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Shift in Housing Aid Proposed  
Block Grants Would Replace Federal Rent Vouchers  
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The Bush administration is proposing to transform the country's main form of housing assistance to the poor, replacing a popular program that provides rent vouchers to nearly 2 million families with a new system of block grants that would be run by the states.

Under the plan, to be introduced today in Congress, states would get a lump payment for housing vouchers that would carry fewer federal rules but less predictable increases each year. States could change eligibility rules, combine housing and welfare policies, or provide shorter subsidies administered by religious and other nonprofit groups, as well as local housing authorities.

This effort to replace the Section 8 housing program would essentially import to the government's most common type of rent subsidy the philosophy behind the welfare overhaul of the 1990s: a shift away from federal control, combined with an effort to find jobs and other means to wean low-income people from government help.

The idea, mentioned briefly in the White House's budget for next year, has attracted less attention than the welfare changes or a current move by the administration to give states vast new powers over Medicaid, the public health insurance program for the poor. But the \$13 billion initiative, dubbed Housing Assistance for Needy Families (HANF), represents an equally far-reaching attempt to redefine the relationship between the government and low-income Americans. It arrives in a climate in which rents have been rapidly escalating and waiting lists for housing assistance are long.

Section 8 has been a staple of federal housing policy for nearly three decades, supplying vouchers that are used by poor families, disabled people and the elderly to rent apartments or houses. A renter who qualifies obtains a voucher from a local housing authority and takes it to any private landlord willing to accept it. The program allows participants to pay no more than 30 percent of their income in rent up to a certain limit, with the government picking up the rest.

Among conservatives, the program has been favored more than the country's older and somewhat smaller network of publicly owned housing, because it relies on the private marketplace. White House budget aides last winter gave it a high ranking in an assessment of various parts of the government. In budget documents and interviews, however, President Bush's aides said that Section 8 is, as one official put it, "fundamentally flawed."

Locally, housing advocates and agencies say the program has been strained to keep up with the growing demand for affordable housing. Section 8 waiting lists have

been swelling and federal rent limits have not kept pace with market-driven rents. In Montgomery County, more than 3,400 families receive Section 8 vouchers, while about 4,400 are on waiting lists. In Fairfax County, there are 3,400 families with vouchers and an additional 5,100 on a waiting list. In the District, the number of families receiving vouchers has climbed to more than 10,000 in four years.

Whether the administration's proposal would improve such a situation is disputed. But administration officials said it would be simpler for the Department of Housing and Urban Development to give grants to 50 states than to manage contracts, as the agency does now, with about 2,500 housing agencies. Officials said the switch would alleviate a long-standing problem in which about one voucher in 10 is not used. Moreover, they said, states could mesh housing programs with welfare services such as job training and child care intended to help poor families become self-sufficient.

The idea that you can set rents for the nation, run it from [HUD headquarters on] Seventh Street here in is ludicrous," the official, who spoke in condition of anonymity, said in explaining thinking HANF. The acronym rhymes with that for renamed welfare system, Temporary Assistance Needy Families (TANF), in an apparent strategy to borrow the spirit and popularity of that system, which was turned over to the states seven years ago.

Even before the plan is introduced, its basic details are drawing skepticism on Capitol Hill and among some housing policy specialists. For one thing, critics point out that 17 states have no agency or any experience in housing vouchers. Others wonder whether, for a president eager to cut taxes and federal spending, the plan is a subtle route to weaken HUD by reducing its work.

Much of the wariness the idea has elicited is reflected in a letter circulated this month by Virginia's two GOP senators, John W. Warner and George Allen, who collected signatures from colleagues, including eight other Republicans. "We believe that such a proposal could undermine the voucher program and potentially harm the millions of low-income families assisted with housing vouchers," according to the letter addressed to HUD Secretary Mel R. Martinez. It said the plan "will merely add another layer of administration to the program" because HUD probably would contract with local governments. But according to congressional sources, the pair of senators decided not to send the letter, at the request of administration officials who asked them to withhold any critique until they see the full plan. Democrats almost uniformly oppose the plan. A number of GOP governors and members of Congress praised the idea publicly, yet some key members have withheld support or criticized the plan outright. Rep. James T. Walsh (R-N.Y.), chairman of the House Appropriations subcommittee that deals with housing, said that Congress last year took steps to curb the waste of unused vouchers -- one of the administration's justifications for block grants.

"I think we need to give that a chance before we make another substantial change," Walsh said. Besides, in determining how vouchers are allotted to communities, "I'm not prepared to make the leap of faith that states will handle this as fairly as HUD," he said.

A senior Republican Senate appropriations aide said the plan could produce an unfunded mandate and "an extra layer of bureaucracy and administrative costs." Until now, partisan disagreements over Section 8 have involved whether the country could afford to expand the supply of vouchers -- because only one of four eligible families currently can get help -- not whether the program should be fundamentally recast.

But a few outside conservatives have persuaded the White House that Section 8 is out of sync with other social policies for the poor. Howard Husock, a researcher at Harvard's Kennedy School of Government who is affiliated with the conservative Manhattan Institute, called it the "last redoubt of non-time-limited public assistance." Michael Liu, HUD's assistant secretary for public and Indian housing, said the proposal would compel states to adopt the main features of the revamped welfare system -- time limits and requirements that poor parents get a job -- although states could create such rules if they chose. Liberals say the analogy of housing aid to welfare is misguided. They note that recent HUD figures show that just 13 percent of the households with 8 vouchers depend on welfare, while 35 percent get most of their income from jobs and the largest group relies on disability or retirement benefits. "The notion there is this group of people they have force off of assistance into the workforce is erroneous," said Sheila Crowley, president of the National Low Income Housing Coalition. "These are people who have income, but it's insufficient to be able to afford housing in America."

She and other critics predict one of the program's essential features -- an emphasis on help to the truly poor -- could be undermined. Liu, of HUD, said that the proposal would keep a rule that 75 percent of the vouchers must go to the "extremely poor" but states could ask for permission to reduce that to as low as 55 percent. Perhaps the biggest fear, however, involves whether block grants would keep pace with escalating rents.

Barbara Sard, of the Center on Budget and Policy Priorities, predicted that states eventually could be forced to choose between giving vouchers to fewer people or to those with somewhat higher incomes, who are less expensive to subsidize.

Administration officials counter that, in a still-unspecified way, they would take housing costs into account in asking Congress for appropriations each year and that the grants would improve subsidies by giving states freedom to provide different amounts in different neighborhoods of the same city. In the Washington area, Maryland Gov. Robert L. Ehrlich Jr. (R) said, "It's a new federalism, and . . . I would love that. We would accept the challenge."

On the other hand, the deputy press secretary to Virginia Gov. Mark R. Warner (D), Kevin Hall, said: "We're concerned about the cost of administering the program at the state level. . . . Medicaid springs to mind as an example of the feds making big promises at the front end, but not following through with promised resources." A preview of the changes the administration envisions already is evident in several

communities across the country, which were given freedom in the late 1990s from many Section 8 rules.

One of the farthest reaching such experiments is taking place in the two southern counties of Delaware, where the Delaware State Housing Authority four years ago combined its waiting lists for housing vouchers and public housing and gave each family that gets assistance a deadline for getting off -- first three years, later extended to five. The program, with 650 families, refers recipients to services like those for people on welfare, including transportation, child care and job training. And it requires that adults who are not elderly or disabled go to school or hold a job. [?]

In the only rule of its kind in the country, families are penalized for failing to follow the rules. Ken Smith, a director of a statewide low-income housing advocacy group, said the changes have been "a nightmare for residents." He said that some families have dropped out or quit waiting lists, while others have found jobs, but not enough income to afford unsubsidized rents. But Cathy Gregory, the housing authority's chief operating officer said, "I think that people are genuinely excited. They think there is hope."

Staff writer Fredrick Kunkle contributed to this report.  
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