Section 8: The Time for Fundamental Program Change?

William G. Grigsby
University of Pennsylvania

Steven C. Bourassa
University of Louisville

Abstract

We argue that Section 8 low-income rental assistance—now called the Housing Choice Voucher Program—needs to be restructured and integrated with the other elements of the federal safety net for low-income households. Since the program was introduced in 1974, the quality of the nation's housing stock has continued to improve, to the point that only a very small percentage of it is severely inadequate. Yet low-income households continue to face problems such as affordability, neighborhood decline, limited access to economic opportunity, and involuntary mobility.

While the Section 8 program has partially addressed some of these problems, it has a number of shortcomings, primarily the fact that it does not materially improve housing conditions for most recipients. Instead, it is little more than a poorly disguised income supplement. Housing vouchers should be directly integrated into the federal safety net as an entitlement to households that qualify for assistance.

Keywords: Federal policy; Rental housing; Section 8 housing programs

Introduction

The centerpiece of the federal low-income housing assistance arsenal is the Section 8 Housing Choice Voucher Program. In 2001, it authorized subsidies for 1,800,000 privately owned dwelling units (Millennial Housing Commission [MHC] 2002), roughly 50 percent more than the second- and third-largest assistance programs at that time—public housing (1,274,000 units) and the Low-Income Housing Tax Credit (LIHTC) Program (1,222,000 units) (MHC 2002). By 2004, the number of vouchers had increased to 2,148,000 (Congressional Budget Office 2004), while nearly all other housing programs except the LIHTC were either not growing or inactive. However, proposals by the Bush administration suggest that this trend is unlikely to continue and may even be reversed (Sard and Fischer 2004).

During the three decades since Section 8 was created in 1974, there have been significant changes in the relative importance of various housing problems and in the economic and political environments within which housing subsidies operate. The basic structure of the existing housing component of Section 8 has not been altered to reflect these shifts. Indeed, the program may have become a barrier to improving the housing situation of lower-income households. It needs to be restructured and, if possible, more closely integrated into the other elements of the federal safety net for households experiencing temporary or more long-term income deprivation. Our purpose is to commence a dialogue toward that end.[1]

This article is divided into six sections. The first describes how housing and other trends over the past 30 years have created a new housing policy environment. The second discusses briefly how the Housing Choice Voucher Program operates and the nature of its deficiencies. The third describes the basic structure of the entire safety net of low-income assistance programs of which housing subsidies are an important part. The fourth presents a recommendation for integrating the voucher program into the various income subsidy programs. The fifth discusses some of the effects of our proposals on subsidy recipients and low-rent housing markets. The final section is a brief conclusion.

Background

The creation of the Section 8 existing-housing subsidy program marked an important turning point in federal policy on low-income housing assistance. Starting with public housing in 1937 and continuing through a succession of subsidized private construction programs, the focus of federal assistance for almost four decades had been on the supply side of the housing market. Section 8 shifted the emphasis to direct aid to lower-income households through rental allowances.

Before 1974, there had been ample reason for favoring supply-side assistance. During the Great Depression, private home building had almost ground

[1] This article continues an earlier exploration of low-income housing subsidies by Grigsby, Baratz, and Maclennan (1983). To date, arguments for integrating income and housing assistance have tended to focus on the role of housing subsidies in the context of welfare reform; see, for example, Newman and Schnare (1990) and Sard (2002).

to a halt. Public housing construction raised the quality of the residential stock, while at the same time creating needed jobs in the building industry. Demand-side subsidies were rejected, partly because it was thought that they would not create as many jobs, but also because it was feared that rent supplements would not be enough to prompt owners of seriously substandard dwellings, which constituted a large part of the inventory at that time, to make significant repairs. Instead, it was widely believed that housing allowances simply made rents escalate.

The dearth of housing construction during World War II aggravated the existing housing shortage and provided impetus for supply-side subsidies for another two decades. As late as the early 1960s, perceptions of a housing shortage were still widespread, prompting the establishment of ambitious new-construction targets and programs to achieve them, such as the Section 221(d)(3) Below-Market Interest Rate Program enacted in 1961 (Hays 1995).

By 1970, the housing situation had changed dramatically. Rising family incomes and subsidized new construction had resulted in the abandonment of the worst segments of the residential stock. Whereas in 1940, 45 percent of all dwelling units lacked complete plumbing (hot and cold running water, flush toilet, and tub or shower), the 1970 census revealed that this figure had dropped to less than 7 percent (U.S. Bureau of the Census 2002b). Also, just over 8 percent of dwellings were still overcrowded in 1970, compared with 20 percent in 1940. The primary low-income housing problem no longer seemed to relate to health and safety, but rather to the existence of a large supply of moderately deteriorated housing that, because of the low income of the occupants, was in danger of becoming seriously substandard and abandoned if left unattended. Concern over the residential isolation of lower-income households had also grown (Downs 1973), and burdensome housing costs remained widespread.

The evidence of an improving housing stock had in fact become common knowledge in Washington by the mid-1960s and resulted in the creation of the Section 23 experimental rental allowance program. Giving additional impetus to the passage of the landmark 1974 legislation was the huge scandal in the federal Section 235/236 subsidized new-construction programs. President Nixon declared a moratorium on these programs, and within a year Section 8—including maximum-rehabilitation and new-construction components that are now inactive—was on the ground (Hays 1995).

The nation's housing has continued to improve since that time. The proportion of the stock that is estimated to be seriously inadequate has dropped to such a low figure that the MHC's recent report (2002) largely ignores housing-quality issues. A total of 6.9 percent of all units lacked complete plumbing facilities in 1970, compared with only 1.2 percent in 2000. Moreover, only 1.7 percent of renters below the poverty level in 2000 occupied dwellings lacking complete plumbing facilities.[2] Less than 6 percent of all occupied units continued to be crowded in 2000, compared with only 16 percent of all rental units occupied by households in poverty (U.S. Bureau of the Census 2002b, 2003).[3]

Although the physical quality of housing has improved dramatically, we conclude that five other housing problems have remained as bad as ever. First, despite generally rising incomes, the affordability problem has not abated and has perhaps even worsened. If we are to believe the census data reported by MHC (2002), fully 98 percent of extremely low income and very low income renters who do not receive a federal housing subsidy are "severely" or "moderately" burdened by high rental expenditures relative to their incomes.[4] Some of the reported cost burden is only temporary, arising from normal fluctuations in income. In addition, some of the apparent burden is fictitious, reflecting either underreporting of income or prior asset accumulation. For a large percentage of extremely low income and very low income renter families, however, and for some extremely low income and very low income owner-occupants, the reported cost burdens are probably accurate. They translate into underconsumption of other household necessities and consequent problems that may on the surface seem unrelated to housing.

[2] Before 1990, plumbing facilities were defined by the census to be for the exclusive use of a housing unit's inhabitants; this requirement was dropped in 1990.

[3] The 2001 American Housing Survey (AHS) found that only 2 percent of all occupied units had severe physical problems, defined as one or more problems with plumbing, heating, electricity, hallways, or upkeep. (A more detailed definition can be found in U.S. Bureau of the Census 2002a.) Some 4 percent of households below the poverty level occupy units with severe physical problems. While 3 percent of renters who *do not* receive housing subsidies occupy units with severe physical problems, 4 percent of renters who *do* receive subsidies occupy such dwellings. (These percentages were calculated from the data in U.S. Bureau of the Census 2002a.) Some 3.6 percent of renter households earning less than 50 percent of area median income reported that their dwellings had severe physical problems, 4.8 percent had moderate physical problems, and 4.1 percent were overcrowded. (These statistics, based on the 1999 AHS, were calculated from data reported by Nelson et al. 2003.)

[4] According to definitions established by the U.S. Department of Housing and Urban Development, extremely low income households are those whose incomes are at or below 30 percent of area family median income (adjusted for household size), while very low income households are those whose incomes are between 30 and 50 percent of area family median income. The upper boundary for extremely low income households is roughly similar to the poverty threshold. Low-income households are those with incomes between 50 and 80 percent of the area median. It is not uncommon for these terms to be used cumulatively, such that, for example, "low income" includes all households whose incomes are at or below 80 percent of the area median.

A second housing problem that has also resisted remedial efforts is neighborhood social and physical decay. While housing quality has improved, low-income neighborhoods as a whole seem to suffer from more crime, deterioration of social institutions, and pollution than they did 50 years ago. Perhaps because these problems have not seriously affected the general population, they seem to have been accepted by the public as one of the costs of being poor. Fairness and justice, however, would seem to dictate that the neighborhoods where law-abiding low-income citizens live should be as clean and safe as other neighborhoods.

A third quite serious and widely discussed housing problem has to do with the spatial dimensions of economic opportunity. At least as far back as the 1950s, when the Philadelphia Housing Authority sought unsuccessfully to scatter its projects into all of the city's wards, housing advocates have been concerned about the market-induced concentration of low-income households in neighborhoods that are more and more removed from expanding suburban job opportunities and from good public schools. Although the Housing Act of 1974 made the reduction of income isolation a national housing objective and although housing subsidies have been used to reduce this isolation with apparently favorable results (Goering, Feins, and Richardson 2002; Katz, Kling, and Liebman 2001; Rosenbaum and Harris 2001), poverty continued to become more concentrated in the 1980s (Massey and Denton 1993). It did become less concentrated in the 1990s, although the improvement was mainly in the Midwest and South, and the concentration in metropolitan areas across the nation was still slightly higher in 2000 than it was in 1980 (Kingsley and Pettit 2003).

Because making suburban housing close to job opportunities available to a large number of extremely low income and very low income families requires the construction of new dwellings and because new construction demands a large amount of assistance per family, a small proportion of low-income families can be helped in this fashion. This raises the question of whether education and employment opportunities for the lower-income sector of the population can be more cost-effectively approached in other ways.

Fourth, a low-income housing problem that has always been present but has not received much attention until recently is the involuntary residential mobility caused by the interruption of household income. For example, frequent involuntary moves appear to have serious adverse effects on children's schooling, although other family problems may also be a factor (Haveman, Wolfe, and Spaulding 1991; U.S. General Accounting Office [GAO] 1994). Virtually all of the housing subsidy programs focus on longer-term income deprivation, leaving this problem largely untouched.

Finally, there are the problems of homeless people and those needing assisted living. Homelessness covers a wide range of circumstances, from people who are fully employed to those who have drug-related or mental impairments. Those requiring special living arrangements need support services such as assistance with housekeeping, transportation, meals, bathing, dressing, money management, shopping, and medications.

In addition to the quite significant shifts within the housing sphere itself, the low-income subsidy environment has changed dramatically over the past several decades. Medicaid, Temporary Assistance to Needy Families (TANF, formerly Aid to Families with Dependent Children [AFDC]), food stamps and related food assistance programs, and the Earned Income Tax Credit (EITC) have transformed much of the low-income subsidy sector and increased the total amount of nonhousing assistance provided.

The nonhousing assistance programs serve to ease the housing cost burden for low-income families indirectly, just as housing subsidies lessen strains on other parts of their budgets. Where and how the Section 8 program and low-income housing subsidies generally should fit into this new environment is an important policy question to which we now turn.

The changing role of the Section 8 existing-housing program

The Section 8 tenant-based (existing-housing) program has undergone a number of changes over the years, but its original design remains essentially the same. It operates basically as follows: Under congressional authorization, the U.S. Department of Housing and Urban Development (HUD) issues a certain number of rental housing assistance vouchers annually to local housing authorities (or, in some cases, to other organizations such as state housing finance agencies) throughout the country. Households whose incomes and other characteristics qualify them to receive a voucher sign up on a first-come/first-served basis, subject to locally determined preferences and the requirement that at least 75 percent of new tenants each year earn at or below 30 percent of area median income.[5]

[5] For example, the Louisville Metro Housing Authority gives preferences to households paying more than 40 percent of gross income for rent and utilities; victims of domestic violence; households in particularly substandard housing, including those that are homeless; and victims of reprisal or hate crimes. Some other target groups, such as households displaced by government action, go directly to the head of the list. Currently, in Louisville, almost all vouchers go to households on the preference list. See Devine et al. (2000) for a national review of housing authority preferences and other discretionary policies.

A household receiving a voucher has at least 60 days (and up to 120 days or more, at the discretion of the housing authority) to find a rental unit that can pass a site inspection and a rent comparability assessment (this could be the household's current dwelling). If the household finds an acceptable unit and a landlord who is willing, the landlord enters into two rental agreements—a lease with the household and a contract with the local housing authority. Under these agreements, the household pays the greater of 30 percent of its adjusted gross income (AGI), 10 percent of gross income, the welfare rent as paid by states, or the minimum rent established by the housing authority (which varies from zero to $50). The housing authority pays the difference between that figure and the rent up to the payment standard, which is based on the HUD-approved Fair Market Rent (FMR). The rent (and utilities) may not exceed a "reasonable" amount in light of comparable units on the market. If the reasonable rent exceeds the agency's payment standard, the tenant must bear the extra cost.[6] Although any of the parties can terminate the agreement at the end of the term, the household can keep its voucher if it can find another suitable unit. Households that receive vouchers but cannot find a suitable unit owned by a landlord who will rent to them must return their vouchers for others to use.

The Section 8 voucher program appears to have at least partially achieved three important objectives: helping a large number of families at a reasonable cost per family, retarding residential decay in older neighborhoods, and broadening locational choice. It has, however, been criticized on several grounds.

Criticisms of the voucher program

Lack of horizontal equity. The federal government's overall low-income housing assistance effort lacks horizontal equity. Unlike food stamps, Medicaid, and the other federal safety-net programs that will be described in the next section, housing subsidy assistance for qualified low-income households is not an entitlement. In 1999, only 29 percent of extremely low income and very

[6] If the cost of a unit is above the payment standard, a tenant can pay more than 30 percent of AGI up to an initial maximum of 40 percent. AGI excludes certain types of income and provides for deductions for dependents, elderly or disabled household heads or spouses, and some medical expenses. Tenants never pay less than 30 percent of AGI. Payment standards range from 90 to 120 percent or more of FMR (HUD 2002). FMRs are determined annually for metropolitan areas and nonmetropolitan counties and are supposed to represent the 40th percentile of standard-quality rental units (HUD 1995), although this has been raised to the 50th percentile in some metropolitan areas (HUD 2000).

low income renter households and 15 percent of all extremely low income and very low income households were receiving a housing subsidy under one or more federal, state, or local programs (Nelson et al. 2003).[7] When public housing was initiated in the 1930s, horizontal equity was fiscally and economically impossible. The public and private resources to house all low-income applicants in new structures did not exist. Forty years later, universal entitlement through housing allowances did seem feasible and was a major attraction of this form of assistance. In our view, the fact that entitlement has not materialized over the past 30 years is less a reflection of fiscal constraints than of a lack of political interest.

On the basis of enrollment rates in various low-income entitlement programs, a 70 percent participation rate would seem reasonable if housing assistance were an entitlement.[8] If only extremely low income and very low income renters were eligible, then such a rate implies an increase of over 300 percent in the number of voucher recipients, and at the current assistance level of about $7,000 per family, this would entail an increase of about $42.8 billion or 131 percent in HUD's budget outlays—but only about 2.5 percent of total federal budget outlays.[9] Since expansion of low-income housing subsidies is unlikely in the current political climate, several proposals for making some form of entitlement possible within the present budget have surfaced. One is that the amount of assistance per household be reduced (Olsen 2001), an approach that would seem justifiable only if the amount of assistance that subsidized families need has been overestimated. We will return to this proposal shortly.

Another proposal is to shorten the waiting list by limiting the duration of assistance available to families headed by a working-age adult to seven years (or less) (Peterson 2000). This time limit is comparable to the five-year limit for families on welfare, so it provides an added incentive for families to strive harder to achieve financial independence. A potential problem is that recipients would be removed from the rolls even if their incomes were not high

[7] The percentage of extremely low income and very low income renters receiving housing assistance remained fairly constant between 1989 and 1999, but was only 20 percent in 1978 (Nelson et al. 2003).

[8] This is based mainly on the experience of the Housing Assistance Supply Experiment, which found a 50 percent participation rate among renters; another 20 percent could not participate because of the housing quality standards, which we assume would not be a significant barrier today, since the quality of the housing stock is better (Lowry 1983). We note also that the EITC, which is an entitlement program, had a 75 percent participation rate in 1999 (GAO 2001a).

[9] These estimates are based on statistics for 1999 published in Nelson et al. (2003) and U.S. Office of Management and Budget (2004).

enough to enable them to afford standard housing in the private market. Although circulating recipients through the system so that they will all be equally burdened does equalize opportunity and improve justice within the low-income population, it does not seem to reduce the burden overall. In any case, this proposal is likely to have only limited impact on the availability of vouchers because only about 13 percent of recipient households have neither elderly nor disabled heads and have lengths of stay in excess of seven years (Lubell, Shroder, and Steffen 2003). Even so, the proposal has been implemented in some Moving to Work demonstration program cities (Abravanel et al. 2004).

A third approach would restrict housing subsidy assistance (other than to elderly, disabled, or displaced persons and those with other special needs) to those who are employed, seeking employment, or enrolled in an employment-training program (MHC 2002). By itself, this approach might not appreciably shorten the waiting list. However, limiting the clientele to those who are perceived more sympathetically because of their work effort might broaden political support.

High failure rates. A second criticism of the voucher program is that the number of income-qualified families failing to find an acceptable unit is quite high, averaging almost 30 percent across metropolitan areas. Failure rates have varied over time and across metropolitan areas from less than 15 percent to more than 50 percent (Finkel and Buron 2001).[10] These rates are primarily a reflection of differing and changing market conditions, as well as variations in the amount of search assistance provided by local housing authorities.[11] In some cases, it appears that payment standards and FMRs have not kept pace

[10] However, utilization rates (the number of vouchers actually being used as a percentage of the number authorized by HUD, but excluding newly authorized units) are much higher than success rates because housing authorities reissue vouchers that are not successfully used. The estimated utilization rate for fiscal year 2002 was 95 percent (MHC 2002), and the Congressional Budget Office (2004) reports a 97 percent rate for 2004. HUD considers utilization rates of 98 percent or higher to be full performance and rates below 95 percent to be inadequate (for a study of the causes of differing utilization rates, see Finkel et al. 2003).

[11] For example, in the mid-1990s, the Cambridge, MA, Housing Authority (CHA) began to face a tightening market. As a participant in the Moving to Work deregulation demonstration program, the authority was allowed more flexibility in administering Section 8. One of the things the CHA did was to guarantee against damages, so tenants would not have to pay a security deposit. The CHA also shifted a number of vouchers to projects, typically owned by local and CHA-affiliated nonprofit organizations. More recently, it introduced a program called Finders Keepers. Any eligible household anywhere on the list that could find an acceptable unit and a willing landlord could get a voucher. Just a few years ago, the success rate was less than 10 percent. The Finders Keepers program, together with a substantial increase in the Boston FMR, raised the rate to about 85 percent.

with market rents.[12] In any event, the generally high failure rate reflects an unacceptably high level of program inefficiency. Even more troubling, unsuccessful searches are almost certainly traumatic for households that have waited years to get to the top of the list only to find that their voucher is of no use to them. Granting the private market the power, in effect, to veto the assistance decisions of local authorities is probably not what the designers of the program had in mind 30 years ago.

Lack of attention to the need for new construction of affordable housing. A third criticism is that the shift in policy emphasis to an existing-housing program has resulted in too little attention being given to the need to increase supply through subsidies for new construction. Expanding effective demand through Section 8 vouchers without ensuring a concomitant increase in supply may drive up prices throughout the entire low-rent sector in so-called tight housing markets (Apgar 2001). The LIHTC projects, which are often combined with vouchers to be made more affordable to extremely low income and very low income households, may provide some of the needed stimulus for new construction.[13] Assessing and planning for the number of subsidized new dwellings required to relieve pent-up demand in various market situations is difficult (Grigsby and Bourassa 2003). One useful indicator of the need for new construction may be the number of recipients who cannot find an acceptable unit, but more comprehensive data are required.

Increased housing cost burdens. A fourth criticism relates to the requirement that assisted households allocate 30 percent of their income to rent and utilities. This may serve to exclude many of the neediest households by forcing those living in poor-quality housing and paying correspondingly modest rents to increase their rental expenditures to get vouchers and thus reduce their nonhousing outlays. Whether this problem affects enough households to be worth worrying about is not clear without more information.[14]

---

[12] This appears to have been the case in recent years in metropolitan areas such as Boston, San Francisco, and San Jose (CA), leading to sizable catch-up increases in FMRs. The two-bedroom FMR for Boston, for example, was increased by 27.7 percent for fiscal year (FY) 2002, moving from $979 to $1,250. The San Francisco FMR was increased by 19.7 percent for the same year, from $1,459 to $1,747, while the San Jose (CA) FMR was raised by 21.3 percent for FY 2001, from $1,308 to $1,592 (HUD 2003a).

[13] Whether the projects substantially further the goal of deconcentrating poverty is uncertain, since the LIHTC program provides incentives for development in census tracts with relatively high proportions of low-income households (HUD 2003b).

[14] According to the U.S. Bureau of the Census (2002a), some 972,000 renter households were both below the poverty level and paid less than 30 percent of income on rent and utilities in 2001. Of those, 406,000 spent between 25 and 29 percent of their income on rent and

Unnecessary drains on limited resources by inspections. Finally, the requirement that an initial housing inspection take place has been faulted for being unnecessary, except to provide the local housing authority with information in its negotiations with landlords.[15] Since allowable rents that landlords can charge are set at a level at which standard rental housing is generally available, nearly all assisted households should be able to find reasonably decent dwellings even without an inspection. If there were no inspections and assisted households were on their own, the Section 8 program would more closely resemble the freedom-of-choice concept that proponents of housing allowances originally had in mind. Eliminating inspections and related search failures would lower administrative costs, thereby making it possible to serve more families without increasing outlays. Recipients would continue to occupy standard housing because substandard housing is not widely available. The inspections do provide some consumer protection (including a requirement for lead paint abatement) and accelerate repairs that for the most part would have been done anyway at a later date, but mostly they add unnecessarily to program expense.

The inefficiency goes deeper than unnecessary inspections. Because of the extra costs of dealing with a bureaucracy, some landlords have charged higher rents than they would have otherwise. It seems plausible that most recipients would either find better housing with the same stipend or equally good housing with a lower one, if there were no earmarking or contracts between landlords and housing authorities. Moreover, the possibly smaller overall quality increase for the program as a whole would almost certainly be more than offset by the greater number of households that would achieve security of tenure and not incur the unnecessary costs of frequent involuntary moves.

The voucher program as an income support program

While all of these criticisms merit attention, none of them addresses Section 8's most serious shortcoming: It is really no longer a housing program in that it generally does not materially improve the physical housing conditions experienced by its target population. Rather, for most recipients, it has become

utilities. Some of this latter group could actually have been receiving rent subsidies through Section 8 or public housing because the minimum 30 percent of income rule is applied *after* various adjustments are made to income. In any case, it seems that significant numbers of renter households are below the poverty line, are not receiving housing subsidies, and are paying less rent than they would under Section 8.

[15] See Turnham and Khadduri (2001) for a review of some of the issues and for a proposal to streamline quality inspections.

simply a poorly disguised income support program.[16] The implicit assumption underlying the design of the program was that recipients would use their allowance to acquire substantially better dwellings than the substandard units they had been occupying. This is precisely why the subsidy is earmarked for housing. As it was correctly reasoned at the time, if the stipend were just general income support, recipient households would spend only part of it on housing—perhaps as little as 10 percent, given income elasticities at that end of the market (Peterson 2000). The rest would be spent on other consumer goods, and the objective of a decent home would be badly compromised.

Even with earmarking, however, not much housing improvement is now occurring through the Section 8 program because nearly all of the rental stock that lower-income households occupy is already in reasonably good condition. As a consequence, the vast majority of recipients can use the bulk of their stipend to reduce their rent/income ratios and increase their spending on other household necessities, just as they would have done had they been given a subsidy that was not earmarked. Indeed this pattern of spending was observed—though to a somewhat lesser extent—under the Experimental Housing Allowance Program 30 years ago (Lowry 1983).

Today, a large diversion of Section 8 subsidies away from housing consumption and into other parts of a recipient's budget does not simply occur; it is the program's implicit objective. The purpose of Section 8 has become not improvement in the housing inventory at affordable rents, but for all practical purposes, affordability alone; that is, to reduce rent/income ratios to 30 or 40 percent. This can often be accomplished without any of the recipient's stipend being channeled into better housing at higher rents. Instead, the entire stipend can be used to release household income for other purposes. Phrased differently, low-income households are being given a housing allowance, most of which, it is hoped, will not have to be spent on housing.

But if the purpose of Section 8 today is primarily to make housing more affordable, not to improve it, then this is the wrong subsidy. If the affordability problem is caused by a lack of housing in the low-rent sector of the market, a demand-side subsidy only aggravates the problem. If, however, the supply is adequate, an earmarked subsidy accompanied by housing inspections makes sense for precisely the clientele at whom Section 8 is not now aimed—low-income families that are not burdened by high housing costs but as a consequence are living in substandard units. For these families to acquire

[16] Note that an estimated 21 percent of successful recipients apply their vouchers to the units they were already leasing (Finkel and Buron 2001).

better living accommodations, their housing outlays must increase, and for that to happen cost-effectively, earmarking plus inspections is admittedly necessary. Except for these families, earmarking is not necessary to reduce rent/income ratios, and the associated administrative requirements of Section 8 are costly to both taxpayers and potential clients.

Because of what the Section 8 existing-housing program has become, its fundamentals need to be reexamined, and because of the changes in the composition of low-income subsidy programs generally, that reexamination should include an analysis of how housing subsidies mesh with the rest of the federal low-income safety-net programs. To lay some of the groundwork for such an inquiry, the next section looks at the major features of that net.

The federal safety net for low-income households

Through a gradual accretion and evolution of subsidy programs for low-income families—programs that have not been guided by an overarching conceptual framework—the federal government has managed to create a somewhat coherent safety net for families and individuals who do not have the resources to consume at societally acceptable levels. For purposes of the discussion, the safety net can be visualized as having four layers:

1. A set of three quasi-insurance programs—Old Age Survivors and Disability Insurance (Social Security), Unemployment Insurance, and Medicare—designed as a cushion for workers whose earning stream may be interrupted by job loss, permanently terminated by disability, or insufficient to permit the accumulation of adequate private savings for retirement. Together these programs are intended to prevent most Americans from falling into poverty when their incomes dip precipitously during or after their working life.

2. A set of three unearmarked income transfer programs—supplemental security income (SSI), TANF, and the EITC program. These provide assistance to those who fall through the first layer of the safety net. Recipients are distributed across the three programs according to their employment situation. SSI is for people who are not in the labor force because of old age or ill health and whose income from Social Security and other sources is not enough to keep them out of poverty. TANF is for families whose wage earners are either temporarily unemployable or unable to find work and who are not eligible for unemployment insurance. EITC is for those who are working but whose earnings are not high enough to keep them out of poverty.

3. A set of earmarked subsidy programs that together cover the three most basic needs—health care, food, and shelter. These programs are Medicaid, three food subsidy programs (food stamps; the Women, Infants, and Children food program; and the school breakfast and lunch programs), and a collection of housing subsidy programs. Unlike assistance provided by the second-layer safety-net programs, assistance under these programs is made available on the basis of calculated need, without respect to the employment status of the wage earners in the household. Like the second-layer programs but unlike the housing programs, Medicaid and the food assistance programs are entitlements that are aimed in part at needy households that do not qualify for assistance under any of the first- or second-layer programs. Because these programs reduce family stress by raising levels of consumption to more adequate levels and, in the case of some housing subsidies, improve access to employment opportunities, they may be properly viewed as part of the publicly financed opportunity platform, as well as part of the safety net.

4. A collection of remedial assistance and family support programs—education and training, child care, drug rehabilitation, and so on—designed to help people who have low incomes and who are facing employment barriers to move toward financial independence as quickly as possible. Financial independence and the elimination of inadequate consumption have become major objectives of some of the federal safety-net programs and are clearly objectives of welfare reform.[17]

Supporting this basic safety-net structure are various well-known and lesser-known state, local, and voluntary efforts to reduce the impact of income loss and shorten its duration. For example, since TANF covers only families with children, state governments provide assistance to childless workers whose unemployment insurance has been exhausted.

We have not attempted to calculate the aggregate public and private safety-net budget. Estimates of the cost of the largest programs in fiscal year (FY) 2002 are presented in table 1. We have excluded the first-layer programs from the table because Social Security and Unemployment Insurance are self-financing and excluded those in the fourth layer simply because they are too

[17] They are also the objectives of demonstration programs such as Moving to Work and Assets for Independence (on the first of these, see Abravanel et al. 2004 and HUD 2004b; on the second, see U.S. Department of Health and Human Services [HHS] 2004). For a concise summary of the provisions of welfare reform enacted by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, see HHS 1996.

Table 1. Federal Means-Tested Programs with Budgets or Appropriations of at Least $1 Billion, FY 2002

Program	Budget or Appropriation (Billions of Dollars per Year)	Program	Budget or Appropriation (Billions of Dollars per Year)
Medicaid	153.4	Federal Family Education Loans	3.8
EITC	33.7	Indian Health Service	2.8
SSI	29.4	Veterans' pensions	2.3
Food stamps	23.0	Child Care and Development Block Grant	2.1
TANF	16.7	Low-Income Heating and Energy Assistance Program	2.0
Section 8 (tenant and project based)	16.3	Child and Adult Care Food Program	1.9
Pell Grants	11.3	HOME Investment Partnerships	1.8
School meals	8.4	Social Services Block Grant (Title XX)	1.8
Medical care for low-income veterans	7.1	Job Corps	1.4
Foster care and adoption assistance	6.6	Community health centers	1.3
Head Start	6.5	Homeless assistance grants	1.1
Public housing	6.3	Housing for the elderly and disabled	1.0
Rural housing loans	4.5	Federal Work-Study Program	1.0
Women, Infants, and Children	4.3	Total	355.7
LIHTC	3.9		

Sources: Chite 2001; Irwin 2002; Joint Committee on Taxation 2002; Snook and Bourdon 2001; U.S. Department of Agriculture 2001, 2003; U.S. Department of Education 2003; HHS 2001; U.S. Department of Labor 2001; and U.S. Department of Veterans Affairs 2003.

Note: We used GAO 2001a as a starting point for identifying means-tested programs. We added several programs to that list, including the LIHTC Program, and we updated the dollar amounts to FY 2002. Smaller federal housing programs that have means-tested components include HOPE VI Revitalization of Distressed Public Housing ($574 million in FY 2002), Native American Housing Block Grants ($649 million), Housing for Persons with AIDS ($277 million), and the Rural Housing Service Rental Assistance Program ($694 million). The Community Development Block Grant program ($5 billion in FY 2002) is also used in part to fund low-income housing. State governments contribute significant matching funds for some programs, such as Medicaid and TANF; these funds are not included in the amounts listed.

numerous to tabulate. The programs we have listed, however, are substantial, totaling $355.7 billion annually, or about 15 percent of federal budget outlays for FY 2002. Medicaid accounts for over 40 percent of the assistance. The remaining programs seem almost miniscule relative to the size of the federal budget. In the aggregate, however, they are not miniscule; they are equivalent to about $7,700 per extremely low income, very low income, and low-income household and obviously much more per assisted household.

As one might expect, although the safety net seems comprehensive on the surface, it has large gaps and overlaps because of differences in program coverage, participation requirements, and participation rates across programs and jurisdictions. For example, in the case of housing subsidies, less than half of all low-income households are even eligible for assistance. Owner-occupants, who constitute almost 50 percent of all low-income households, are excluded.[18] And because of the funding limits discussed earlier, only 23 percent of the eligible households are receiving assistance (Nelson et al. 2003). Some of the unserved families were approved for Section 8 assistance but could not find acceptable units.

Lower than expected participation rates also result from lack of knowledge or misinformation about the various programs. In Pennsylvania and elsewhere, the proportion of apparently eligible households failing to file the necessary federal income tax forms to qualify for the EITC is large enough to have resulted in special public information efforts to raise the participation rate. Studies reveal a similar lack of information about TANF and food stamps.

As a consequence of these legislative, regulatory, and informational differences across programs, similarly situated people with similar employment histories, qualifications, and aspirations find themselves and their families receiving quite different levels of assistance, even if they live in the same jurisdiction. Although no person or family can receive assistance from more than one unearmarked subsidy program at a time, it is not uncommon for some families to receive aid from several different earmarked subsidy programs while other families receive none. Also, some families receive earmarked assistance while drawing no unearmarked stipends. Who is being helped in what ways, for what length of time, and with what consequences is pretty much unknown, as are the situations of eligible but unassisted households.[19] Overall, the federal safety net is a model of opacity and inequity. And housing subsidies are the primary cause of this situation, largely because they are the only major strand in the safety net that is not an entitlement.

A tentative recommendation

Over the years, an impressive amount of knowledge and expertise has developed with respect to problems in each of the major safety-net entitlement programs. Assuming that these problems will continue to be effectively addressed, there is still a need to build stronger links and improve complementarities among these programs, so that fewer needy families remain unas-

[18] Most low-income and very low income households are owner-occupants, and more than 40 percent of extremely low income households also own their homes (MHC 2002).

[19] The U.S. Bureau of the Census's Survey of Income and Program Participation is a potential source for some of this information; see Westat (2001).

sisted or inadequately assisted. This need was recognized by Congress at least as early as 1990, when it "authorized the creation of the Welfare Simplification and Coordination Advisory Committee to examine four major assistance programs: food stamps, Aid to Families With Dependent Children (now TANF), Medicaid, and housing assistance programs" (GAO 2001b, 11). Despite considerable progress toward simplification and coordination in the ensuing years, housing assistance remains outside the fold.[20]

Given the trends in housing conditions and in the characteristics of the low-income safety net we have described, we feel that now may be an appropriate time to integrate low-income housing assistance programs into the net. It is important not simply to make requirements more compatible with those of the other programs, but also to have housing assistance stand alongside Medicaid and food stamps as an entitlement for eligible low-income households. And it is important that this be done without reducing the scope of HUD's programs to help families move toward financial independence, to help those who are in poor health or are facing serious housing conditions, or to broaden locational choice.

Of several possible integrating arrangements that would become possible with a shift to entitlement, we suggest, for the purposes of discussion, an arrangement in which entitlement would work primarily through the Section 8 program. Low-income households eligible for Section 8 assistance would be divided into two categories:

1. Households participating in EITC, TANF, or SSI
2. Extremely low income and very low income households that are not in EITC, TANF, or SSI, but are elderly or disabled or have special or exceptionally serious housing needs (such as homeless persons)

The few extremely low income and very low income households that are not EITC, TANF, or SSI recipients and also do not have special or exceptionally serious housing needs would not be eligible for a voucher, nor would low-income households. The proportion of low-income households that receive federal rental subsidies is already quite small. Most are owner-occupants, and only 12 percent of those who rent participate in a housing subsidy program (Nelson et al. 2003). Most of those who do are probably near the low end of

[20] We note that HUD's experimental Welfare to Work Voucher Program has explored the benefits of housing assistance for TANF recipients. Patterson et al. (2004) provide a preliminary evaluation of that program.

the low-income category. Terminating eligibility for such households would have relatively little impact on the program. Of course, low-income households that are already receiving Section 8 assistance would continue to get it.

So as not to undermine recipients' financial stability, the housing stipend for an EITC, TANF, SSI, special-needs, or priority household would continue after it ceased to fit into any of these categories if a household continued to meet the income qualifications for Section 8 assistance. With seriously inadequate housing now so scarce, inspections would not be required, nor would contracts between the housing authority and landlords. HUD could, however, require and fund periodic inspections of a sample of units; any violations could be handled according to existing community ordinances, not HUD regulations.[21] Tenants could also request inspections as permitted under local ordinances.

The logic of giving EITC, TANF, and SSI recipients housing assistance as an entitlement is simply that it makes no sense for households that have already been judged worthy of income support—either because they are pulling their own weight or are in especially dire circumstances—to be given assistance that, according to the federal government's own calculations, is not enough to enable many of them to meet their most basic needs.[22] If they otherwise qualify, they are already eligible for Medicaid and food stamps as entitlements. The same reasoning should apply to housing assistance. EITC, TANF, and SSI households should not be forced to sign up and wait indefinitely, and possibly unsuccessfully, in a second line to receive the total package of assistance adequate for their situation. Nor should they be forced to move before receiving assistance if they are occupying a house or apartment that needs repair. Assistance should be provided immediately, and any repair problems can be dealt with later. In any event, since Congress seeks to make adequate food and health care affordable for all households that meet income criteria, it would seem reasonable to make adequate shelter affordable too.

The special-needs and high-priority households qualifying for housing vouchers as an entitlement would include those who, for one reason or another, do not receive EITC, TANF, or SSI but still meet the income and other requirements for housing assistance and those whose physical disabilities or

[21] Some housing authorities have experimented with using local codes in lieu of HUD's Housing Quality Standards as part of the Moving to Work demonstration program (Abravanel et al. 2004).

[22] With respect to EITC recipients, Stegman, Davis, and Quercia (2003) have suggested the possibility of simply raising benefit levels to offset burdensome rent payments. This is also, of course, an approach that could be taken with respect to TANF and SSI recipients. However, unless benefit levels were somehow related to housing costs, this approach would be less targeted than the proposal we outline here.

housing situation put them in need of extra or immediate help. This group includes a wide variety of household types and situations, as suggested by the following list:

1. Special-needs households—those with an elderly or disabled member
2. High-priority or preference-list households—those who are in especially bad housing situations; for example,
   a. Victims of domestic violence
   b. Homeless households or those in particularly substandard housing
   c. Victims of reprisal or hate crimes
   d. Households displaced by government actions (such as HOPE VI redevelopment projects) or natural or other disasters

The logic of putting special-needs households and those in dire housing circumstances in an entitlement category, while different from that for EITC, SSI, and TANF households, seems obvious. Some have been victims of adverse events for which they could not have prepared. Others that might be perceived as less than deserving by prevailing social values are nevertheless experiencing pain and suffering so great that a compassionate response is widely regarded as merited.

If EITC, SSI, and TANF recipients automatically became eligible to receive a Section 8 stipend, we estimate that these households would hold most of the vouchers. In 1999, of 14.8 million extremely low income and very low income renters, 2.8 million (19 percent) received AFDC or SSI, and 8.7 million (59 percent) reported earnings as their main source of income (Nelson et al. 2003).[23] Looking at the obverse, about one-quarter of TANF enrollees nationally are Section 8 recipients (GAO 2001b), and the corresponding proportions for EITC and SSI recipients are probably similar, since the overall housing assistance participation rate for extremely low income and very low income renter households nationally is less than 30 percent (Nelson et al. 2003). Therefore, if housing vouchers became an entitlement for these households, an increase in the number of recipients would be expected.

Since contracts between housing authorities and landlords would cease to exist under our proposal, new administrative arrangements would have to be devised to protect the integrity of the program. One possibility would be to

[23] Some 3.9 million households (26 percent) received Social Security.

have eligible households return a signed copy of their rental agreement to the housing authority to verify the monthly subsidy checks that would be issued either to the household or to the landlord. The housing authority could then easily check to see whether rent gouging or other improprieties were occurring.[24]

This arrangement would treat housing assistance somewhat like the food stamp program, which assumes that unsafe food is not available, so there is no need for grocery stores to be inspected. Also, there is no perceived net gain from checking large numbers of stores for price gouging (although that does occur) or for the government to enter into individual contracts with stores. The program does require that the assistance be used for food, even if one of the desired effects is to reduce the burden on other parts of the budget, not simply to encourage more adequate food consumption. If food stamp recipients were given an unearmarked check, somewhat less would be spent on food.

The consequences of voucher entitlement for recipients and for the low-rent housing market

Since Section 8 was created, both of these proposals—that housing vouchers should be an entitlement for some segments of the low-income population and that inspections and contracts between housing authorities and landlords should be eliminated—have been regularly revisited but never adopted. We will not review the history and reasons here. Instead, we will discuss how voucher recipients and housing markets might respond to and be affected by the changes we suggest. We assume that the federal government will not increase the Section 8 budget to provide universal entitlement, so recipients would have to receive smaller stipends, as proposed by Olsen (2001). In addition, however, we also assume that the contract and inspection requirements would be dismantled, since this is central to the greater integration of housing vouchers into the rest of the federal safety net.

While it is impossible to do more than make an educated guess as to how much stipends would need to be reduced, we assume for purposes of the discussion that streamlining along the lines we suggest would yield savings in administrative costs and that FMRs could be lowered by approximately 20 percent without adversely affecting recipients. With these two sources of

[24] Alternatively, if it was felt that there would be merit in ending a payment arrangement based on actual rents paid, the Section 8 voucher could be made more comparable to food stamps, with the amount being a function only of household income and the FMR.

savings and the elimination of eligibility for low-income households, we think that the participation rate among the extremely low income and very low income households could be expanded enough to eliminate the waiting list without a large budget increase.

The greater ease of enrollment that we have proposed could, of course, result in a greater than anticipated increase in participation. However, as Olsen (2001) has observed, a decrease in stipends would reduce participation. All things considered, therefore, our assumption concerning participation rates and stipend reduction seems reasonable.

We have identified four possible areas of concern about shifting the housing voucher program in the directions we have suggested, with associated reductions in stipends:

1. There would be less of an easing of rent burdens.

2. There would be less improvement in housing quality.

3. Recipients' locational choice would be restricted.

4. Special-needs households would be less adequately served.

The first three relate to a series of trade-offs for recipients, so we will discuss these together, using a simple example to illustrate some of the relevant points. Suppose that a Section 8 household has a monthly gross income of $1,500 and pays a monthly rent of $600, producing a rent/income ratio of 40 percent. If the FMR is $800 (and the payment standard is 100 percent), the household could remain in its current dwelling (if the unit passed inspection) and receive a subsidy of $150 a month, thereby reducing its rent burden to $450 or 30 percent of income. Or the household could move to an $800 unit and receive a subsidy of $350 per month. In this example, there would obviously be considerable incentive to do the latter, even if the current unit met or nearly met program standards, as we assume would be the case for nearly all units.

If the FMR were reduced by 20 percent to $640, as we have assumed would be necessary, the household in our example could receive a maximum subsidy of only $190. Still, whether this household decided to remain or to move to a somewhat more expensive dwelling, it could do so without having its rent burden exceed 30 percent.

The obvious question is whether the lower FMRs are realistic with respect to housing quality. To rephrase this in the form of a question, is standard housing widely available at less than FMRs in most metropolitan areas? In our example, the $600 dwelling is assumed to be almost up to standard while renting for considerably less than the FMR, but would this be generally true in the real world? We think so. By definition, if there are large numbers of standard units available at FMR levels, then a lesser, but still substantial, number rent at lower levels. Our discussions with landlords in several cities, as well as casual observation, suggest that this is true.

Census data make a more persuasive case. In most cities, the number of standard dwellings renting for less than the FMR is an order of magnitude greater than the number of substandard units.[25] A large proportion of these dwellings are not available to Section 8 tenants, because many landlords, both those with a large number of units and those with fewer, do not wish to deal with the Section 8 bureaucracy.[26] The dwellings are, however, available to the same families under traditional rental arrangements in the private market. To sum up, if combined with our proposals for redesigning the voucher program, somewhat smaller stipends should not have an adverse impact on rent burdens or on the availability of minimally acceptable housing accommodations.

Two other programmatic questions also arise, however. First, would a 20 percent reduction in FMRs reduce stipends enough to permit entitlement without a budget increase? In our example, there would be a savings of 46 percent if the recipient household had been occupying a unit renting at the \$800 FMR level, but no savings at all if it had been occupying the \$640 unit. Nationally, average Section 8 rents are close to FMRs, so a 20 percent reduction should produce program savings of more than double that amount.[27] We assume that, if all extremely low income and very low income renter households were entitled to benefits, then about 70 percent would participate.[28] Under our proposal, a smaller percentage of extremely low income and very low income renters would participate because of (1) restrictions on eligibility to extremely low income and very low income households that receive TANF, SSI, or EITC or fall into a special-needs or priority group and (2) lower benefit levels (which would discourage some potential participants). If only 50 percent of extremely low income and very low income renters actually received benefits and, after

[25] If the FMR is set at the 40th or 50th percentile of rents for standard-quality housing, the percentage of units renting for less than the FMR must exceed by a large margin the small percentage of substandard units. (As noted earlier, only 2 percent of all occupied units had severe physical problems in 2001; see U.S. Bureau of the Census 2002a.)

[26] Sard (2001) summarizes the evidence for this claim.

[27] Although we have no direct evidence of the relationship between actual rents and FMRs or payment standards, we do know that in December 2003, payment standards averaged 104 percent of FMRs and that half of recipient families had payment standards set at 101 percent of FMR or more (unpublished data provided by HUD).

[28] As noted earlier, this is based primarily on Lowry (1983).

a transition period, low-income renters were excluded, then the entitlement program we describe could be funded with a modest increase in the HUD budget, which translates into a trivial increase in the total federal budget.

Second, if FMRs were lowered, what would happen to the subsidies received by current recipients who are renting units at or close to current FMR levels? We assume that these subsidies would remain for a period of perhaps five years. Since average Section 8 tenancy nationally is about three years, this protection should be sufficient for all but special-needs households that could be carried indefinitely.

If housing quality for Section 8 recipients should not be a concern as a consequence of reduced FMRs, what, then, would be the impact more generally on housing quality in the lower-rent sector of the market? It would likely be more favorable than under the current program. As already suggested, some of the stipend amounts to a bribe to landlords who need an incentive to participate because of the added costs of doing so. The incentive portion of the stipend does not end up in the housing repair and improvement budget or even in the housing market. Without the burden of Section 8 procedures, many more standard dwellings would be available at less than current FMRs. Equally important, because rents for dwellings of approximately the same quality vary widely across neighborhoods, much of the up-market movement by recipients is to better locations, not to substantially better dwellings.

Furthermore, although a greater up-market movement means a greater improvement in housing conditions for individual recipients, it also means greater abandonment and decay in the neighborhoods left behind, an effect similar to the destabilizing impact of high volumes of suburban residential construction on older inner-city areas. Since neighborhood decay and abandonment are in part a cancer that feeds on itself, it is reasonable to assume that in some cases investments in improved housing for out-migrating recipients would be offset by larger costs in the form of deferred maintenance in the neighborhoods recipients leave. A smaller voucher for all qualified families would have an additional positive impact on neighborhood stabilization by providing income support, hence rent-paying potential, across a larger segment of the inner-city population.

But if housing quality is not adversely affected by giving a smaller Section 8 stipend to a larger number of low-income households, then the objective of broader locational choice is adversely affected. Recipients will move less often and for shorter distances, contenting themselves with less expensive, but still standard, housing. This would likely be true, but perhaps to a lesser extent than normally assumed. While recipients might have a smaller number of neighborhoods to choose from, a much larger segment of the low-income population would have at least some locational choice options that were not available before.[29]

Also, a distinction must be made between the ability to move to other neighborhoods and the decision to do so. Throughout its history, Section 8 has produced less dispersal of low-income households than proponents hoped for (Devine et al. 2003; Newman and Schnare 1997). A distinction must also be made between broader locational choice and deconcentration of poverty, even though the two are sometimes used synonymously. Broader locational choice may be useful for reducing as well as deconcentrating poverty, but broader income support within neighborhoods also deconcentrates poverty by reducing the number of resident households living below the poverty line. An additional benefit comes through improvements in individual behavior and in social environments.

However, we must emphasize that smaller subsidies would likely mean that fewer recipients would be able to find units within easy commuting distance of growing suburban job opportunities. Small public housing projects, scattered-site public units, and subsidized private developments, with continued support from Section 8, could serve the locational requirements of these recipients. Currently, such projects and developments do not contribute as much to the broadening of locational choice as they could.[30]

Finally, what about rent burden? We have seen that the rent burden for recipient households need not increase and that many more households would become recipients. So entitlement can reduce rent burden with only a modest increase in the HUD budget.

The final concern over an entitlement program that would reduce average stipends relates to the special-needs and high-priority populations, which now account for a majority of Section 8 recipients. They are infirm, homeless, ill-prepared to hold a job, or beset by other difficulties that make it difficult for them to find decent shelter and become financially independent. Local housing authorities use the Section 8 program not only to improve the housing situation of these populations, but also to guide them toward self-sufficiency or help them in other ways. An understandable worry is that a smaller stipend would impede these efforts.

---

[29] The federal objective of wider locational choice works at cross-purposes with the goal of neighborhood stabilization and revival. Had Section 8 achieved more dispersal, it would simultaneously have achieved, at least in the short and medium terms, more neighborhood decline in the neighborhoods from which recipient households migrated.

[30] As noted earlier, the LIHTC program gives preference to projects located in areas of concentrated poverty.

In the absence of more information, we cannot predict what effect our proposal might have on various segments of the diverse special-needs population. It seems unlikely, however, that they would be endangered by the change. Many of these groups are already being helped by TANF, SSI, and Medicaid. Another group is being helped through supply-side housing programs, and still another group displaced by government action or natural disasters would continue to be served even if Section 8 assumes a new form. Also, expanding the number of vouchers would reduce the number of special-needs situations (such as involuntary mobility) that are not being adequately addressed. Finally, funds for supplemental assistance for particularly difficult cases could always be made part of any new program.

Conclusions

As we write this, the Bush administration is proposing to turn the housing voucher program into a block grant to housing authorities. The general thrust of the proposed changes is to move the program in a direction opposite to the one we advocate here.[31] Regardless of the administrative rearrangements for housing vouchers, the need for supply-side housing assistance programs would obviously continue, because housing differs from other consumption items in important respects: significant short- and longer-term supply inelasticities; widespread consumer ignorance about housing quality, prices, and alternatives; the value that American society places on owner-occupancy; the way in which the location of housing consumption affects educational and employment opportunities; the neighborhood effects of housing consumption itself; and the special needs of some low-income households that can best be satisfied in a project setting. As a consequence, programs to broaden locational choice, help revive declining neighborhoods, ensure an adequate volume of new construction, increase homeownership, and help difficult-to-house families would continue to play an important role in an overall housing assistance strategy. However, these programs, too, might have to be altered to make them more compatible with the rest of the programs in the safety net.[32]

---

[31] Like the Bush administration's previous proposal to turn the voucher program into a block grant to the states, the current Flexible Voucher Program proposal does not solve the program's fundamental problems. It does not deal with the entitlement issue and does not address the problem of integrating housing assistance into the range of income subsidies. In fact, it would repeal the requirement that housing agencies provide 75 percent of their vouchers to families with incomes below 30 percent of the area median. The proposal is outlined in HUD's proposed FY 2005 budget (HUD 2004a) and discussed in more detail in Sard and Fischer (2004).

[32] A review of the experiences of other countries could also be instructive. For example, as of the late 1990s, New Zealand's housing assistance was in the form of an Accommodation Supplement (AS) available as an entitlement to all welfare beneficiaries and other low-income

We have argued that housing vouchers and the other programs that make up the social safety net should be better integrated into a coherent, transparent system. We believe that such reforms would earn greater support from Congress and the public. It is perhaps not surprising that Section 8 is not an entitlement program, given the lack of clarity regarding its role in housing subsidy programs and in the overall safety net. It would seem that these relationships should already have been explored, with appropriate modifications made to subsidy programs. But some combination of shortsighted housing policy research and bureaucratic and political inertia has prevented that from happening. Unless these subsidies are placed in the broader perspective of economic deprivation and opportunity, we think that this situation will persist.

Authors

William G. Grigsby is Professor Emeritus of City and Regional Planning at the University of Pennsylvania. Steven C. Bourassa is Professor of Urban and Public Affairs and Director of the School of Urban and Public Affairs at the University of Louisville.

We thank Robert Gray, Cathy Hinko, Rebecca Matheny, Mary Wethington, and two anonymous reviewers for information and helpful comments.

References

Abravanel, Martin D., Robin E. Smith, Margery Austin Turner, Elizabeth C. Cove, Laura E. Harris, and Carlos A. Manjarrez. 2004. *Housing Agency Responses to Federal Deregulation: An Assessment of HUD's "Moving to Work" Demonstration*. Washington, DC: Urban Institute.

Apgar, William C. 2001. *Housing Vouchers and Production Programs: An Assessment of the GAO Cost Study*. Cambridge, MA: Harvard University, Joint Center for Housing Studies.

Chite, Ralph M. 2001. *Appropriations for FY 2002: U.S. Department of Agriculture and Related Agencies*. Report No. RL31001. Washington, DC: Congressional Research Service.

Congressional Budget Office. 2004. *Subfunction 604: Housing Assistance*. World Wide Web page <http://www.cbo.gov/factsheets/2004b/Housing.pdf> (accessed May 10).

households. For renters, the AS subsidized 70 percent of rental costs in excess of 25 percent of net income up to a set maximum that depended on household size and location. Similar subsidies were also available to qualifying boarders and homeowners (New Zealand Ministry of Housing 1998). While the New Zealand housing subsidy scheme might be a model for the design of demand-side subsidies, it has been criticized for neglecting the supply side of the low-income rental sector, among other things (Murphy and Kearns 1994).

Devine, Deborah J., Robert W. Gray, Lester Rubin, and Lydia B. Taghavi. 2003. *Housing Choice Voucher Location Patterns: Implications for Participants and Neighborhood Welfare*. Washington, DC: U.S. Department of Housing and Urban Development.

Devine, Deborah J., Barbara A. Haley, Lester Rubin, and Robert W. Gray. 2000. *The Uses of Discretionary Authority in the Tenant-Based Section 8 Program*. Washington, DC: U.S. Department of Housing and Urban Development.

Downs, Anthony. 1973. *Opening Up the Suburbs: An Urban Strategy for America*. New Haven, CT: Yale University Press.

Finkel, Meryl, and Larry Buron. 2001. *Study on Section 8 Voucher Success Rates*. Vol. 1. *Quantitative Study of Success Rates in Metropolitan Areas*. Washington, DC: U.S. Department of Housing and Urban Development.

Finkel, Meryl, Jill Khadduri, Victoria Main, Linda Pistilli, Claudia Solari, Kristin Winkel, and Michelle Wood. 2003. *Costs and Utilization in the Housing Choice Voucher Program*. Cambridge, MA: Abt Associates, Inc.

Goering, John, Judith D. Feins, and Todd M. Richardson. 2002. A Cross-Site Analysis of Initial Moving to Opportunity Demonstration Results. *Journal of Housing Research* 13:1–30.

Grigsby, William G., Morton Baratz, and Duncan Maclennan. 1983. *Shelter Subsidies for Low-Income Households*. Research Report Series No. 3. Philadelphia: University of Pennsylvania, Department of City and Regional Planning.

Grigsby, William G., and Steven C. Bourassa. 2003. Trying to Understand Low-Income Housing Subsidies: Lessons from the United States. *Urban Studies* 40:973–92.

Haveman, Robert, Barbara Wolfe, and James Spaulding. 1991. Childhood Events and Circumstances Influencing High School Completion. *Demography* 28:133–57.

Hays, R. Allen. 1995. *The Federal Government and Urban Housing: Ideology and Change in Public Policy*. 2nd ed. Albany, NY: State University of New York Press.

Irwin, Paul M. 2002. *Appropriations for FY 2002: Labor, Health and Human Services, and Education*. Report No. RL31003. Washington, DC: Congressional Research Service.

Joint Committee on Taxation. 2002. *Estimates of Federal Tax Expenditures for Fiscal Years 2002–2006*. Washington, DC: U.S. Government Printing Office.

Katz, Lawrence F., Jeffrey R. Kling, and Jeffrey B. Liebman. 2001. Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment. *Quarterly Journal of Economics* 116:607–54.

Kingsley, G. Thomas, and Kathryn L. S. Pettit. 2003. *Concentrated Poverty: A Change in Course*. Neighborhood Change in Urban America Series No. 2. Washington, DC: Urban Institute.

Lowry, Ira S., ed. 1983. *Experimenting with Housing Allowances: The Final Report of the Housing Assistance Supply Experiment*. Cambridge, MA: Oelgeschlager, Gunn, and Hain.

Lubell, Jeffrey M., Mark Shroder, and Barry Steffen. 2003. Work Participation and Length of Stay in HUD-Assisted Housing. *Cityscape: A Journal of Policy Development and Research* 6:207–23.

Massey, Douglas S., and Nancy A. Denton. 1993. *American Apartheid: Segregation and the Making of the Underclass*. Cambridge, MA: Harvard University Press.

Millennial Housing Commission. 2002. *Meeting Our Nation's Housing Challenges: Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States*. Washington, DC.

Murphy, L., and R. A. Kearns. 1994. Housing New Zealand Ltd: Privatisation by Stealth. *Environment and Planning A* 26:623–37.

Nelson, Kathryn P., David A. Vandenbroucke, Jeffrey M. Lubell, Mark D. Shroder, and Arthur J. Rieger. 2003. *Trends in Worst-Case Needs for Housing, 1978–1999: A Report to Congress on Worst-Case Housing Needs*. Washington, DC: U.S. Department of Housing and Urban Development.

New Zealand Ministry of Housing. 1998. *Guide to the Accommodation Supplement: 1st July 1998–31st March 1999*. Wellington, NZ.

Newman, Sandra J., and Ann B. Schnare. 1990. Integrating Housing and Welfare Assistance. In *Building Foundations: Housing and Federal Policy*, ed. Denise DiPasquale and Langley C. Keyes, 389–402. Philadelphia: University of Pennsylvania Press.

Newman, Sandra J., and Ann B. Schnare. 1997. "… And a Suitable Living Environment": The Failure of Housing Programs to Deliver on Neighborhood Quality. *Housing Policy Debate* 8(4):703–41.

Olsen, Edgar O. 2001. Housing Programs for Low-Income Households. Working Paper No. 8208. Cambridge, MA: National Bureau of Economic Research.

Patterson, Rhiannon, Michelle Wood, Ken Lam, Satyendra Patrabansh, Gregory Mills, Steven Sullivan, Hiwotte Amare, and Lily Zandniapour. 2004. *Evaluation of the Welfare to Work Voucher Program: Report to Congress*. Washington, DC: U.S. Department of Housing and Urban Development.

Peterson, George E. 2000. Housing Vouchers: The U.S. Experience. In *Vouchers and the Provision of Public Services*, ed. C. Eugene Steuerle, Van Doorn Ooms, George E. Peterson, and Robert D. Reischauer, 139–75. Washington, DC: Brookings Institution Press.

Rosenbaum, Emily, and Laura E. Harris. 2001. Residential Mobility and Opportunities: Early Impacts of the Moving to Opportunity Demonstration Program in Chicago. *Housing Policy Debate* 12(2):321–46.

Sard, Barbara. 2001. Housing Vouchers Should Be a Major Component of Future Housing Policy for the Lowest-Income Families. *Cityscape: A Journal of Policy Development and Research* 5:289–318.

Sard, Barbara. 2002. *A Housing Perspective on TANF Reauthorization and Support for Working Families*. Washington, DC: Center on Budget and Policy Priorities.

Sard, Barbara, and Will Fischer. 2004. *Administration Seeks Deep Cuts in Housing Vouchers and Conversion of Program to a Block Grant*. Washington, DC: Center on Budget and Policy Priorities.

Snook, Dennis W., and E. Richard Bourdon. 2001. *Appropriations for FY 2002: VA, HUD, and Independent Agencies (P.L. 107-73)*. Report No. RL31004. Washington, DC: Congressional Research Service.

Stegman, Michael, Walter Davis, and Roberto Quercia. 2003. *Tax Policy as Housing Policy: The EITC's Potential to Make Housing More Affordable for Working Families*. Washington, DC: Brookings Institution.

Turnham, Jennifer, and Jill Khadduri. 2001. *Issues and Options for HUD's Tenant-Based Housing Assistance Program*. Report prepared for the Millennial Housing Commission's Consumer-Based Assistance Task Force. Cambridge, MA: Abt Associates, Inc.

U.S. Bureau of the Census. 2002a. *American Housing Survey for the United States: 2001*. Current Housing Reports Series No. H150/01. Washington, DC: U.S. Government Printing Office.

U.S. Bureau of the Census. 2002b. *Historical Census of Housing Tables*. World Wide Web page <http://www.census.gov/hhes/www/housing/census/historic> (last modified August 22).

U.S. Bureau of the Census. 2003. *Census 2000 Summary File 3 (SF 3)—Sample Data*. World Wide Web page <http://factfinder.census.gov> (accessed April 28).

U.S. Department of Agriculture. 2001. *FY 2002 Budget Summary*. World Wide Web page <http://www.usda.gov/agency/obpa/Budget-Summary/2002/2002budsum.htm> (accessed April 24, 2003).

U.S. Department of Agriculture. 2003. *Food and Nutrition Service Program Data*. World Wide Web page <http://www.fns.usda.gov/pd> (accessed April 24).

U.S. Department of Education. 2003. *Budget History Tables*. World Wide Web page <http://www.ed.gov/offices/OUS/BudgetHistory> (accessed April 24).

U.S. Department of Health and Human Services. 1996. *The Personal Responsibility and Work Opportunity Reconciliation Act of 1996: Fact Sheet*. World Wide Web page <http://www. acf.dhhs.gov/programs/opa/facts/prwora96.htm> (last modified September).

U.S. Department of Health and Human Services. 2001. *FY 2002 President's Budget for HHS*. World Wide Web page <http://www.hhs.gov/budget/docbudget.htm> (accessed March 11, 2003).

U.S. Department of Health and Human Services. 2004. *Assets for Independence*. World Wide Web page <http://www.acf.hhs.gov/assetbuilding> (last modified September 17).

U.S. Department of Housing and Urban Development. 1995. *Fair Market Rents for the Section 8 Housing Assistance Payment Program*. World Wide Web page <http://www. huduser.org/datasets/fmr/fmrover.doc> (last modified October 13).

U.S. Department of Housing and Urban Development. 2000. *50th Percentile and 40th Percentile Fair Market Rents for Fiscal Year 2001*. 24 C.F.R., Part 888. Washington, DC.

U.S. Department of Housing and Urban Development. 2002. *Housing Choice Voucher Program—Area Exception Payment Standard Review and Reporting Instructions*. Notice No. PIH 2002–20 (HA). Washington, DC.

U.S. Department of Housing and Urban Development. 2003a. *FMR History 1983–Present*. World Wide Web page <http://www.huduser.org/datasets/fmr.html> (accessed April 24).

U.S. Department of Housing and Urban Development. 2003b. *Statutorily Mandated Designation of Difficult Development Areas and Qualified Census Tracts for Section 42 of the Internal Revenue Code of 1986*. Docket No. FR–4799–N–01. World Wide Web page <http://www.huduser.org/datasets/qct/notice2003.htm> (accessed April 24).

U.S. Department of Housing and Urban Development. 2004a. *Fiscal Year 2005 Budget Summary*. World Wide Web page <http://www.hud.gov/about/budget/fy05/budgetsummary.pdf> (accessed May 10).

U.S. Department of Housing and Urban Development. 2004b. *Moving to Work (MTW)*. World Wide Web page <http://www.hud.gov/offices/pih/programs/ph/mtw/index.cfm> (last modified March 3).

U.S. Department of Labor. 2001. *Employment and Training Administration FY 2002 Budget Overview*. World Wide Web page <http://www.doleta.gov/budget> (last modified April 9).

U.S. Department of Veterans Affairs. 2003. *FY 2002 Annual Accountability Report Statistical Appendix*. World Wide Web page <http://www.va.gov/vetdata/ProgramStatistics/index.htm> (last modified April 17).

U.S. General Accounting Office. 1994. *Elementary School Children: Many Change Schools Frequently, Harming Their Education*. Report No. GAO/HEHS–94–45. Washington, DC.

U.S. General Accounting Office. 2001a. *Earned Income Tax Credit Eligibility and Participation*. Report No. GAO–02–290R. Washington, DC.

U.S. General Accounting Office. 2001b. *Means-Tested Programs: Determining Financial Eligibility Is Cumbersome and Can Be Simplified*. Report No. GAO–02–58. Washington, DC.

U.S. Office of Management and Budget. 2004. *Budget of the United States Government, Fiscal Year 2005: Historical Tables*. Washington, DC: U.S. Government Printing Office.

Westat. 2001. *Survey of Income and Program Participation Users' Guide*. Washington, DC: U.S. Bureau of the Census.