

## Oversight of HUD and its Fiscal Year 2009 Budget

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Testimony before the United States Senate  
Committee on Banking, Housing, and Urban Affairs  
March 12, 2008

Thank you, Mister Chairman. I welcome this opportunity to talk with you and the members of your committee about the HUD budget. I speak from the perspective of a taxpayer who wants to help low-income families, albeit a taxpayer who has spent the last 40 years studying the effects of low-income housing programs. The views that I express should not be attributed to any of the organizations with which I'm affiliated. My testimony will focus on the HUD budget for low-income housing assistance.

Given the current economic slowdown and the added expense of fighting international terrorism, it's clear that little additional money will be available for low-income housing programs over the next few years. The question is: How can we continue to serve equally well the families who currently receive housing assistance and serve more of the poorest families who have not been offered assistance? The answer is that we must use the money available more wisely.

Research on the effects of housing programs provides clear guidance on this matter. It shows that tenant-based housing vouchers have a much lower total cost than any type of project-based assistance when they provide equally desirable housing. My written testimony contains references to these studies and a brief description of them. These results imply that we can serve current recipients equally well (that is, provide them with equally good housing for the same rent) and serve many additional families without any increase in the budget by shifting resources from project-based to tenant-based assistance.

The magnitude of the gain from this shift would be substantial. Jeff Tebbs and I have estimated that a total shift from project-based to tenant-based assistance would ultimately enable HUD to serve more than two million additional families with no additional budget. These results are in line with results of the best previous studies of the excessive cost of project-based assistance.

The key to achieving these large gains is a transition to the new system that hurts few, if any, current recipients of housing assistance. My written testimony contains a number of proposals along these lines.

I'll focus my oral testimony on a proposal for public housing reform that would significantly improve on the HOPE VI approach to dealing with the worst public housing

projects, greatly expand on the vouchering-out provisions of the 1998 Housing Act, and benefit many public housing tenants. My proposal requires no additional federal funds. It's a proposal to better use the funds and assets currently available to public housing agencies.

The proposal would allocate to each housing agency the same amount of federal money as it would have received in operating and modernization subsidies under the current system so that no housing agency can argue against the proposal on the grounds that it would have less to serve its clients.

With one exception, it would require every local housing agency to offer each current public housing tenant the option of a portable housing voucher or remaining in its current unit on the previous terms. The latter provision insures that no public housing tenant would be harmed by the legislation. Families that accept a voucher would benefit from it. They would move to housing that they prefer to their public housing units.

These vouchers would be funded from the current budget for public housing, and they would not necessarily be as generous as current Section 8 vouchers.

Housing agencies would be allowed to charge whatever rent the market will bear for the units vacated by families that accept the voucher offer, and sell any of their projects to the highest bidder. This would generate the maximum amount of money to operate and modernize their remaining projects or offer vouchers to additional families. It would also avoid scandals associated with sweetheart deals.

When a project is sold, the remaining tenants in that project would be offered the choice between vacant units in other public housing projects or a housing voucher.

When a former public housing tenant that had accepted a voucher gives it up, the housing agency would be required to offer a housing voucher to a family from its waiting list. This insures that the housing agency would continue to provide housing assistance to at least as many families and indeed the same types of families.

When a family leaves public housing without a voucher, the next family on the waiting list would be offered the option of occupying the vacated unit or accepting a voucher. If this family accepts the voucher, the housing agency would be allowed to charge whatever rent the market will bear for the unit.

If the preceding proposal is adopted, the public housing program in its current form would wither, but public housing agencies would do a much better job in helping low-income families with their housing.

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