

Voucher Policy from the Perspective of a Taxpayer Who Wants to Help Low-Income Households

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Thank you, Madam Chairwoman. I welcome this opportunity to talk with you and the members of your subcommittee about housing voucher policy. I speak from the perspective of a taxpayer who wants to help low-income households, albeit a taxpayer who has spent the last 30 years studying the effects of low-income housing programs.

My oral testimony will focus on three questions. Should the policies for determining Fair Market Rents be changed? Should the current targeting of assistance to extremely low-income households be modified? And, what role should housing vouchers play in the system of housing subsidies?

Changing the policies for determining Fair Market Rents, requiring 75% of vouchers to be targeted to households with extremely low incomes, and limiting tenants to paying no more than 40% of their income on rent will affect voucher success rates and hence the workload of housing authorities. This may justify a change in the level of administrative fees paid. However, if housing authorities respond appropriately to changes in the program's regulations by altering the extent to which they overissue vouchers, the changes will have no affect on voucher usage rates. The changes in regulations will also affect other important aspects of program performance, and these effects should be the primary bases for judging the desirability of the changes.

Increasing Fair Market Rents?

Increasing Fair Market Rents would reduce the number of households that can be served with a given budget. Since the available evidence indicates that Fair Market Rents are considerably higher than necessary to rent units meeting the program's standards and 70% of households below the poverty line are not currently offered housing assistance and more than a million of our poorest households live in seriously inadequate housing,

homeless shelters or on the streets, we should not be considering changes in the Section 8 Voucher Program that reduce the number of recipients.

Indeed, we should move in the opposite direction, namely decrease Fair Market Rents and use the money saved to serve the poorest unassisted families. If Congress decides to make more money available for housing assistance, it should be used to provide additional vouchers rather than larger subsidies to current recipients.

Discontinue Targeting for Extremely Low-Income Households?

In 1998, Congress required housing authorities to target 75% of vouchers to households with extremely low incomes. The available evidence suggests that this rule will increase the program's success rate, but even if this is not the case in every locality, it will have no effect on the voucher usage rate if housing authorities respond appropriately. Since I favor focusing the limited housing assistance on the poorest of the poor, I urge you to retain or strengthen this provision.

Do We Need a New Production Program?

The most important evidence concerning housing vouchers relates to their role in the system of housing subsidies. Many argue that we should use a mix of vouchers and production programs to deliver housing subsidies to low-income households. Currently, there are calls for a new HUD production program. The systematic evidence comparing the effects of different housing programs lends no support to this view or proposal.

Five major studies have estimated both the cost per unit and the mean market rent of units provided by housing certificates and vouchers and important production programs, namely Public Housing, Section 236, and Section 8 New Construction. They are unanimous in finding that housing certificates and vouchers provide equally desirable housing at a much lower total cost than any project-based assistance that has been studied.

We do not need production programs to increase the supply of units meeting minimum housing standards. The Experimental Housing Allowance Program demonstrated without any doubt that the supply of units meeting minimum housing standards can be increased rapidly by upgrading the existing stock of housing even in tight markets. This happened without any rehabilitation grants to suppliers. It happened entirely in response to tenant-based assistance that required households to live in units meeting the program's standards in order to receive the subsidy.

The available evidence also shows that housing vouchers enable us to move eligible households into adequate housing faster than any construction program under any market conditions.

The consequence of using the costly construction and substantial rehabilitation programs has been that several million of the poorest households who could have been provided with adequate housing at an affordable rent with the money appropriated for housing assistance have continued to live in deplorable housing.

We should learn from our past mistakes and not heed the call for a new HUD production program.

I appreciate the willingness of members of the Committee to listen to the views of an ordinary taxpayer whose only interest in the matters under consideration is to see that tax revenues are used effectively and efficiently to help low-income households.