by a standard factor.

the number of existing homeowners assisted. For rental housing developments subsidized by HOME, HUD keeps track of the share of occupants with incomes below 30 percent of area median income (HUD 2002c). However, the lack of a household-level data system makes it difficult to measure benefits for households. Essentially no effort has been made to measure the effects of the HOME program on neighborhoods or on the stock of affordable housing (Herbert et al. 2001; Walker et al. 1999).

The voucher program, by contrast, has the Multifamily Tenant Certification System, a household-level database that has made it possible to measure such program outcomes as movement from welfare to work, rent burdens of assisted households, and the quality of the neighborhoods in which voucher households are living (Devine et al. 2003; HUD 2002c).

Without substantial front-end consideration of program goals and explicit legislative mandates for reporting administrative data and measuring results, it is unlikely that federal policy makers (and, in particular, congressional authorizers and appropriators) will be able to hold states to meaningful performance standards. As has been documented by recent studies of the planning processes for the CDBG, HOME, and LIHTC programs, neither state nor local administrators of housing programs have a tradition of using resources for this type of goal setting and self-assessment (Gustavson and Walker 2002; Turner et al. 2002).

Features that would overcome these potential disadvantages

The potential disadvantages of a voucher block grant could be overcome by careful program design and by the creation of the infrastructure needed to set goals and monitor performance.

First, the program should be a *voucher* block grant, not a *housing* block grant. Instead of permitting deviation from the choice-based nature of the housing assistance, flexibility in program rules should relate to

1. The design of the subsidy: how large it is, how it is related to income, whether it phases out, and whether there are work requirements. This flexibility should be based on careful testing.
2. The use of the voucher subsidy for *choice-based* homeownership rather than for rental assistance. The option available under the

current program to use vouchers for current renters who become first-time homeowners should continue.

3. How states allocate vouchers across substate areas and how the allocation gets tied to other state-administered housing programs, including the LIHTC, HOME, and housing supported with mortgage revenue bonds. Vouchers can be tied to these programs without losing the choice-based nature of the assistance. For example, allocations of vouchers can be available in the same location where the rental housing is being developed, and information on the availability of affordable housing units produced by other programs can be given to voucher households. There is also a program model in which the first use of a voucher is tied to a particular housing development, but the household is then free to move and take the voucher to another housing unit of its choice. It may be politically difficult to eliminate the current quota of 20 percent of voucher slots that may be project based. At the very least, the current restrictions applying to that use—mixed-income housing (or special-needs housing) in low-poverty neighborhoods—should be repeated in the voucher block grant legislation with no waiver authority for HUD or for the states.
4. How states allocate vouchers for different types of households and how the voucher is linked to welfare programs, programs for people with disabilities, and programs for the elderly. This includes the way in which households are selected for the voucher program, as well as linkages to housing with services, among them the “first use” linkages suggested earlier.
5. The use of funds for activities other than rent (or mortgage) payments that are directly linked to the effective use of choice-based assistance, such as housing counseling and search assistance, assistance with security and utility deposits, and the testing of administrative innovations.
6. The content and application of the program’s housing quality standards.

Second, the statute enacting a voucher block grant should establish goals for relating the program budget (the amount appropriated by Congress) to measures of housing need. For example, this could be an absolute estimate of the number of households to be served based on estimates of local rent levels and median incomes, with the expectation that this number would grow each year, as it has throughout the history of the voucher program. Alternatively, the annual growth in the

estimated number of slots could be tied to an estimate of need, such as the fraction of renter households with worst-case rental needs.

The federal government should continue to estimate and publish local estimates of rents (FMRs) and median incomes, to be used both for national budget estimation and for documentation of states' policy choices. However, within its voucher block grant allocation, a state should have the latitude to serve more or fewer households, subject to broad performance goals. States, therefore, should take the risks associated with the policy choices they make for payment standards and household selection preferences. The federal government should not guarantee renewal of funding at the actual subsidy cost per household (Sard and Fischer 2003a).

The statute enacting the voucher block grant should have explicit performance goals on which states are required to report to HUD, and HUD to Congress, under the GPRA. Such goals would need considerable thought, but they might relate to numbers of households served (within ranges), housing cost burdens for assisted households (within ranges), income levels of households served, increases in economic independence for households with working-age members, and penetration of vouchers into low-poverty neighborhoods.

The voucher block grant should be enacted in stages, starting with allocations of all new units (and units reallocated from local PHAs failing to meet current performance goals) to the states. Among other things, such a staged implementation would provide time to negotiate the program's allocation formula and would allow those states not currently administering voucher programs time to gain experience. In the early stages of implementation, state flexibility to change the subsidy formula (and its terms) and to modify housing quality standards should be modeled on the AFDC waiver authority that led up to the enactment of TANF. The waiver authority should include a mandate for rigorous evaluation of the impact of new program designs. Only after a testing period of three to five years should all states have the ability to use all of the flexibility associated with these program features.

Conclusion

This article has reviewed the strengths and weaknesses of the Housing Choice Voucher Program and the advantages and disadvantages of turning that program into a state-administered block grant. Because the voucher program is not in crisis—despite the recent problems with utilizing all program funds cited in the administration's proposal—

there is no need to move immediately, rather than deliberately, to a new administrative model.

The voucher program has been highly successful as a national program with a single design. However, it does have shortcomings that could be overcome by consolidating its administration at the state level. These shortcomings include the failure of the program to permit families to access as wide a range of housing locations as the current and historical subsidy levels should permit and the inefficiencies and confusion associated with overlapping administrative jurisdictions. Furthermore, the voucher program has been linked only to a limited extent to other programs and services that serve the same families and individuals.

Creating a state-administered voucher block grant would help overcome these shortcomings by easing administrative barriers to using vouchers in all neighborhoods in which affordable housing is found and by rationalizing the program's administrative geography. Because most other programs that provide services to needy populations are administered at the state level, state policy makers for the voucher program could coordinate vouchers more effectively with services for people with disabilities and with welfare reform efforts.

At the same time, dangers are inherent in creating a state-level block grant with broad flexibility to alter program design. First, unless the program is explicitly limited to choice-based rental and homeownership assistance, it could easily become another version of the housing block grant that already exists (HOME). The result would be loss of the substantial advantages associated with providing households a choice of where to live, and the complete overlap of program functions would threaten the budgets of both programs. Indeed, a second danger from creating a block grant is that it would be more vulnerable to budget cutting than the current national program, in which it is easy to identify and report the number and characteristics of the households served and the way service is rendered. To avoid this danger, legislation creating a voucher block grant should establish goals that relate the program budget and performance to housing needs and that mandate continued collection of data on assisted households, their subsidy level, and their location.

A third danger, which likewise makes the continuation of household-level information systems imperative, is that under a block grant the federal government could lose the ability to set performance goals and standards and to monitor performance.

One of the advantages of making the voucher program a state-administered block grant is that states would be in a better position

than the federal government to experiment with changes to program design in such controversial areas as setting time limits for subsidies and eliminating the housing quality inspection. Conversely, the danger is that states would implement such changes in ways that have unintended consequences and cause harm to low-income families or to the integrity of the program. The way to avoid this danger is to begin the implementation of a voucher block grant with a period in which selected states experiment with carefully evaluated changes in these program design areas. The precedent for this idea is the state waivers to the rules of the AFDC program that preceded and informed the enactment of TANF.

On balance, this article provides support for moving to a voucher program in which administrative responsibility is consolidated at the state level and states have the flexibility to alter many key aspects of program design—except for the choice-based nature of the program. The potential hazards of moving to a block grant can be mitigated by the design features I have recommended.

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