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Comment on Jill Khadduri's "Should the Housing Voucher Program Become a State-Administered Block Grant?"

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Abstract

Although the current voucher program may not be in crisis, it has several characteristics that can significantly weaken its effectiveness. The fundamental weakness of the program probably resides in the connection between the narrow geographic scope of most current administering agencies and the need for better access to higher-quality neighborhoods with better employment opportunities.

Examining current practices of the states that now administer a significant number of vouchers suggests that a state block grant can improve access to better communities, help overcome the diseconomies of scale and overlapping jurisdictions that substantially mark the current program, and facilitate linkage to other services for lower-income people. Assuming that states are given the option to administer a block grant, transition rules need not be complex and time-consuming. A successful transition may depend on the flexibility provided in a block grant and a successful resolution of administrative cost issues.

Keywords: Affordability; Housing assistance programs; Mobility

Jill Khadduri has written a thoughtful and considered article on the voucher block grant. I tend to agree with many of her positions, especially with regard to preserving the choice-based core of the program, and with many of her potential advantages and disadvantages of state administration. Nonetheless, I arrive at a slightly different position regarding the transition to a full voucher block grant.

While the voucher program may not be in crisis and has a number of accomplishments to its credit, it has the potential to be much more effective, and state administration may be the best way to move toward greater effectiveness. Khadduri's list of the shortcomings of the voucher program—the need for better access to higher-quality neighborhoods, inefficient administration as a result of the high number and overlapping boundaries of local administrators, and the relative lack of linkage between the program and other resources for lower-income people—are potentially best resolved through state administration. And the core of such a resolution may be the housing-employment nexus.

Overview

First, here is a brief overview of states and vouchers. According to the Department of Housing and Urban Development's (HUD's) public housing database, in May 2003, 33 states administered nearly 187,000 vouchers/certificates. About 52 percent of the state administering agencies are housing finance agencies; about 43 percent are housing and community development agencies, and about 6 percent are human service agencies (HUD 2003). On the one hand, these statistics magnify state voucher experience, because five states administer less than 500 vouchers, usually for a handful of rural counties or for a special purpose. On the other hand, 2 of the 17 nonadministering states at one time administered a substantial number of certificates, and 2 others use a relatively large share of their HOME funds as tenant-based assistance (HUD 2003). Given that all states administer the HOME and Low-Income Housing Tax Credit (LIHTC) Programs and nearly all have 20 years of experience with housing in the Community Development Block Grant (CDBG) Program, it is difficult to argue that states lack a foundation of housing experience to administer a voucher program.

They administer their voucher programs in one of three ways: (1) by subcontracting key aspects of administration to other organizations, (2) by directly administering vouchers, usually through field or regional offices, or (3) by using some combination of contracting and direct administration.

State contracting agencies tend to include a range of organizations. For example, the Virginia Housing Development Authority administers nearly 10,000 vouchers through about 75 contracts. Included among the contracting agencies are 11 community action agencies, 14 city or county departments of housing or community development, four county boards of supervisors, 13 county social service departments, a private for-profit management company, and a wide variety of community nonprofit housing service or development agencies (Virginia Housing Development Authority 2003). The New York Division of Housing and Community Renewal, which administers about 30,000 vouchers, directly administers some (in New York City and Westchester County) but uses 49 local administrators encompassing a wide range of agencies, including several public housing authorities (PHAs), for most of its vouchers (New York State Division of Housing and Community Renewal 2003). Montana has statewide jurisdiction with its voucher program, which is administered by 11 different contractors, primarily human resources nonprofits but also community action agencies and two city PHAs. It is interesting to note that the voucher service areas for both PHAs are larger than their political jurisdictions. With the exception of one PHA, the administering agents for the state of Montana serve three to six counties (Montana Department of Commerce 2003). Finally, New Jersey is an example of a state that directly administers the voucher program, using field office staff in 18 of its 21 counties (New Jersey Department of Community Affairs 1999).

While a few states use HUD's basic priority system, most states craft their own priorities within that context. New Hampshire, for example, gives priority to persons with a terminal illness, persons using the Home- and Community-Based Medicaid Waiver Program, transitional housing residents, homeless persons and those at risk of becoming homeless, and persons subjected to family breakup (New Hampshire Housing Finance Authority 2003). Wisconsin gives preference to disabled families. Both New Jersey and Michigan place a priority on increasing the number and diversity of neighborhoods. (New Jersey won a HUD "Best Practice" award for its regional mobility program.) An increasingly popular program is homeownership, with Vermont, New York, Tennessee, and Colorado among the states using such a program. On winning an industry award for the Vermont voucher homeowner program, which closed its first loan in 1999, a representative of the state administering agency credited its success to the fact that "we made it simple," noting that the federal program is complex (Vermont Housing Finance Authority 2002, 1).

If a state voucher block grant is enacted, it may look, especially over time, very much unlike plain vanilla voucher programs. In this regard, the history of the state-administered CDBG may be instructive. When HUD ran the small cities program, a very large majority of CDBG funds were used for housing-related activities in the larger small jurisdictions (25,000+ population), usually through two- or three-year contracts. After two or three years of state administration, funds were spent mostly through one-year contracts and nearly equally on housing, public facilities, and economic development, with most local grantees having populations of less than 10,000. This is not to argue that one perspective is better than the other but to underscore that states are likely to move to a different arrangement than the basic voucher program and, as with CDBG, HOME, and, to a lesser extent with LIHTC, that substantial variations are apt to develop among states as they respond to their own circumstances and priorities.

Access to better neighborhoods and employment opportunities

The changes that are likely to occur with a state voucher block grant follow to an extent the problematic themes Khadduri develops. Perhaps the most problematic of them concerns access to better neighborhoods and, more specifically, access to employment opportunities. National housing policy significantly tends to distribute housing resources to areas of low or declining employment, almost pushing poorer people into a jobs-versus-housing choice. A state housing voucher block grant can introduce changes in the distribution of vouchers, whether over a long period in the distribution of incremental vouchers or over a shorter period if combined with the recapture of surrendered vouchers (those turned in when a family no longer needs housing assistance, usually because of increased income).

Nearly all states that administer vouchers have a distribution system that permits them to reach into areas not served by local PHAs. For example, in the Richmond, VA, region, which contains four cities and nine counties (Virginia has city-county separation: Cities and counties do not overlap, and one resides either in a city or a county but not in both), local PHAs exist only in the central city, Richmond, and two inner suburbs, Petersburg and Hopewell, VA. The state has allocated vouchers to seven of the counties (Virginia Housing Development Authority 2003). Although the state-allocated vouchers represent only 22 percent of the vouchers in the region, they are provided to local governments that have 42 percent of the region's poverty population; 59 percent of the region's private, nonfarm jobs; and 89 percent of the region's net job growth from 1990 to 2000.

As mentioned earlier, state policy can explicitly aim for such a distribution. Nearly all states have voucher administrative arrangements that serve multiple counties or that facilitate the transfer of vouchers among the counties they serve. For example, Michigan regulations encourage voucher holders to use rental assistance outside of concentrated areas of poverty. To help achieve this objective, the state places on its Web site maps of nearly 100 cities and counties in which the "areas to expand beyond" are identified, so that voucher recipients know the neighborhoods and communities in which they should seek housing (Michigan State Housing Development Authority 2003). New Jersey has a standing policy to absorb the cost of all incoming vouchers that are received from other PHAs. Georgia reports that for fiscal year 2002, 1,193 families (about 8 percent of its voucher recipients) either entered or exited the jurisdictions in which it manages vouchers, a significant percentage in that the voucher service area encompasses all but 10 of the state's counties (Georgia Department of Community Affairs 2003).

Economies of scale and overlapping jurisdictions

Often, the distribution of current voucher administrators seems to result in either too much or not enough. The "not enough" version is glimpsed in the Richmond (VA) region, where local PHAs exist only in the inner city and two suburbs (HUD 2003). Alabama may be an example of the "too much" version. It has 149 local PHAs, one for every 4,700 poor residents. The state is 1 of 17 that administer no vouchers. In Alabama, 108 housing authorities (72 percent) each administer less than 250 public housing units. Of Alabama's 108 small housing authorities, only 36 manage vouchers, averaging 110 vouchers per authority (HUD 2003). Not only are there no economies of scale, geographical coverage becomes a problem since many small local PHAs either receive no vouchers or decline to administer them, making it very difficult, if not impossible, for residents in these areas to apply for and obtain vouchers.

Contrast the scenario in Alabama with that of its next-door neighbor, Georgia, which manages a fairly large voucher program. Georgia has 199 local PHAs, one for every 5,200 poor residents. Of the 199, 147 (74 percent) manage 250 public housing units or less. Yet of these 147 small housing authorities, only 2 administer a voucher program, 1 for 1,538 units and 1 for 96 units (HUD 2003). Georgia's management of the voucher program through five regional offices nearly eliminates diseconomies of scale and provides for complete geographic coverage, since the state program covers 149 of the state's 159 counties, with the remaining 10 counties served by their local housing authority.

Linkage to other resources

The last of Khadduri's voucher problem areas focuses on the relative lack of linkage to other resources. Excluding states that manage less than 500 vouchers, nearly all state voucher agencies connect at least a portion of their vouchers with one or more sets of human services. The most common, found in a large majority of states, are the Family Self-Sufficiency and Welfare to Work Programs (either as part of the federal programs and/or as part of the state-initiated linkage). But a substantial number of states have programs that connect voucher recipients with resources in such areas as services for physically and mentally disabled people, for families subject to breakup (either through the Family

Unification Program and/or state-initiated programs), or for homeless people. Massachusetts' array of services linked to vouchers, mostly state initiated, is especially impressive. In addition to Family Unification, Mainstream, a wide variety of services related to difficult homeless populations, and welfare-to-work service resources, the state has voucher programs that provide service-enriched vouchers to people with AIDS, community mental health–serviced households, and elderly and near-elderly households raising young children (Massachusetts Department of Housing and Community Development 2003).

Several reasons probably explain the substantial linkage of vouchers to other resources. First is the fact that states, even when they may delegate or share authority with local governments, remain heavily involved and primarily if not wholly responsible for human service and employment training programs. Greater linkages would be expected in such a policy-compatible environment. Local PHAs, which often have a weak link even to local general-purpose government, are much less likely to work in a policy context that easily lends itself to linkages—and this is apt to be especially true of municipal-based housing authorities, given the much more prominent role counties play in human services and employment services compared with municipalities. As human resource and employment training programs become more regional, or at least more multicounty, the regional or multicounty administrative arrangements of many state voucher programs take on greater saliency.

Second, many state agencies that administer vouchers also administer other programs that provide a linkage resource, especially programs for homeless persons. Third, state contracting agencies for vouchers tend to be much more oriented toward services or strongly oriented toward both services and housing, compared with local agencies, such as local PHAs, that focus entirely, or almost entirely, on housing. The state voucher contracting network lends itself to multiple resource networking. Finally, the matter of scale may also work to support linkage. Administering several thousand vouchers, if not more, lends itself to experimenting or working with other resources, in part because of the greater potential for administrative and planning resources and in part because of the ability to chunk out portions of the vouchers for this kind of use.

Points of contention

Khadduri raises four possible dangers with a state voucher block grant. I share her concern about project-basing and agree that a voucher block grant should at least maintain the 20 percent cap on project-basing.

The problem of categorical programs being combined and devolved and then subsequently suffering budget cuts ("block and cut") is always a potential danger, but the history of the CDBG, HOME, and LIHTC Programs may suggest otherwise. In fact, in the past 10 years, PHAs have probably been hit the hardest, budget-wise, among HUD constituents. State and local governments seem to have a voice in Congress, and the broad network of agencies likely to be involved in a state voucher block grant will probably solidify grassroots support for the program. Nonetheless, regardless of the context, housing programs face stiff opposition in coming years, especially from the finance needs of homeland security and health programs.

Good data reporting is essential, and states should be expected to report appropriate data to HUD. Perhaps the most important point here is that HUD should work with states on reporting requirements and should be cognizant of other federal reporting requirements on programs that serve lower-income people. While there are special historical issues with CDBG reporting, the issue with HOME reporting is less a question of what gets reported than of the efficacy of the data input process and the use HUD makes of the data it gets. Like PHAs, states currently report voucher information data, and because of the extensive use of Web sites, one can usually find out much more about state voucher uses and how to access them than about local PHAs.

However, Khadduri's concern about ill-considered policy choices seems exaggerated. While how much was learned and then integrated into state welfare reform policy via welfare demonstrations is arguable, one of the problematic aspects of Aid to Families with Dependent Children was that all recipients had to be treated equally; the state had no authority to carve out experiments, gain experience with different initiatives, or learn from changes (usually marginal) over time, and continually make adjustments. The policy environment for vouchers is much different. While states will probably make changes in the voucher program and there is apt to be little similarity among states in their program design, it seems unlikely that they would quickly make wholesale significant change throughout the entire set of voucher recipients or that they would not learn from experience and make adjustments. The history of the state CDBG and HOME Programs is one of continuous change over time, punctuated by more innovative and larger-scale departures from the prior year's policy design. While states do tend to undertake much less rigorous testing and scientific experiments than the federal government does, they seem to do a much better job at making, and learning from, continuous experiential changes and adjustments.

As long as states can choose when and if to administer the program, there should be no special transition rules for a state voucher block grant. Most states that now administer a substantial number of vouchers may quickly opt for the voucher block grant, depending primarily on program flexibility and how administrative costs are handled. Most states that administer relatively few vouchers or none at all may wait a year or two at least before deciding whether to opt for administration. In the state CDBG Program, which probably had less baggage than the voucher program and where states previewed their administration with substantial confidence, at the end of three years, six states still had not accepted the block grant. All that may be needed in the state housing voucher block grant is a state plan, similar to a tax credit allocation plan or the HOME and CDBG action plans, that states submit to HUD; if HUD does not disapprove the plan within 60 or 90 days, states should implement the voucher block grant. A refusal to approve the plan should be based on specific points of law or otherwise incontrovertible evidence of significant problems that would seriously jeopardize the welfare of potential recipients.

Conclusion

State administration may go a long way toward addressing shortfalls of the current voucher program by (1) providing improved access to better neighborhoods, with better employment opportunities, (2) effecting economies of scale and reducing overlapping jurisdictions, and (3) increasing both the intensity and the breadth of linkages to other resources. The lack of geographic scope characteristic of nearly all local PHAs is arguably the most significant weakness of the current program, and because it is thoroughly embedded, marginal changes will do little to address this problem. On the basis of what has happened in the CDBG, HOME, and LIHTC Programs, state administration of the voucher program is also likely to promote innovation and diversity in program policy and design. Transition issues are best addressed by providing states with the option of administering the program, providing greater flexibility in policy and program design, and ensuring that administrative cost issues are resolved.

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