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April 17, 2018

## **Housing Choice Voucher Program: Oversight and Review of Legislative Proposals**

### **Testimony of Barbara Sard, Vice President for Housing Policy, Before the House Financial Services Subcommittee on Housing and Insurance**

Thank you for the opportunity to testify. I am Barbara Sard, Vice President for Housing Policy at the Center on Budget and Policy Priorities. The Center is an independent, nonprofit policy institute that conducts research and analysis on a range of federal and state policy issues affecting low- and moderate-income families. The Center's housing work focuses on improving the effectiveness of federal low-income housing programs, particularly the Section 8 Housing Choice Voucher (HCV) program.

My testimony will focus primarily on the draft Housing Choice Voucher Mobility Demonstration Act of 2018, and at the end touch on the other two legislative proposals that are the subject of the hearing. The Housing Choice Voucher program, our nation's primary vehicle to help very low-income families afford decent, safe, and sanitary housing, is designed to provide financial assistance to households to enable them to choose the housing and neighborhood that best suits their needs. Evidence underscores that low-income children whose families move from very poor neighborhoods to lower-poverty areas have higher earnings as adults — and are less likely to become single parents and more likely to attend college — than children remaining in less-advantageous neighborhoods.<sup>1</sup> Yet as currently administered, housing vouchers often are not sufficient to enable families to access neighborhoods with greater opportunities that can help prevent intergenerational poverty. The draft Voucher Mobility Demonstration Act could help the voucher program reach its full potential in three ways.

1. It would encourage local housing agencies to form regional collaboratives to reduce barriers preventing families from moving to higher-opportunity areas. Such collaboratives also have potential to reduce long-run operating costs.

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<sup>1</sup> Raj Chetty, Nathaniel Hendren, and Lawrence Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review* 106, no. 4 (2016): 855–902.

2. By providing the Secretary of the Department of Housing and Urban Development (HUD) with authority to waive or specify alternative requirements for certain statutory provisions necessary to implement a regional plan, the bill could make regional operation of the HCV program more feasible.
3. It provides a framework for learning what types of mobility-related services are most cost-effective at increasing the share of HCV families with children living in higher-opportunity areas.

With certain improvements that I discuss at pages 11-15, the bill could have even greater benefits for families.

## **Housing Choice Voucher Program Generally Very Effective**

The Housing Choice Voucher program, the nation's largest rental assistance program, helps 2.2 million low-income households, including about 1 million families with children, rent modest units of their choice in the private market. But due to funding limitations, about 3 in 4 households eligible for a voucher do not receive any form of federal rental assistance.<sup>2</sup>

Rigorous studies demonstrate that Housing Choice Vouchers sharply reduce homelessness and other hardships. In addition, vouchers for homeless families cut foster care placements (which are often triggered by parents' inability to afford suitable housing) by more than half, reduce moves from one school to another, and cut rates of alcohol dependence, psychological distress, and domestic violence victimization among the adults with whom the children live.

By reducing families' rental costs, housing vouchers allow them to devote more of their limited resources to meeting other basic needs. Families paying large shares of their income for rent spend less on food, clothing, health care, and transportation than those with affordable rents. Children in low-income households that pay around 30 percent of their income for rent (as voucher holders typically do) score better on cognitive development tests than children in households with higher rent burdens; researchers suggest that this is partly because parents with affordable rent burdens can invest more in activities and materials that support their children's development. Children in families that are behind on their rent, on the other hand, are disproportionately likely to be in poor health and experience developmental delays.<sup>3</sup>

Most voucher recipients who would be expected to work do so. Nearly 9 out of 10 households using vouchers are elderly, disabled, working or had worked recently, or likely subject to a work requirement under the Temporary Assistance for Needy Families program. Dependent care needs

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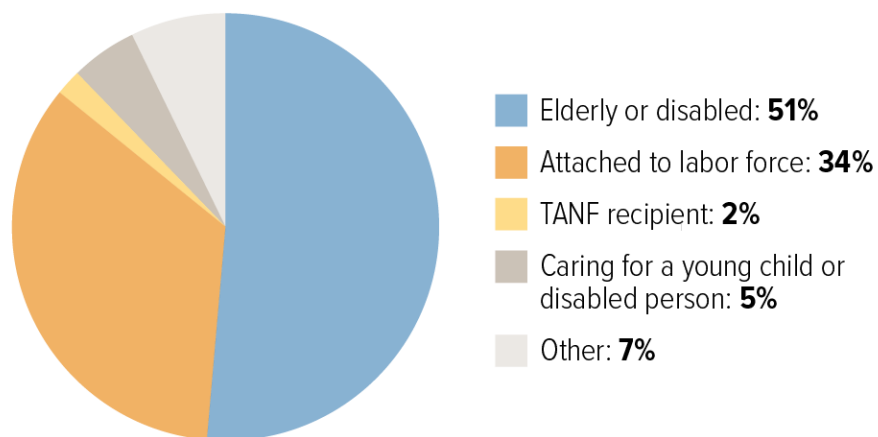
<sup>2</sup> See Center on Budget and Policy Priorities, "Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance," August 2017, <https://www.cbpp.org/three-out-of-four-low-income-at-risk-renters-do-not-receive-federal-rental-assistance>.

<sup>3</sup> Research documenting the wide range of benefits of housing vouchers is gathered in Will Fischer, "Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children," Center on Budget and Policy Priorities, October 7, 2015, <http://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>.

may prevent adults from working in a large share of the remaining households, which include a pre-school child or a person with disabilities. (See Figure 1.)

FIGURE 1

## 9 in 10 Households Receiving Housing Choice Vouchers Are Elderly, Disabled, Attached to the Labor Force, or Receiving TANF



Note: “Elderly” = head of household or spouse is 62 or older. “Disabled” = head or spouse meets Department of Housing and Urban Development (HUD) disability criteria. “Attached to labor force” = at least one household member worked in 2015 or 2016, or received unemployment insurance in 2016. “Young child” = child under age 6. “Other” = many non-working households were searching for work, in school or training, or had a health or other condition (such as domestic violence) that limited work. Most recipients of Temporary Assistance for Needy Families (TANF) are subject to work requirements. Numbers may not add to 100 percent due to rounding.

Source: CBPP analysis of 2015 and 2016 HUD administrative data

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Voucher use is temporary, though longer in areas with high or steeply rising rents than in other areas. Recent HUD-sponsored research found that the median duration of receipt of HCV assistance for households that left the program in 2015 was 3.3 years. Length of stay was significantly longer for households headed by an elderly person than others.<sup>4</sup>

### Vouchers Help Families to Access Opportunities, But Could Do Better

A strong body of research shows that growing up in safe, low-poverty neighborhoods with good schools improves children’s academic achievement and long-term chances of success, and may reduce inter-generational poverty. Studies have also consistently found that living in segregated

<sup>4</sup> Kirk McClure, “Length of Stay in Assisted Housing,” U.S. Department of Housing and Urban Development Office of Policy Development and Research, October 2017, <https://www.huduser.gov/portal/publications/length-of-stay.html>.

neighborhoods with low-quality schools and high rates of poverty and violent crime diminishes families' well-being and children's long-term outcomes.<sup>5</sup>

Location also can affect adults' access to jobs, the cost of getting to work, the ease of obtaining fresh and reasonably priced food and other basic goods and services, and the feasibility of balancing child care responsibilities with work schedules.<sup>6</sup>

Vouchers enable families with children to move to safer neighborhoods with less poverty, and thereby enhance their chances of long-term health and success. But reforms are needed to realize the program's potential in helping families to access neighborhoods of opportunity. The proposed Voucher Mobility Demonstration Act could provide the foundation for many of these key changes.

### **Rigorous Studies Find Persuasive Evidence of Neighborhoods' Influence**

A groundbreaking study by Raj Chetty, Nathaniel Hendren, and Lawrence Katz found that young children in families that used housing vouchers to move to better neighborhoods fared much better as young adults than similar children who remained in extremely poor neighborhoods.<sup>7</sup> The study provided the first look at adult outcomes for children who were younger than 13 when their families entered the Moving to Opportunity (MTO) demonstration, a rigorous, random-assignment, multi-decade comparison of low-income families who used housing vouchers to relocate to low-poverty neighborhoods to similar families that remained in public housing developments in extremely poor neighborhoods.

The Chetty study found that young boys and girls in families that used a voucher to move to lower-poverty neighborhoods were 32 percent more likely to attend college and earned 31 percent more — nearly \$3,500 a year — as young adults than their counterparts in families that did not receive an MTO voucher. Girls in families that moved to lower-poverty neighborhoods were also 30 percent less likely to be single parents as adults. (See Figure 2.) MTO's design imparts confidence to the conclusion that neighborhood differences are responsible for these striking outcomes.

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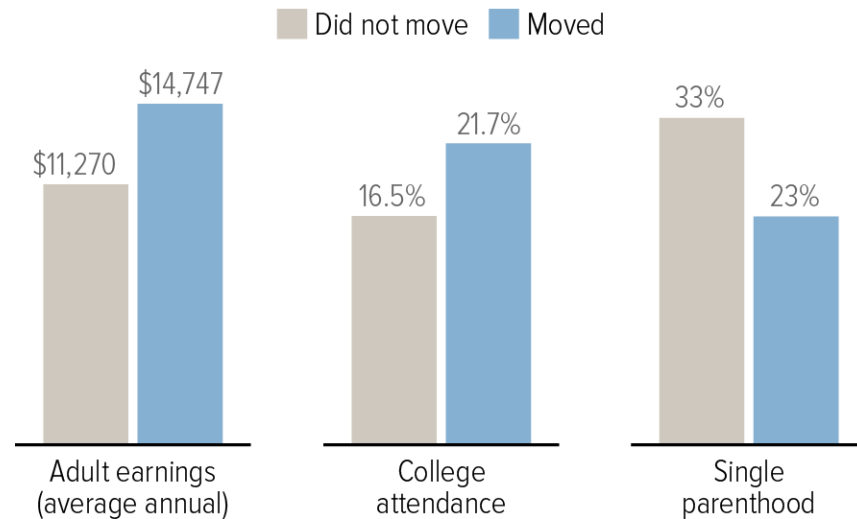
<sup>5</sup> Barbara Sard and Douglas Rice, "Realizing the Housing Voucher Program's Potential to Enable Families to Move to Better Neighborhoods," Center on Budget and Policy Priorities, January 12, 2016, <http://www.cbpp.org/sites/default/files/atoms/files/11-9-15hous.pdf>.

<sup>6</sup> See X. Briggs, *The geography of opportunity: Race and housing choice in metropolitan America*. Washington, D.C.: Brookings Institution Press.

<sup>7</sup> Chetty, Hendren, and Katz.

FIGURE 2

## Moving with Voucher to Lower-Poverty Neighborhoods While Young Children Improves Key Adult Outcomes



Note: Outcomes are for children up to age 13 at the time of random assignment under the Moving to Opportunity (MTO) demonstration. “Moved” refers to families that used MTO vouchers to relocate to neighborhoods where fewer than 10 percent of residents were poor. “Did not move” refers to control group families that did not receive MTO vouchers.

Source: Chetty *et al.*, “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment,” National Bureau of Economic Research, Working Paper #21156, May 2015.

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### Program Improvements Needed to Realize the Housing Choice Voucher Program’s Location Potential

When African American and Hispanic families use housing vouchers, their children are nearly twice as likely as other poor minority children to grow up in low-poverty neighborhoods (where fewer than 10 percent of residents are poor) and somewhat less likely to grow up in extremely poor areas (where 40 percent or more of residents are poor). The voucher program thus has an important, positive impact on minority families’ access to opportunities.

Still, only 1 in 8 (12.9 percent) families with children participating in the HCV program in 2014 used their vouchers to live in a low-poverty area, while 343,000 children in families using vouchers lived in extremely poor neighborhoods. Vouchers could do much more to help these and other children grow up in safer, low-poverty neighborhoods with good schools.<sup>8</sup>

<sup>8</sup> Sard and Rice, 2016.

Many more families would like to use vouchers to move to better neighborhoods — and many housing agencies would like to help them do so — but families typically do not receive the information and assistance they need to make successful moves. In addition, the program’s balkanized administrative structure makes it more difficult for families to use vouchers in high-opportunity areas. In the few cases where families receive assistance from public housing agencies (PHAs) — or partner organizations — that operate regionally, have policies that facilitate using vouchers in higher-opportunity areas, and provide information and assistance to families to move to such areas, thousands have successfully made such life-changing moves.

### **Regionalizing HCV Administration Would Increase Efficiency and Expand Opportunity**

The June 2016 report of the Speaker’s Task Force on Poverty, Opportunity, and Upward Mobility noted that “A major obstacle to housing assistance recipients moving up the economic ladder is the lack of individual choice in housing programs and bureaucracies.” It recommends that “To combat this, we should enhance the portability of housing assistance vouchers” and reform the “fragmented” system of thousands of public housing agencies.<sup>9</sup> Strong evidence supports the Task Force’s finding and recommendations.

HUD contracts with about 2,200 PHAs to administer housing vouchers.<sup>10</sup> These agencies administer as few as four and as many as 99,200 vouchers. Beyond consideration of population and housing need, differences in municipal and county governance as well as state politics have led to this great variation in PHAs’ scale, as well as in their geographic coverage. The result is a complex network of program administration, where multiple agencies, both large and small, often administer vouchers in the same metro areas, sometime with overlapping jurisdictions. The complexity and redundancy of program administration is inefficient, increases program costs, makes federal oversight more difficult, and reduces housing opportunities for families.

In some states, state-level agencies oversee a large share of the federal rental assistance resources. About 30 states (including the District of Columbia) have state-level agencies that administer a portion of the housing vouchers in the state.<sup>11</sup> Other states have created regional entities that respond to the administrative challenge posed by rural areas. In Mississippi, for example, six regional housing authorities administer nearly 75 percent of the state’s vouchers and nearly 15 percent of its public housing units. State or regional administration of rental assistance makes it easier for families to apply for assistance and to choose where to live, and typically provides economies of scale.

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<sup>9</sup> Task Force on Poverty, Opportunity, and Upward Mobility, “A Better Way: Our Vision for a Confident America,” June 7, 2016, p. 18, <http://abetterway.speaker.gov/assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf>.

<sup>10</sup> 1,433 of these agencies also manage public housing. For more data concerning PHAs and the programs they administer, see Barbara Sard and Deborah Thrope, “Consolidating Rental Assistance Administration Would Increase Efficiency and Expand Opportunity,” Center on Budget and Policy Priorities, April 11, 2016, <http://www.cbpp.org/sites/default/files/atoms/files/4-11-16hous.pdf>.

<sup>11</sup> For example, the Montana Department of Commerce administers about two-thirds of the vouchers in Montana, and the Idaho Housing Finance Agency administers about half of that state’s vouchers. State agencies in Alaska and Delaware manage both public housing and voucher programs.

### *Most Metro Areas Served by Multiple Housing Voucher Programs*

In most metropolitan areas, one agency administers the HCV program in the central city and one or more different agencies serve suburban cities and towns. This pattern is the case in 97 of the 100 largest metro areas, where 71 percent of households in the HCV program lived in 2015. In 35 of the 100 largest metro areas, voucher administration is divided among ten or more agencies. This is the case even in mid-size metro areas such as Providence, Rhode Island, and Albany, New York, each of which has at least 35 agencies administering the HCV program.<sup>12</sup>

One reason for this pattern is that HUD in the past allocated voucher funds to hundreds of new small agencies to serve individual suburban towns or to administer special vouchers for people with disabilities, including nearly 700 small agencies in metro areas.<sup>13</sup> These decisions result, at the extreme, in 68 different small PHAs administering the HCV program in the greater Boston metropolitan area (which includes part of southern New Hampshire), in addition to 25 larger agencies and two state-administered HCV programs.

### **Large Number of PHAs Increases Costs, Reduces Program Effectiveness, and Limits Housing Choice**

The large number of PHAs administering the HCV program has made its operation more costly and less efficient — as well as less effective for families — than it could be.

#### *Oversight and Operation of Small PHAs Increase Federal Costs*

The large number of PHAs increases the cost of federal oversight as well as the cost of local agency administration. In an analysis of opportunities to increase HCV program efficiency, the Government Accountability Office (GAO) found that “consolidation of voucher program administration under fewer housing agencies . . . could yield a more efficient oversight and administrative structure for the voucher program and cost savings for HUD and housing agencies. . . .”<sup>13</sup>

A careful HUD study recently examined the actual costs that high-performing agencies of various sizes incur in administering the HCV program, as well as the financial data that voucher PHAs submit to HUD. It found that PHAs that administered fewer vouchers had significantly higher costs per family served than larger programs.<sup>14</sup> (See Figure 3.) One significant cost factor is additional staff per voucher in use. This is likely because some basic administrative functions — such as overall planning and staying up to date on program rules — take essentially the same amount of time regardless of the number of vouchers a PHA administers.

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<sup>12</sup> CBPP analysis of HUD, *2015 Picture of Subsidized Households*. In 278 out of the 381 metro areas in the United States and territories, two or more PHAs administered HCV programs; a single agency served only a little more than one-fourth of metro areas. Sard and Thrope. (Appendix 3 has data for each of the largest 100 metro areas.)

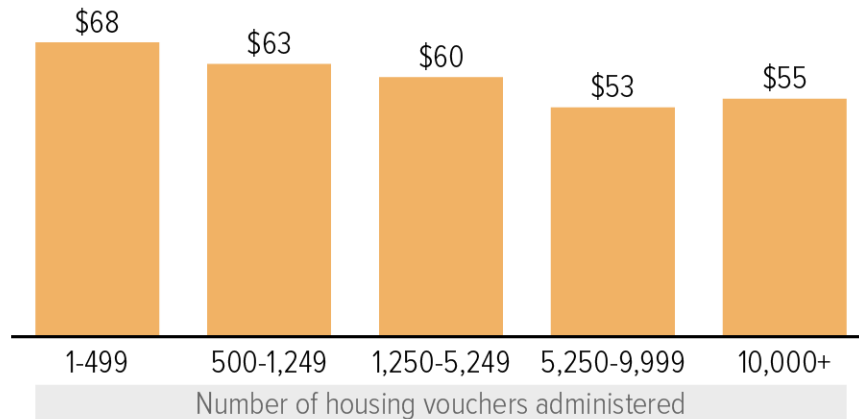
<sup>13</sup> U.S. Government Accountability Office, “Housing Choice Vouchers: Options Exist to Increase Program Efficiencies,” GAO-12-300, March 2012, p. 39.

<sup>14</sup> Abt Associates, “Housing Choice Voucher Program Administrative Fee Study,” August 2015, [http://www.huduser.org/portal/publications/pdf/AdminFeeStudy\\_2015.pdf](http://www.huduser.org/portal/publications/pdf/AdminFeeStudy_2015.pdf).

FIGURE 3

## Smaller Public Housing Agencies Have Higher Administrative Costs

Average monthly administrative cost per voucher



Source: Abt Associates, "Housing Choice Voucher Program Administrative Fee Study" Ex. 8-2, August 2015, [http://www.huduser.org/portal/publications/pdf/AdminFeeStudy\\_2015.pdf](http://www.huduser.org/portal/publications/pdf/AdminFeeStudy_2015.pdf).

Note: Abt adjusted its cost estimates to account for differences in local labor costs.

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Under current policy, HUD gives smaller agencies — those with 600 or fewer vouchers — higher per-unit subsidies for voucher administrative costs, with the payment boost phasing out for larger programs.<sup>15</sup> The recent HUD study recommends paying additional fees for agencies serving fewer than 750 families, with the biggest boost to agencies serving fewer than 250 families and then gradually phasing out the boost to avoid a funding cliff. If federal policymakers maintain current law or adopt the study's recommendation, the federal cost will be greater than if policymakers decide that agencies should be paid only the amount needed to operate at an efficient scale, without a boost based on the small size of their voucher programs.<sup>16</sup>

<sup>15</sup> This policy is required by statute: see 42 U.S.C. § 1437f(q).

<sup>16</sup> The size adjustment in the proposed administrative fee formula that HUD released on July 6, 2016 would have increased smaller agencies' funding eligibility by \$43 million in 2015. (CBPP analysis of HUD's estimate of 2015 fee eligibility under the proposed formula, available at <http://portal.hud.gov/hudportal/documents/huddoc?id=proposdformulafeephax.xlsx>.)



### *Fragmented Rental Assistance Administration Reduces Housing Choice and Is Less Efficient*

Rental units in safe neighborhoods with good schools are more plentiful in some suburban areas than in the central cities or older suburbs, which are more likely to have higher-poverty neighborhoods with lower-performing schools. A recent study by the Urban Institute found that interventions that don't support relocation to suburban areas with high-quality schools "cannot reasonably expect improved educational outcomes for children, given the educational environment in most cities."<sup>17</sup>

But the balkanization of metro-area HCV programs among numerous housing agencies often impedes greater use of vouchers in higher-opportunity areas. Families living in high-poverty neighborhoods in central cities or older suburbs with increasing poverty may have more difficulty using a voucher to move to such areas than if a single agency, or consortia of agencies, served the metro area. Agency staff in higher-poverty jurisdictions may be unfamiliar with housing opportunities elsewhere and unlikely to encourage families to make such moves. And PHAs in destination communities may be reluctant to accept new families or assist them in finding a willing landlord, seeing newcomers as potential competition with current residents for scarce rentals.

Current administrative fee policy exacerbates the disincentives for agencies to help families make successful inter-jurisdictional moves. Despite the increased administrative costs of such "portability" moves, due to the ongoing transfers of funds and records between the agencies that issued the vouchers and the agencies that serve the areas where families lease housing, both issuing and receiving agencies receive diminished administrative fees in these cases. Typically, issuing agencies retain only 20 percent of the HUD-provided administrative fee for a voucher used in another PHA's jurisdiction, while receiving PHAs get less for the ongoing administration of these vouchers than for those they issue. The recent HUD study recommends paying receiving agencies the full administrative fee due for vouchers leased in their service area, while still providing one-fifth of the regular fee to the issuing agencies to compensate for their costs.<sup>18</sup>

Because most portability moves occur within a metro area, regional voucher administration would eliminate the need to use these costly procedures and the additional fees they may entail. If PHAs in a metro area could form a consortium in which they each retain their local board but together have a single voucher funding contract with HUD, families would be able to use their vouchers to move relatively seamlessly among the cities and towns in the consortium. (Consolidation of separate housing agencies to form a single metro-wide PHA could have greater benefits but also faces greater political hurdles; for many PHAs, the ability to retain their independent identity is a paramount concern. This makes it more likely that PHAs would join a consortium to achieve administrative

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<sup>17</sup> Brett Theodos, Claudia Coulton, and Amos Budde, "Getting to Better Performing Schools: The Role of Residential Mobility in School Attainment in Low-Income Neighborhoods," *Cityscape* 16:1, 2014, p. 81, <http://www.huduser.gov/portal/periodicals/cityscpe/vol16num1/ch3.pdf>.

<sup>18</sup> Abt Associates. Fee-splitting and ongoing transfers of funds and records between the agencies that issued the vouchers and the agencies that serve the areas where families lease housing are required, unless the "receiving" agencies "absorb" the families into their own HCV program by giving the families vouchers the receiving agencies have available instead of serving families on their waiting lists. In recent years, HUD has provided a supplemental fee of 5 percent — for a total of 85 percent if fully funded — to PHAs that administer a very large share of "port-in" vouchers.

economies of scale than formally consolidate with other agencies.<sup>19</sup>) Under HUD’s current rules, however, agencies have little incentive to form consortia, and when they do, they still lack a single funding contract with HUD.<sup>20</sup>

Enabling agencies in a consortium to function as a single entity for funding, reporting, and oversight purposes would substantially reduce PHAs’ and HUD’s administrative burdens. Agencies would also benefit from greater economies of scale. GAO notes, for example, the greater efficiencies that are possible when small agencies join together to hire inspectors or when a voucher program is large enough to generate sufficient administrative fees to support a fraud detection unit.<sup>21</sup> Economies of scale also could free up staff time to take advantage of program options such as using project-based vouchers to help develop or preserve mixed-income housing and supportive housing. Creation of a consortium with a single funding contract would also eliminate the administrative work required when a voucher holder moves from one community to another.

### **PHAs Need Additional Funds to Help Families Move to and Remain in High-Opportunity Neighborhoods**

In 2018, agencies likely will receive less than 80 percent of the voucher administrative fees for which they’re eligible because policymakers didn’t appropriate enough money to cover the full amounts.<sup>22</sup> Without additional funding, few agencies will have the resources needed to help more families with vouchers rent in higher-opportunity areas.

There have been efforts in some metro areas, funded through a variety of sources, to provide intensive mobility assistance to families that want to move to lower-poverty neighborhoods, but only about 15 such programs operate today.<sup>23</sup> Programs in the Baltimore and Dallas areas have reported significant success in moving substantial numbers of families to — and helping them remain in — much lower-poverty, predominantly non-minority communities. These initiatives provide families with assistance in locating available units, higher rental subsidy levels, payments for security deposits and other moving costs, and counseling to help them adjust to such neighborhoods. They provide similar services to families for at least one subsequent move to help them remain in designated opportunity areas. These programs operate on a regional basis covering at least the central city and many suburban areas, thereby avoiding the barriers created by separate agency service areas.<sup>24</sup>

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<sup>19</sup> HUD Office of Policy Development and Research, “Strategies for Regional Collaboration,” *Evidence Matters*, Summer/Fall 2015, pp. 13-17, <https://www.huduser.gov/portal/periodicals/em/fall15/highlight2.html>.

<sup>20</sup> According to HUD, in 2014 there were only eight consortia involving 35 PHAs that administer the HCV program. HUD, Streamlining Requirements Applicable to Formation of Consortia by Public Housing Agencies, Proposed Rule, 79 Federal Register 40019, July 11, 2014.

<sup>21</sup> GAO-12-300, p. 40.

<sup>22</sup> Because of inflation and other factors, fees in 2018 will cover about the same share of costs as in 2017, and a smaller share than in 2015 and 2016, despite the increased funding in the omnibus bill Congress passed last month.

<sup>23</sup> Poverty & Race Research Action Council, “Housing Mobility Programs in the U.S. in 2015,” <http://prrac.org/pdf/HousingMobilityProgramsInTheUS2015.pdf>.

<sup>24</sup> For more information, see Sard and Rice, 2016, pp. 16-17.

These local initiatives illustrate that housing vouchers can enable more families to move to safe, lower-poverty neighborhoods with greater opportunities, but it will require both policy changes and additional resources to do so at a larger scale. The Baltimore Housing Mobility Program (BHMP), which offers extensive pre- and post-move counseling services targeted to families with children in high-poverty neighborhoods, estimates their cost per successful move to be \$4,500.<sup>25</sup>

## **Supporting Regional Voucher Mobility Initiatives Would Expand Housing Choice and Increase the Efficiency of the HCV Program**

A growing number of communities are interested in developing or strengthening regional collaborations — including forming consortia — to facilitate housing mobility but are stymied by the lack of funding to support the related administrative costs and HUD’s failure to follow through on its 2014 proposal to allow PHAs forming consortia to have a single voucher funding contract with HUD.<sup>26</sup>

The draft Housing Choice Voucher Mobility Demonstration Act of 2018 would authorize a demonstration that would encourage public housing agencies in ten regions to collaborate on locally designed initiatives to help low-income families use existing vouchers to move to higher-opportunity neighborhoods. The bill would require HUD to report on the effectiveness of the demonstration within three years after the regional housing mobility programs are implemented, if funds are made available for evaluation.

The draft bill is similar to a proposed housing mobility demonstration in the Senate Appropriations Committee’s version of the fiscal year 2017 appropriations bill for HUD, S. 2844, which included \$11 million to support staff time to plan for regional collaboration and align policies and administrative systems across public housing agencies, as well as to cover costs of enhanced landlord recruitment and other activities to expand families’ housing choices.<sup>27</sup> The bill also included an additional \$3 million to research what mobility strategies are most effective. The House bill did not include any provision specifically related to housing mobility, and the final 2017 funding bill did not authorize the demonstration or include funding for it.

## **Certain Modifications Would Make the Proposed Voucher Mobility Bill More Effective**

As noted at the top of my testimony, the operational changes the draft Voucher Mobility Demonstration Act is designed to incentivize would produce better outcomes for families and could

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<sup>25</sup> CBPP analysis developed in consultation with the Baltimore Regional Housing Partnership, which administers the BHMP. The cost estimate was derived from actual program expenditures and the services offered through 2017. This estimate is consistent with independent research on the cost of BHMP’s services. See Dan Rinzler *et al.*, “Leveraging the Power of Place: Using Pay for Success to Support Housing Mobility,” Federal Reserve Bank of San Francisco, Working Paper 2015-04, July 2015, <http://prrac.org/pdf/LeveragingThePowerOfPlace2015.pdf>.

<sup>26</sup> In July 2014, HUD proposed revising its consortia rule to allow all agencies in a consortium to have a single voucher funding contract with HUD. 79 Federal Register 40019, July 11, 2014. To date, HUD hasn’t finalized the rule, or proposed a new rule that would allow PHAs to form consortia for the administration of both the HCV program and public housing.

<sup>27</sup> See section 243 of S. 2844 (2016).

help the voucher program reach its full potential. The following additions and changes to the draft bill would strengthen the bill by ensuring that the housing mobility initiative assists the families and children likely to most benefit from it, in regions where fostering greater collaboration among PHAs would enhance efficient HCV program operation. I also propose narrowing the allowable waivers to policy changes directly relevant to the goal of encouraging families to move to lower-poverty, higher-opportunity areas, and authorizing additional funding to support mobility strategies and regional collaboration.

1. **Criteria for competitive selection of PHAs.** In designing the selection criteria for the demonstration, Congress should require HUD to prioritize applications from PHAs with the following characteristics and commitments:
  - a. *PHAs that together serve areas with high concentrations of voucher holders in poor, low-opportunity neighborhoods and have an adequate number of moderately priced rental units in higher-opportunity areas.* The compelling evidence from the Moving to Opportunity Demonstration and the Gautreaux program in Chicago of the positive impacts of moving to low-poverty neighborhoods was based on families that, prior to being selected to receive housing vouchers and mobility services, lived in federally assisted housing in deeply poor neighborhoods.<sup>28</sup> Less dramatic neighborhood changes aren't likely to produce impacts as significant as those found in these initiatives. But the success of the proposed type of relatively short-term mobility initiative requires the existence of rental units in high-opportunity neighborhoods that families with vouchers can afford to rent.<sup>29</sup> Each regional set of applicant PHAs should be required to demonstrate that a substantial number of voucher families live in neighborhoods of concentrated poverty and that one or more of the partner agencies serves low-poverty/high-opportunity destination neighborhoods with rental units below the agencies' planned voucher subsidy levels and a reasonable vacancy rate.<sup>30</sup>
  - b. *Groups of PHAs that include at least one PHA with a high-performing Family Self-Sufficiency (FSS) program and that will enable participating families to continue in the FSS program if they relocate to the service area of any PHA in the regional partnership.* The House recently passed H.R. 4258, the Family Self-Sufficiency Act, sponsored by Chairman Sean Duffy and Ranking Member Emanuel Cleaver, "to promote the development of local strategies to coordinate use of [housing] assistance ... with public and private resources, to enable eligible families to achieve economic independence and self-sufficiency." Despite the very important reforms this bill will make to increase the effectiveness of

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<sup>28</sup> Lisa Sanbonmatsu *et al.*, "Moving to Opportunity for Fair Housing Demonstration Program: Final Impacts Evaluation," National Bureau of Economic Research, November 2011, <http://www.huduser.org/portal/publications/pubasst/MTOFHD.html>; DeLuca *et al.*, "Gautreaux mothers and their children: An update," *Housing Policy Debate*, 20(1), 2010, 7-25.

<sup>29</sup> Strategies to add to the modestly priced rental stock in high-opportunity areas can be an important part of a comprehensive strategy to increase housing mobility. But if such strategies rely on constructing new housing they could take too long to show results during a three-year demonstration.

<sup>30</sup> HUD exempted metro areas with excess concentration of voucher holders but a rental vacancy rate of 4 percent or less from mandatory implementation of Small Area Fair Market Rents, as a precaution to help ensure that families would have adequate housing choices even if subsidy levels declined in areas where many voucher holders lived prior to the implementation of the new policy. See 81 Fed. Reg. 80567, 80569 (November 16, 2016).

the FSS program, it will not overcome a problem created by the multiplicity of PHAs operating in a region. If an HCV family enrolled in FSS moves to another PHA's jurisdiction, the family may lose FSS case management support and forfeit the savings accumulated under FSS as earnings increased. Under HUD rules, it is up to the original PHA to decide if the family can continue in its FSS program and to the receiving PHA to decide whether to accept the family into its FSS program, if it has one.<sup>31</sup> The regional collaborations the draft bill will encourage present an opportunity to overcome this barrier to combining housing mobility with strategies to increase employment and earnings. Parents should not have to choose between a safer neighborhood with better opportunities for their children and their own economic advancement.

- c. *Regional PHA partnerships that include small agencies in the region and will consolidate mobility-focused operations.* As noted above, the large number of small PHAs that administer HCV programs increases administrative costs as well as HUD's oversight burdens. Applications that include small PHAs — and propose to consolidate at least some aspects of program administration that are likely to enhance voucher mobility — should receive priority.
2. **No statutory limit on the number of regional efforts that can be included in the initiative.** The flexibility — and particularly any supplemental funds — that the initiative makes available could attract PHAs in more than ten regions to apply. Even if HUD caps the number of regions selected based on feasibility of evaluation or amount of funds available for mobility services, a more open application process could encourage additional regional collaboration. The Senate HUD version of the demo did not include a cap on the number of participating regions, despite the Obama Administration's proposal that it be limited to ten regions.
  3. **Allow Regional Housing Mobility Plans to prioritize for receipt of mobility services families with young children that live in areas of concentrated poverty.** Families with young children living in areas of concentrated poverty are likely to benefit the most from moving to lower-poverty neighborhoods with good schools and other amenities. Research by Raj Chetty and others summarized above shows that using vouchers to move to neighborhoods with lower concentrations of poverty resulted in higher lifetime earnings and increased college attendance for children who moved before they were 13. The research also found that the longer a child lives in a low-poverty area, the greater the gains. Every year that children who moved before they were 13 spent in better neighborhoods improved outcomes, underscoring the importance of intervening when children are young.<sup>32</sup> The US Partnership on Mobility from Poverty recently recommended targeting new vouchers combined with housing mobility and other services on families with at least one child under age 6 that are homeless or living in neighborhoods with a poverty rate of 30 percent or higher.<sup>33</sup>

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<sup>31</sup> See 24 C.F.R. § 984.306.

<sup>32</sup> Chetty, Hendren, and Katz.

<sup>33</sup> Barbara Sard, Mary Cunningham, and Robert Greenstein, "Helping Young Children Move Out of Poverty by Creating a New Type of Rental Voucher," US Partnership on Mobility from Poverty, February 2018, <http://www.mobilitypartnership.org/helping-young-children-move-out-poverty-creating-new-type-rental-voucher>.

4. **Require applicants to specify criteria for “opportunity areas.”** Congress should ensure that applicant PHAs specify the criteria they would use to identify opportunity areas in their proposed Regional Housing Mobility Plan. This would enable HUD to know whether the applicants are aiming to help families move to the types of neighborhoods that are likely to accomplish the intended goals of the initiative, and whether they have brought together the range of partners likely to be necessary to achieve the targeted moves.
5. **Narrow the scope of allowable waivers.** Congress should use caution in delegating authority to the executive branch to bypass statutory and regulatory requirements. Some authority to waive or specify alternative requirements for existing law could advance the goals of the initiative, but Congress should anticipate the likely areas where such flexibility is needed and craft the delegation of authority appropriately. For example, the Senate’s bill proposing a similar initiative included certain new authority concerning maximum voucher subsidies and specified the subparagraphs or clauses of Section 8 of the U.S. Housing Act the HUD Secretary could waive or modify, in place of the more sweeping waiver authority the Obama Administration had requested.<sup>34</sup> In addition to the still-relevant flexibilities in the Senate bill, I recommend the Committee include authority for PHAs in a selected region to form a consortium that has a single HCV funding contract, or to enter into a partial consortium to operate all or portions of the regional mobility plan, for the reasons explained above. Agencies participating in the Moving to Work Demonstration should be allowed to participate in a partial consortium.<sup>35</sup>
6. **Authorize sufficient funding for a robust demonstration.** The draft bill relies on current administrative fees, any accumulated fee reserves, and funding from private entities to support the mobility services the initiative is designed to encourage and evaluate. These sources are unlikely to be adequate for a successful demonstration. We estimate that \$30 million would support 15 regional mobility programs to offer comprehensive mobility services to a total of 22,500 families over a three-year period. Based on the experience of existing mobility programs, we anticipate that about one-third of the families that initially indicate interest in receiving mobility services will move to a low-poverty, high-opportunity area. (Of course, the mix of services and policy changes that particular regions adopt may

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<sup>34</sup> Section 243 of S. 2844, approved by the Senate Appropriations Committee on April 21, 2016. Additional flexibility concerning maximum voucher subsidies is no longer needed, as all PHAs may now set HCV payment standards up to 110 percent of the Small Area Fair Market Rent and request HUD approval for further increases if warranted. Section 243(d) of the Senate bill limited allowable waivers to sections 8(o)(7)(A) and 8(o)(13)(E)(i) (related to shortening the term of a family’s assisted lease to permit a move to an opportunity area); section 8(o)(13)(C)(i) (related to the ability of a PHA participating in a regional housing mobility program to administer assistance contributed to the program consistent with the Regional Plan rather than individual PHA plans); section 8(r)(2) (related to the ability of a PHA participating in a regional housing mobility program to administer HCV assistance anywhere within the region); and a few other provisions that are no longer relevant in light of the statutory changes enacted as part of the Housing Opportunity Through Modernization Act of 2016 (HOTMA).

<sup>35</sup> Partial consortia — which HUD rules do not currently permit — are appropriate to operate particular initiatives, such as promoting moves to higher-opportunity areas. HUD should allow agencies participating in the Moving to Work (MTW) demonstration to participate in partial consortia when such collaborations will bring significant benefits to eligible families in the region as well as to the agencies. (HUD interprets congressional limits on the number of MTW agencies to preclude their participation in a full consortium, because that would in effect increase the number of PHAs with MTW flexibility.) In a number of the larger and more segregated metropolitan areas in this country, the center city where most low-income non-white households live is served by an MTW agency (e.g., Atlanta, Baltimore, Chicago, New Haven, Oakland, Philadelphia, and Pittsburgh).

result in different per-household costs and success rates.) In addition, the bill should permit participating PHAs to use HCV renewal funds or housing assistance payments reserves to pay for security deposits if necessary for families to secure homes in opportunity areas.

7. **Consider authorizing the initiative as a “tiered-evidence” grant program, rather than a one-time demonstration.** Under a tiered-evidence grant program, promising approaches can be tested — in this case to determine the effectiveness of particular types of mobility services and policies — and expanded to additional communities based on proven effectiveness. The gradual expansion can continue to build a knowledge base of what types of interventions work best for different types of families and in different types of housing markets, and demonstrate what strategies are not worth the investment. As of 2015, five federal agencies administered a total of nine tiered-evidence grants.<sup>36</sup>
8. **Allow five years post-implementation for HUD to publish an evaluation.** The draft bill requires that HUD publish an evaluation within three years after the regional programs under the demonstration are implemented, if evaluation funding is available. Considering the time it is likely to take from selection of the participating agencies to families actually beginning to move to opportunity areas through the services they receive, a three-year deadline is not likely to be sufficient to gather and analyze robust results. If the final bill continues to focus on a one-time demonstration, it would be better to allow up to five years for the evaluation, as the prior Senate bill did.

## **Congress Should Not Create a New Federal Preference for Rental Subsidies for Children Aging Out of Foster Care**

The Committee has requested witnesses’ views about a discussion draft of the “Fostering Stable Housing Opportunities Act of 2018,” circulated by Rep. Michael Turner. The draft bill is well-intentioned, aiming to alleviate the serious problem that many youth aging out of foster care become homeless. Moreover, one of the bill’s key provisions — which would enable 16-year-old youth in foster care to submit applications for federal rental assistance — is a sensible policy that would improve their access to affordable housing and reduce the risks of homelessness.

However, I have deep concerns about the core of the proposed approach — to set a federal priority for foster youth who meet certain requirements to receive federal rental assistance — and believe that there are better strategies to address the problem. My concerns include the following:

- **The bill undoes a longstanding housing policy compromise that effectively balances federal and state/local concerns.** Nearly two decades ago, in the Quality Housing and Work Responsibility Act of 1998, Congress rescinded federal preferences for homeless applicants and other types of households that previous congresses had deemed a priority for admission. In their place, the 1998 Act imposed a simple-to-administer requirement that local agencies and owners admit extremely low-income applicants for a specified share of available units or vouchers each year (the percentage and related requirements vary by program). Such income-targeting requirements ensure that a large share of federal housing resources serve

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<sup>36</sup> U.S. Government Accountability Office, *Tiered Evidence Grants: Opportunities Exist to Share Lessons from Early Implementation and Inform Future Federal Efforts*, GAO-16-818, September 21, 2016, <https://www.gao.gov/products/GAO-16-818>.

those with the greatest needs, while deferring to state and local agencies to determine how to set priorities for admission for certain types of households.<sup>37</sup>

- **The bill does nothing to address the underlying issues that leave children aging out of foster care at risk of homelessness.** These issues include a foster care system that fails to adequately support youth who are “aging out,” as well as a severe shortage of rental aid for vulnerable people, including those who are homeless or at risk of losing their homes. As I’ve noted, 3 out of 4 eligible households receives no federal rental assistance due to program funding limitations.
- **The bill would help foster youth only by reducing the availability of aid to other vulnerable people.** Because the bill would establish a federal requirement to include a preference for foster youth and no more than two other groups with equal priority, without expanding the pool of available rental assistance, it would effectively reduce the amount of aid available to other vulnerable people that agencies have prioritized, including veterans, families with children, and others who are homeless, seniors and people with disabilities living on extremely low fixed incomes, and victims of domestic violence who are fleeing abusive homes. Indeed, the new preference could mean that more children *enter* the foster care system because their families are unable to afford stable housing.<sup>38</sup>
- **The bill would not help equally deserving youth who are unable to afford full-time college or find reliable full-time work.** The draft bill limits assistance to youth who are either full-time students or working at least 35 hours per week. Given that the serious hardships that many exiting foster care youth confront are due largely to the failure of the foster care system, it’s difficult to perceive the moral or other justification for this limitation. Moreover, post-secondary education is expensive, while many youth exiting foster care will have few resources, and the immediate job prospects of many will be limited to jobs where hours are irregular and set on a daily or weekly basis by the employer. Under the bill’s requirements, vulnerable youth could lose their rental assistance and thus their homes if, despite their best efforts, their work hours fall for short periods due to employer decisions.

Foster care youth are in dire need of policymakers’ help, but Congress can address this need more fairly and effectively than by re-establishing federal preferences for rental assistance. Instead, Congress should enact the following measures:

- **Fund new Family Unification (FUP) vouchers for youth exiting foster care.** This program, which provides housing vouchers and case management to youth and families, has strong bipartisan support — indeed, this Committee took important steps to improve the FUP program as part of the Housing Opportunity Through Modernization Act of 2016. The

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<sup>37</sup> A 2012 Congressional Research Service study of 131 housing agencies found that the vast majority had instituted local preferences, most commonly preferences for people with disabilities, seniors, homeless people, victims of domestic violence, veterans, working families, households displaced by disaster or government action, and local residents. See Maggie McCarty and Carmen Brick, *The Use of Discretionary Authority in the Housing Choice Voucher Program: A CRS Study*, Congressional Research Service, April 11, 2012.

<sup>38</sup> HUD’s rigorous Family Options Study found that children in homeless families that received rental assistance were significantly less likely to be placed into foster care or otherwise separated from their families than children in similar families that received no rent aid. HUD, “Family Options Study, Short-Term Impacts of Housing and Services Interventions for Homeless Families,” July 2015, [https://www.huduser.gov/portal/portal/sites/default/files/pdf/FamilyOptionsStudy\\_final.pdf](https://www.huduser.gov/portal/portal/sites/default/files/pdf/FamilyOptionsStudy_final.pdf).



program has also received several allocations of additional funds in recent years, including \$20 million in the 2018 omnibus funding law. (Recent appropriations acts have also included substantial new funding for initiatives to reduce youth homelessness, another indication of the strong support that exists for increasing funding to address the problem.)

- **Direct HUD to identify and, if necessary, reallocate FUP vouchers that are no longer being used for their intended purpose.** Since 1992, HUD has awarded roughly 47,000 FUP vouchers to dozens of housing agencies across the country, yet recent HUD program data suggest that a substantial share of these vouchers may no longer be used for their original purpose.<sup>39</sup> One reason for this is that for many years HUD did not monitor recipient agencies to ensure that FUP vouchers were being reissued to foster youth and child-welfare involved families in need of housing aid. (Following Congress’ direction, HUD issued guidance in 2011 to ensure that, going forward, FUP vouchers that turnover and are reissued continue to be used for their original purpose, but it did not require agencies to take corrective action if they had previously reissued former FUP vouchers to families that did not meet the special eligibility requirements.)<sup>40</sup> A sensible step to expand rental aid available to foster youth would be to require HUD to take steps to ensure that all vouchers that Congress funded as part of the Family Unification Program are used as Congress intended, including by reallocating the vouchers to other agencies, if necessary.

## **Congress Should Not Use the Voucher Program to Pay for Transitional Housing for People with Opioid Use Disorders, But Instead Direct Other Resources to Serve This Purpose**

The Committee has requested witnesses’ views about a discussion draft of the “Transitional Housing for Opioid Recovery Demonstration Program Act of 2018,” circulated by Rep. Andy Barr. The draft bill is well-intentioned, aiming to dedicate resources for residential substance use treatment programs that help people recover from opioid use disorders. This proposal, however, is misguided for reasons similar to the rental subsidy preference for youth aging out of foster care discussed above.

The opioid epidemic is a public health problem. Rising opioid-related death rates — more than 42,000 people died in 2016 due to opioid misuse, up from 8,400 in 2000 — underscore the need to increase resources for substance use treatment services to make effective treatment more widely available.<sup>41</sup> Inability to access affordable housing is a problem for people recovering from substance use disorders, who may face additional barriers to federal housing assistance due to federal statutory requirements that impose time-limited bans against living in HUD-assisted housing for people

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<sup>39</sup> A cumulative list of FUP awards may be downloaded from the National Center for Housing and Child Welfare website, <http://www.nchcw.org/>. As of the end of 2017, housing agencies reported roughly 17,000 FUP vouchers leased to HUD’s Voucher Management System. While agencies are required to report FUP vouchers in use, reporting may be incomplete; still, the data suggest that many of the 47,000 original FUP vouchers are likely no longer being used by the youth and families for which they were intended.

<sup>40</sup> See HUD PIH Notice 2011-52, “Reporting, Turnover, and Other Requirements for the Family Unification Program.”

<sup>41</sup> Centers for Disease Control and Prevention, “Drug Overdose Death Data,” updated December 19, 2017, <https://www.cdc.gov/drugoverdose/data/statedeaths.html> and National Institute on Drug Abuse, “Overdose Death Rates,” revised September 2017, <https://www.drugabuse.gov/related-topics/trends-statistics/overdose-death-rates>.

evicted for drug-related activities and policies that allow housing agencies to prohibit people who have histories of past drug use or are considered at risk of engaging in illegal drug use from receiving assistance.<sup>42</sup>

Moreover, Medicaid can't pay for housing but people leaving inpatient or residential treatment often need affordable housing assistance to re-enter their communities, particularly those who can't live with family or friends because such living environments would threaten their sobriety. An inability to pay rent and the threat of losing housing can also lead to stress that triggers substance misuse and relapse, which can result in death.<sup>43</sup>

The discussion draft, unfortunately, does not address these challenges. The proposal would set aside 10,000 vouchers specifically for people with an opioid use disorder.<sup>44</sup> These vouchers would be time limited (12-24 months) and only available for people in programs that provide evidence-based treatment and job skills training according to standards established by the HUD Secretary. This is not the appropriate role for HUD or the voucher program. Moreover, the bill proposes to allocate the vouchers to the agencies that provide the drug treatment and job skills training, rather than to public housing agencies. This would be extremely inefficient and error-prone. It also would require additional resources for technical assistance and oversight, and worsen the current challenges HUD faces in monitoring too many small agencies, as discussed earlier in my testimony.

The discussion draft aims to help residential treatment and recovery housing programs that serve people with opioid use disorders by providing treatment and wraparound supports like housing, employment, and child care. This narrow targeting is neither practical nor fair. Substance use providers usually are not focused on serving only clients with a particular drug of choice. This proposal would create a scenario where providers have housing resources available for some clients but not others.

Residential treatment and recovery housing programs are an important part of a continuum of substance use treatment services. People stay in these programs from 90 days to a year or more. These programs, when targeted to low-income populations, are supported by federal funding from the Department of Health and Human Services (HHS) through Medicaid reimbursement or grant funding from the Substance Abuse and Mental Health Services Administration. State and local governments and private philanthropic entities also provide resources for these programs. Congress is currently considering additional funding to address the opioid crisis, including more funding for residential treatment programs. While more funding is needed to increase provider capacity to serve more people, HHS is the agency with the expertise to support these programs and hold providers to appropriate standards of care.

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<sup>42</sup> HUD Housing Programs: Tenants' Rights (4<sup>th</sup> Edition), National Housing Law Project, 2014, <https://web.archive.org/web/20170824131126/http://nhlp.org/2012greenbook>.

<sup>43</sup> Rajita Sinha, "Chronic Stress, Drug Use, and Vulnerability to Addiction," *Annals of the New York Academy of Sciences* 1141 (2008): 105–130, March 8, 2018, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2732004/>.

<sup>44</sup> The draft bill is not clear whether it is authorizing new funding for these 10,000 vouchers, or whether the effect of the bill would be to reallocate funds that are needed to renew vouchers currently in use. The latter would present a very serious problem, given the negative impacts on currently assisted families and their communities.

Housing vouchers or other HUD assistance may have a role to play as part of a comprehensive strategy to address substance use. Income-based housing subsidies can help people exiting residential treatment or currently in outpatient care who need financial assistance to maintain their housing. Using an approach similar to the Veterans Affairs Supportive Housing Program, in which HUD provides housing vouchers and the VA provides services, this committee could explore adding vouchers that help people with substance use disorders overcome the barriers they face to accessing safe, affordable housing post-treatment.

## **Conclusion**

I would like to thank the Committee for inviting me to testify today. Helping all Americans afford decent, stable homes is key to ensuring that people have the opportunity to lead healthy and productive lives. Enacting the Housing Choice Voucher Mobility Demonstration Act is one small, but important, step Congress can take to address this challenge. I look forward to working with you and your colleagues to help identify policy solutions that can help all Americans afford decent homes.