



**Written Testimony of Dominique Blom
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U.S. Department of Housing and Urban Development (HUD)
Hearing before the House Committee on Financial Services,
Subcommittee on Housing and Insurance
“The Future of Housing in America: A Better Way to Increase Efficiencies for Housing
Vouchers and Create Upward Economic Mobility”
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Thank you Chairman Luetkemeyer and Ranking Member Cleaver for inviting HUD to testify this morning about increasing efficiencies and promoting upward economic mobility. As part of HUD’s ongoing efforts to more effectively manage its programs, we have many initiatives to increase resident mobility, streamline processes and improve service delivery, which I am pleased to share with you today.

Voucher Programs Provide Mobility and Improve Economic Outcomes

I want to thank the Committee for asking the question about whether or not the Housing Choice Voucher (HCV) program is effective in its current form. The answer to that question is unequivocally, Yes.

Without housing assistance, the 2.2 million elderly, disabled, and families with children with housing vouchers and the 2.3 million households living in Public Housing and Project Based Rental Assistance would certainly be living in much worse housing conditions and many would be dependent on the generosity of friends or relatives or experiencing on-the-street homelessness.

The research is clear. Targeted long-term housing assistance, like the housing voucher, is critically important for ending homelessness; and it has the additional benefits of improving the health and safety of parents and improving the economic outcomes for their children.

For example, a recent study on providing vouchers to homeless families, as compared to our other programs to address homelessness, results in a 56% lower rate of returning to shelter after 18 months; a 46% lower rate of child separation; and a 58% lower rate of experiencing intimate partner violence. Housing vouchers were also found to be as cost effective, or more cost effective, than other housing programs aimed at helping homeless families.

Housing Assistance alone is important; but couple that housing assistance with a safe neighborhood, better yet a safe neighborhood with decent schools, and you further improve the health and safety of families and increase the economic benefits their children will experience as adults.

A number of research studies, including studies that use the data from the Moving to Opportunity demonstration, show the importance of neighborhoods. For the mothers who moved to safer, lower poverty neighborhoods, they experienced a 50% lower rate of diabetes, a 42% reduction in severe obesity, and a 13% higher rate of reporting being happy. For their youngest children, nearly 20 years after moving, they have 31% higher earnings as a result of the move, higher college attendance rates, are more likely to live in lower-poverty neighborhoods as adults, and are less likely to be single parents.

In terms of mobility, we know that, in most locations, housing vouchers are the most effective form of housing assistance to give families access to safer, lower-poverty neighborhoods. The mobility that tenant-based housing vouchers provide is a key factor for the voucher program's success in helping families live in communities where there is more economic and educational opportunity.

But we know that we can do better and we are looking at different ways to reduce concentrations of voucher holders in neighborhoods with higher poverty rates and fewer educational opportunities. We have a proposed rule that looks to replace an ineffective tool – 50th percentile FMRs – with a promising tool – Small Area FMRs, – that may reduce that concentration by improving voucher holders' access to communities where there is more opportunity. We are similarly working with a number of Public Housing Agencies (PHAs) to explore other tools and efficiencies within the voucher program for helping families find units in safer and resource rich neighborhoods.

To run these voucher programs effectively requires that PHAs are adequately funded. HUD's Administrative Fee study has found that most HCV programs are underfunded. To improve the efficiency and effectiveness of voucher programs in helping to decentralize poverty and increase access to economic and educational opportunity, we need to fund them adequately. The Department's Fiscal Year 2017 Budget requests to fully fund administrative fees under a new fee formula that is based on the findings of the study.

The Department's Fiscal Year 2017 Budget also seeks the authority to implement an HCV Mobility Demonstration program. The goals for this program are to facilitate collaboration, encourage HCV program participants to move to lower-poverty areas, and expand families' access to opportunity areas. Through implementation of the program, the Department intends to identify impediments to collaboration (in particular, regulatory and administrative barriers) in addition to cost-effective mobility strategies. In addition to requesting the authority to establish the program, which would provide the Department with the ability to approve limited, program-level regulatory waivers, HUD requested \$15 million. Of this amount, at least \$12 million would be awarded to PHAs for activities such as mobility counseling, landlord outreach, and administrative activities associated with establishing and operating a regional housing mobility program. Up to \$3 million of the amount would support an impact evaluation of the mobility interventions put into place by

program participants, with the goal of identifying activities that contribute to family decisions to move to lower-poverty areas. Additionally, as part of the Department's request, PHAs would be able to use their administrative fees to support demonstration related costs.

We know that PHAs are working to provide more opportunities for families. PHAs in Chicago, St. Louis, Baltimore and other areas are currently providing mobility services above and beyond typical HCV administration to their families. To date, there is not a strong base of research to definitively answer whether larger or smaller agencies are better able to serve housing recipients in terms of accessing educational and housing opportunities in the HCV program.

This proposed Demonstration is a way for the Department to strengthen this research base by measuring outcomes, evaluating best practices, and determining the most cost-effective ways to promote mobility that are replicable on a national scale.

Expanding Flexibilities

HUD is moving forward with the expansion of the Moving to Work (MTW) Demonstration in accordance with the Consolidated Appropriations Act, 2016. With the expansion of MTW to 100 additional PHAs, HUD plans to learn from new policy interventions, and apply that knowledge to all PHAs across the nation, to include simplifying the administration of housing assistance programs.

Currently, 39 PHAs receive statutory and regulatory waivers under MTW to pursue innovative policies that promote cost effectiveness, encourage family self-sufficiency, and increase housing choice. Since its inception, MTW has been a valuable tool in creating local solutions to our nation's housing challenges. We have learned a lot from the existing MTW agencies, and many successful MTW interventions are now applied to all housing authorities through our Streamlining Rule and various components of the Housing Opportunity Through Modernization Act of 2016.

The vision for MTW expansion is to evaluate MTW interventions in order to improve the delivery of federally assisted housing. As directed by the Consolidated Appropriations Act, 2016, we plan to expand the MTW through cohorts of PHAs, with each cohort adopting a specific policy change for evaluation in the statutorily designated areas of cost effectiveness, self-sufficiency, and housing choice.

Certain MTW flexibilities will be provided to all MTW expansion PHAs. Other MTW flexibilities may only be available to particular cohorts, depending on the specific policies to be tested and evaluated by each cohort. We would then seek regulatory and statutory changes to apply successful MTW policy changes to all PHAs.

HUD has established and met with the Federal Research Advisory Committee, is working to structure the overall framework for the MTW expansion, and is committed to engaging with the public and providing opportunities for comment on the many important program questions as it expands the MTW Demonstration. In spring 2016, HUD solicited and received valuable comments on policy changes to study through the expansion and how to evaluate those policies. We anticipate publishing a notice in late 2016 or early 2017, that includes the expected policy

changes to be studied in the expansion and inviting responses to participate in the first cohort of MTW expansion PHAs. Interested PHAs would have four months to respond to the notice, and we are targeting the summer of 2017 for announcements of the first cohort of MTW expansion PHAs

The Small Public Housing Agency Opportunity Act (H.R. 4816)

We support efforts to reduce administrative burdens and simplify program administration for small PHAs.

At present, PHAs administering the HCV program range in size from fewer than 50 vouchers to close to 100,000 vouchers. In general, we know that small PHAs face greater challenges in administering the HCV program than larger PHAs, in part because they lack sufficient economies of scale.

HUD's HCV Administrative Fee Study, released in the summer of 2015, determined that PHAs with 500 or fewer leased vouchers had significantly higher per-unit costs than PHAs with more than 500 leased vouchers. However, smaller PHAs that lack the resources of larger PHAs may choose to enter into cooperative agreements or other arrangements with other PHAs to share administrative costs and responsibilities, as well as to facilitate opportunity moves on a regional basis. HUD's proposed Mobility Demonstration mentioned above would allow HUD to test different approaches to regionalization and mobility and will provide insight into how the size of a PHA's program might factor into program effectiveness.

With respect to the public policy objectives of the Small Public Housing Agency Opportunity Bill (H.R. 4816) and whether creating a dual regulatory system would increase efficiency, HUD believes that reducing burden and simplifying program administration are important goals for all PHAs, and we have highlighted our ongoing efforts in this regard elsewhere in this testimony. While creating a dual regulatory system within an individual program may not be the optimal approach to increasing overall program efficiency, we certainly agree that there is opportunity to make further changes to HUD's PHA management assessment process and other facets of program administration that would recognize the limited resources of small PHAs and the lower financial risk those agencies pose to the Federal Government. That said, HUD has a number of concerns with H.R. 4816 in its current form, and we welcome the opportunity to continue to work with the Committee on efforts to effectively deliver administrative relief for small PHAs.

When undertaking program streamlining and reform efforts, we need to be mindful of the potential impacts these changes may have on our programs beyond reduced burden. Foremost would be the potential impact on the health and safety of families under HUD programs and whether any changes would compromise our ability to ensure that assisted housing meets appropriate quality standards.

Program changes that reduce or eliminate current tenant or resident protections simply because of the size of the PHA would arbitrarily disadvantage families. Meaningful performance standards for HUD programs are necessary to maintain credible accountability, regardless of the administering entity's program size.

For the HCV program, the bill provides that a small PHA is only required to inspect an assisted unit once every three years as opposed to the current biennial requirements. There is no reason to believe that the quality of HCV units administered by small PHAs are somehow better than those units administered by larger PHAs. As this could impact the safety of the families, we question whether frequency of inspections is really the right place to seek to reduce administrative burden for small PHAs.

The bill also mandates that HUD evaluate a small PHA's HCV management solely on the basis of its utilization rate. Under such an assessment, PHAs with a sufficient utilization that nevertheless admitted ineligible families to the program, failed to inspect units, incorrectly calculated rental subsidies, paid unreasonable rents to landlords, and did not recertify family incomes would still be considered acceptable, since performance would be based solely on the utilization rate.

For Public Housing, the bill appears to prohibit HUD from inspecting Public Housing sites (with the exception of troubled PHAs) for up to three years from the last inspection, regardless of risk factors such as financial health and the severity and frequency of housing quality complaints. Beyond these limited physical inspections, HUD would have to determine PHA financial condition solely on the basis of the ratio of current assets to current liabilities, and similarly determine PHA management condition only on the basis of vacancy rate. These provisions are too limiting in terms of oversight, and would be insufficient to result in an informed assessment of PHA performance and accountability.

In addition, the bill seeks to eliminate or amend several PHA requirements of concern to HUD. For example, the bill would limit the applicability of the Section 3 requirements for small PHAs, which would impede the important economic mobility goals of job creation and employment. The bill also would exempt small PHAs from some current environmental review requirements, which protect both the environment and families. We strongly believe that tenants should be able to rely on health and safety protections, regardless of the size of their administering PHA.

The bill also would provide small PHAs with the authority to use public housing and HCV funds for either program. On a practical level, it is not clear how this "fungibility" authority would work with respect to how HCV renewal funding is calculated and administrative fees are earned under current law. In addition, Congress recently expanded the number of Moving To Work PHAs by 100 agencies, and designated that at least 50 of the agencies must administer 1,000 or fewer aggregate public housing and voucher units. The MTW expansion will allow us to potentially test the impact of fungibility on small PHAs and the families they assist, so that, should the outcomes be positive, we can develop an informed and effective policy for the future.

Additionally, the bill would significantly hamper economic mobility for residents by eliminating for small PHAs the current statutory requirements that deconcentrate poverty and expand housing opportunity through the Project-Based Voucher (PBV) program. HUD believes these are critical goals of the PBV program that should not be eliminated based on the size of the PHA. The bill also would increase the cap on PBV funds from 20% to 50% of overall HCV funds. HUD believes that a change of this magnitude is premature in light of MTW expansion, which offers us the

opportunity to test and evaluate policies, to identify both positive and negative outcomes before implementing such policies across-the-board.

As written, H.R. 4816 curtails HUD's ability to reasonably assess a small PHA's management of Public Housing and HCV programs. The bill appears to focus mostly on limiting oversight by HUD, with less emphasis on simplifying or eliminating burdensome administrative functions for PHAs. Under the bill, it would become much more difficult, if not impossible, for HUD to determine if PHAs were complying with important program requirements.

HUD's Streamlining Efforts to Reduce Administrative Burdens

In recent years, PHAs have faced dual challenges of critical underfunding and increased regulatory burden. PHAs receive just 82% of their operating needs for public housing at current FY 2016 funding levels, and (prior to the enactment of the Rental Assistance Demonstration) the nationwide backlog of unmet capital needs was estimated at more than \$26 billion. At the same time, the HCV administrative fee remains far below actual PHA needs. This continued reduction in resources, combined with increasing administrative requirements, makes it challenging for PHAs to direct adequate resources to the core program requirements.

Regulatory Streamlining

During the last year, HUD has undertaken regulatory action to simplify administrative requirements for PHAs.

Specifically, HUD enacted a final rule on April 7, 2016, to streamline administrative requirements across Public Housing, HCV program, and certain multifamily housing programs. This final rule was the product of a multiyear review of recommendations from PHAs, industry stakeholders, and other interested parties. Highlights of the provisions include:

1. Allowing PHAs to perform unit inspections every two years instead of annually and allowing use of inspections performed under other programs, such as the Low Income Housing Tax Credit program;
2. Allowing PHAs to approve payment standards of up to and including 120 percent of the fair market rent (FMR) for families that include a person with disabilities;
3. Providing for less frequent re-certifications of fixed income sources to every three years;
4. Reducing the frequency of small utility reimbursement payments (<\$15) to quarterly;
5. Reducing the frequency of asset verification to every three years, and allowing self-certification of assets less than \$5,000;
6. Reducing requirements for third-party verification of community service requirements;

While we believe this streamlining rule makes program administration more efficient, we continue to review our regulations, requirements, and recommendations from stakeholders to identify areas where further regulatory streamlining is possible.

Recent Statutory Changes

During the past year, Congress enacted two important bills that we believe will streamline program requirements for PHAs. Specifically, the Fixing America's Surface Transportation Act and the Housing Opportunities Through Modernization Act enacted longstanding industry requests, such as improving project-based voucher requirements, streamlining income determinations for fixed-income families, and improving capital planning for Public Housing.

On December 4, 2015, the President signed the Fixing America's Surface Transportation Act into law (Public Law 114-94). The law amended the United States Housing Act of 1937 to allow PHAs and owners to apply a cost of living adjustment (COLA) determined by the Secretary to all income for families with incomes that are made up of at least 90 percent fixed income. Owners and PHAs are still required to use third-party documentation for a full income recertification every three years. HUD is working towards implementing the FAST Act.

The Housing Opportunity Through Modernization Act of 2016 was signed by President Obama into law (Pub.L.114-201) on July 29, 2016. The law makes a number of changes that affect PIH programs, including income reviews and asset calculations, project-based voucher assistance, unit inspections, the Family Unification Program, and parameters for over-income families in public housing. We believe several HOTMA sections also offer greater flexibility to housing agencies, including:

- Use of Interim Alternative Inspection Method (Section 101)
- Project-Based Voucher Assistance (Section 106)
- Public Housing Capital and Operating Funds (Section 109)

Improving Systems to Increase Efficiency and Reduce Costs

Our Real Estate Assessment Center (REAC) Information Technology (IT) department is implementing many system improvements that will lessen the time required by PHAs to complete various programmatic operations and reporting.

In consultation with industry partners and PHAs, HUD is building a new, cloud-based data collection system, Public Housing Information Center-Next Generation (PIC-NG), which will replace the current PIC system used to gather and maintain information about PHAs' inventories of developments, units, officials, etc. The new system will allow PHAs to "stream" data from their IT systems to HUD versus the existing time-consuming batching and transmission processes.

Another business system undergoing upgrades is the Voucher Management System (VMS) used to collect PHA data that enables HUD to fund, obligate, and disburse funding in a timely manner. The new enterprise data solution, eVMS, is expected to replace the current need for manual data entry of expense information for the approximately 2,250 PHAs participating in the voucher program. It will also provide improved information access for PHAs to review their remaining funding and reserve balances, for better planning and utilization of program resources.

These efforts will result in more user-friendly and efficient IT reporting applications that will reduce the administrative burden on PHAs in the administration and reporting functions related to housing assistance programs.

Assisting Youth Aging Out of Foster Care

HUD is committed to preventing and ending homelessness for youth aging out of foster care. The 2015 point-in-time (PIT) count of the nation's homeless identified 17,551 unaccompanied youth (18 to 24 years of age) in shelters, and 14,689 unsheltered youth. Additionally, Department of Education data shows that an estimated 89,000 students without a parent or guardian were identified as experiencing homelessness at some point during the 2013-2014 school year. In fact, researchers estimate that between 11 and 37 percent of youth who age out of foster care have experienced homelessness.¹

It is unacceptable that these youth experience homelessness at a rate significantly greater than their peers that did not have foster care involvement. It is imperative that our systems work together so that our youth are exiting foster care with a clear pathway to success. To that end, HUD is working with its partners across the Federal government to identify opportunities that result in better outcomes for our former foster care-involved youth. This work is premised on four outcomes: stable housing, permanent connections, education or employment, and social-emotional well-being.²

Coordination alone will not get us to an end of youth homelessness. Ending homelessness for youth, as it does for Veterans and families with children, requires a greater investment in housing and service interventions, and a continual focus on testing promising interventions and investing in what works. The investment in the HUD Veterans Affairs Supportive Housing program (HUD-VASH) has resulted in a nearly 50% reduction in Veteran homelessness since 2010. The Administration's Fiscal Year 2017 budget calls for investing \$11 billion in mandatory spending toward ending family homelessness. These are the kind of bold investments needed to end homelessness.

Prioritizing former foster care-involved youth requires making difficult decisions regarding who gets housing assistance in an environment of limited resources. PHAs have the authority to prioritize who receives an HCV through the use of waiting list preferences, but these decisions must be based on local need. Prioritizing one population may mean that another vulnerable population does not get served. HUD continues to believe, absent targeted funding, that local communities are in the best position to make these determinations.

HUD's experience serving youth through the Family Unification Program (FUP) has shown that, while some youth will thrive with just housing assistance and basic services, other youth need greater supports to achieve self-sufficiency. HUD heard from both youth and PHAs administering FUP that the 18-month limit on assistance was not long enough to achieve self-sufficiency, and

¹ See Housing for Youth Aging Out of Foster Care report
https://www.huduser.gov/portal/publications/pdf/youth_hsg_main_report.pdf.

² Framework to End Youth Homelessness
https://www.usich.gov/resources/uploads/asset_library/USICH_Youth_Framework_FINAL_02_13_131.pdf.

requested to extend the period of assistance to 60 months in the Fiscal Year 2017 budget. That is why HUD is thankful for the HOTMA changes to FUP, including expanding the length of assistance to 36 months and extending eligibility to more youth. HUD worked expeditiously to determine that these provisions were effective immediately and to communicate these changes to PHAs and child welfare agencies. As a result of these changes, HUD has already heard from PHAs reporting that they have been able to prevent homelessness for youth who would have been required to leave FUP had it not been for the extension of assistance.

HUD has launched two additional efforts this year to increase opportunities for foster care-involved youth to find the stability they need to become self-sufficient. On January 15, 2016, HUD launched the FUP and Family Self Sufficiency (FSS) Demonstration (FUP-FSS Demonstration). The FUP-FSS Demonstration provided PHAs administering both FUP and FSS the opportunity to participate in a demonstration testing the effectiveness of combining vouchers with FSS supportive services. The Demonstration allows youth to receive voucher assistance for the length of an FSS Contract of Participation, typically five years. The application window to participate closed on July 15, 2016. Over 50 PHAs will be participating, and HUD will evaluate the Demonstration and report on whether the demonstration helped homeless youth achieve self-sufficiency. On August 22, 2016, HUD published the Youth Homelessness Demonstration Program (YHDP) Notice of Funding Availability (NOFA). HUD will select up to 10 communities to participate in YHDP to develop and execute a coordinated community approach to preventing and ending youth homelessness. This demonstration will help build the capacity of communities to serve youth, and evaluate the effect of establishing a coordinated community approach on preventing and ending youth homelessness. The selection of the communities will be announced in January 2017.

Conclusion

Within its existing authority, HUD is working to improve efficiencies to deliver programs more effectively for PHAs and residents. We will continue to find ways to increase mobility, streamline processes, reduce administrative burdens and serve diverse populations.

I would like to thank all of you for the opportunity to appear before you today, and I am pleased to answer your questions.