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H.R. 1999—THE STATE AND LOCAL HOUSING FLEXIBILITY ACT OF 2005

HEARING

BEFORE THE

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

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H.R. 1999—THE STATE AND LOCAL HOUSING FLEXIBILITY ACT OF 2005

Wednesday, May 11, 2005

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The committee met, pursuant to call, at 2:02 p.m., in Room 2128, Rayburn House Office Building, Hon. Michael Oxley [chairman of the committee] presiding.

Present: Representatives Oxley, Ney, Kelly, Gillmor, Shays, Miller of California, Tiberi, Kennedy, Brown-Waite, Pearce, Neugebauer, Davis of Kentucky, Frank, Waters, Velazquez, Watt, Carson, Sherman, Lee, Moore of Kansas, Crowley, Lynch, Miller of North Carolina, Scott, Davis of Alabama, Green, Cleaver, Moore of Wisconsin, and Jones of Ohio.

The CHAIRMAN. [Presiding.] The committee will come to order.

Pursuant to rule 3(a)(2) of the rules of the Committee on Financial Services for the 109th Congress, the Chair announces he will limit recognition for opening statements to the Chair and ranking minority member of the full committee and the Chair and ranking minority member of the Subcommittee on Housing and Community Opportunity or their respective designees to a period not to exceed 16 minutes, evenly divided between the majority and minority. Prepared statements of all members will be included in the record. The Chair recognizes himself now for an opening statement.

Today the Financial Services Committee again welcomes the Secretary of the Department of Housing and Urban Development, Alphonso Jackson, to discuss the details of the Administration's proposal to overhaul the housing choice voucher program. Commonly known as the Section 8 program, the Housing Choice Voucher Program reflects a major commitment on the part of the Federal Government to assist low-and very low-income families who are unable to pay market rents in their communities.

While this program has succeeded in providing secure, safe, and affordable housing, this program comes at a high cost. Over the years, the cost of the housing choice voucher has continued to increase. In 1998, the housing certificate fund consumed 42 percent of HUD's annual budget. In 2005, HUD predicts that the program will consume 62 percent of its budget and in 2006 it will surpass 73 percent.

These cost increases can be attributed to a number of factors. The current voucher program operates under a complex set of regulations which makes the program overly prescriptive and difficult to administer. The value of a voucher is calculated as roughly the

difference between rents in a community and 30 percent of participating household's incomes. In recent years, rents have been rising faster than incomes, which have driven up the cost of a voucher and, therefore, the cost of the program. Even though the cost of the program continues to increase, the number of people served has remained roughly the same.

Of equal concern is the fact that the rising cost of this program has begun to impact funding for other key housing programs. Funding levels for other important housing programs such as CDBG, HOME, and housing opportunities for people with AIDS, were reduced below their 2004 appropriation level to cover the cost of the Housing Choice Voucher Program.

The spiraling cost of the Housing Choice Voucher Program dictates that we reevaluate the program to determine how best to create a more efficient and effective way of providing rental assistance to the neediest low-income families in this country. In 2003, the Administration proposed a State-run block grant model for housing assistance for the needy. The Subcommittee on Housing and Community Opportunity held a series of hearings on this proposal, but in the end no legislative action was taken on the Administration's proposal.

In the last Congress, the Administration proposed a different approach. Instead of a block grant to the States, the Administration's Flexible Voucher Program envisioned a dollar-based grant program to be administered by public housing authorities. While the Flexible Voucher Program was not considered by the 108th Congress, the appropriators did include provisions in the 2005 Consolidated Appropriations Act moving the program from a unit-based program to a dollar-based program. This year, in conjunction with the dollar-based budget approach, the Administration has proposed a new version of its flexible voucher program.

I would like to take this opportunity to acknowledge Congressman Gary Miller for his excellent work on this issue. Mr. Miller, along with six original cosponsors from this committee, introduced the Administration's new proposal, H.R. 1999, the State and Local Flexibility Act of 2005. This proposal makes significant changes to the Housing Choice Voucher Program by providing greater flexibility to public housing authorities to manage their individual budgets. I trust that the introduction of the Administration's proposal by Congressman Miller will move us closer to consensus on reforms that will not only preserve the program for those that truly need it, but that will address the program's spiraling cost.

We are pleased to have Secretary Jackson with us again today. I believe this is your third appearance before this committee this year, but who is counting? I know that many here today are anxious to learn more about the new Section 8 initiative.

The Chair's time has expired. I yield to the gentleman from Massachusetts, Mr. Frank.

[The prepared statement of Hon. Michael G. Oxley can be found on page 46 in the appendix.]

Mr. FRANK. Thank you, Mr. Chairman.

I think it is probably because of the disruption of today that we are so sparsely attended, Mr. Secretary. It is no disrespect to you, but I think the evacuation kind of threw people's schedules off and

I think several of our colleagues were disappointed to get the all clear. Not that they were hoping for any disaster, but that they thought we might as well just take the rest of the day off. So I think that accounts for the small attendance.

I am very troubled by this proposal. Let me say first of all, it is, as the chairman mentioned, another effort by the Administration to reduce Section 8 costs. Previous efforts have encountered a firestorm of opposition, as you know, and people had to back off. I think there are some elements of this when they get carried out that would have the same kind of problem.

I should say this. I understand this program costs some money, but as I look at money we spend elsewhere in the budget and as I look at the tax cuts and other factors, I think it is a mistake to say that we must start out with some kind of pre-set target for cutting the Section 8 voucher program. I am all in favor of trying to improve the efficiency of this program. The gentleman from Ohio who is not here, Mr. Ney, had convened a couple of very important meetings with a variety of people, including HUD, to talk about how we might improve Section 8, how we might make it more efficient, how we might reduce costs.

I continue to want to participate in that, and I think there are some things we can do. What we have here today are cuts that are driven, I believe, clearly by a need to save money at a time when we are spending money significantly elsewhere, on the military and elsewhere, when we are cutting taxes. I reject the notion that it has to come out of the poorest people.

Here are some of the things that I have a problem with. First, the proposal to end enhanced vouchers. Enhanced vouchers are themselves a compromise. Enhanced vouchers, as we know, go to people who are living in housing that was built with Federal aid and where there were to be limitations on the rent. Those limitation periods having expired, the purpose of the enhanced vouchers was to prevent eviction for people who have been living in places for a long time.

I will be interested, Mr. Secretary, if you could tell me, I assume you know this, having made this proposal, how many evictions we can expect when we get rid of the enhanced vouchers. That is, how many people who are now on enhanced vouchers will be unable to stay where they have been living for a long time, including many of them who are elderly, when we cut this back?

I am also concerned about what this does for the homeless. You have said on other occasions, Mr. Secretary, that I have seen in the newspapers that we should be aiming to help people in Section 8 who are not quite as poor as the current group we are helping. This brings in more money. The Administration has proposed some very useful things with regard to Section 8, proposing to consolidate services with regard to the homeless. But we must remember the single overriding characteristic of the homeless is the thing that earns them their name. They are home-less. They do not have homes.

If you are able to get the Section 8 voucher program geared at people at higher levels, if you get up toward 60 percent of median income rather than below 30 percent, then it seems to me, inevitably, you will be hurting the homeless. I would be particularly in-

terested in HUD's analysis on what you expect to happen when we relax the targeting, when you no longer have this requirement that so much go to people below 30 percent of the income.

I do not claim to be the world's expert, but I have encountered myself very few homeless people who have 50 or 55 percent of the median income in their area. I believe when you consciously upgrade, as it appears we are trying to do, you will have a problem.

I would also ask to put it in the record, Mr. Chairman, a letter from the Lawyers Committee for Civil Rights letter.

The CHAIRMAN. Without objection.

Mr. FRANK. I have appreciated your affirmation of the importance of fair housing, of fighting segregation, of fighting the concentration of poor people. I was particularly troubled, therefore, to see in the proposal as it was explained to me, a proposal that would make it harder for people to take a Section 8 voucher in one community and go to another community. Basically, the bill appears to give the receiving community the right to veto people with Section 8 vouchers coming in. That seems to me to be an invitation to segregate and concentrate.

As I understood it, you could get your Section 8 voucher in community A and then you could use that anywhere else you could find a place with community A's permission. To give all the receiving communities a right of veto over the people who would be coming with the Section 8 vouchers, I am very disturbed by that. I thought HUD agreed that we have a problem with people resisting the construction of housing and causing problems and causing segregation as a problem.

We have the CDBG proposal that was going to say that money could only be spent in the poorest areas. Cumulatively, we are doing a lot to prevent effort concentration here, whether it is racial or economic. So I do not understand what the justification can be for giving receiving entities the right to say no to people bringing a Section 8 voucher. I do not even see how that saves money, and I do not think saving money ought to be every piece of it.

So those are just some of the things that are very troubling to me about this. I look forward to our discussion of them.

The CHAIRMAN. The gentleman's time has expired.

We will turn to our distinguished witness.

Again, Secretary Jackson, welcome back to the committee. We appreciate your efforts on behalf of the committee and your steadfastness in going through a number of hearings.

STATEMENT OF HON. ALPHONSO JACKSON, SECRETARY, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Secretary JACKSON. Thank you very much, Chairman Oxley and Ranking Member Frank, distinguished members of the committee. Thank you for inviting me to join you this afternoon.

I am pleased to appear before the committee to discussion H.R. 1999, the State and Local Housing Flexibility Act of 2005. I would like to thank Representative Miller and his cosponsors on this committee, Representatives Feeney, Harris, King, and Renzi, for their leadership in introducing H.R. 1999.

Mr. Chairman, I ask that I be allowed to submit my full statement for the record.

Each day, I bring more than 25 years of direct experience in housing, much of it gained in the public housing arena, to my job as Secretary. In fact, I am the first Secretary in the history of HUD to have run a public housing authority. I fully understand the importance of HUD's supportable housing program, and I support them wholeheartedly.

My experience allows me to tell you without hesitation that reform of both public housing and Section 8 is needed. Under Section 8, HUD provides approximately two million low-income families with subsidies to afford decent rental housing in the private market, yet the program faces serious challenges. In recent years, Section 8 costs have spiraled out of control and positive results are being overshadowed by the lingering doubt about the program's effectiveness and viability.

With Congress's support, however, I am hopeful that we can preserve and strengthen the program. The most telling indicator of the Section 8 structural challenge is the program's rising cost. In 1998, the housing certificate fund consumed 36 percent of HUD's budget. By 2005, that had risen to 57 percent. Between December 2000 and December 2004, the amount paid by the Federal Government increased by 36 percent, totaling more than $3.3 billion.

The cost increase occurred even as the market across the country exhibited record high vacancies and many PHAs reported that their rental markets were soft. In fact, in some rental markets Section 8 is leading the surge of rental increases. Despite rising costs, we are not seeking equally dramatic results in moving families from dependency to self-sufficiency. Families are staying in the program for a much longer duration of time and the waiting list remains troublesome.

As currently structured, PHAs are required to give three out of every four vouchers to families making 30 percent or less of area median income. This has led to a high rate of subsidies per family and created a system where families are most likely to stay in the program much longer. We believe that since 1998, families have been in the program for longer than 5 years, representing the fastest growing segment of the voucher recipients.

Furthermore, the Section 8 program is overly prescriptive and too complex. Over the past 2 years, HUD has engaged in numerous discussions with PHA directors, housing policy and industry experts, Members of Congress, and interested parties on how best to address the challenges facing the Section 8 program. The result of these policies is a proposed State and Local Housing Flexibility Act of 2005. The Administration is convinced that this approach will enable PHAs to better serve low-income families, reduce the waiting list for vouchers, and move more working families toward self-sufficiency and homeownership.

The proposed legislation would put more decisionmaking at the lower levels and allow PHAs to run a more streamlined program while requiring them to control costs. As more families move up to self-sufficiency, the duration of assistance will drop and the dollars will be available to help additional families over time. H.R. 1999 also takes the initiative to provide long awaited rental simplification relief for PHAs in their operating public housing programs.

Finally, Title I of H.R. 1999 is the flexible voucher program which allows the local PHAs to determine the approximate mix of low-income families to be served by targeting 90 percent of all assistance to those earning at or below 60 percent of the area median. PHAs would also be allowed to create incentives for voucher recipients to find work or improve their job situation and create new options for families pursuing homeownership. PHAs would be able to design their own tenant policies and simplify rent calculations, thereby reducing the number of errors.

Finally, the proposal would significantly reduce unnecessary administrative burdens on the PHAs. The 35-year history of tenant-based housing assistance for low-income renters has been one of growth, refinement, and responsiveness. It has been a history of change. There is no question that change is urgently needed once again. It must happen soon if we are to continue to serve families that need Federal help and continue to provide for the individuals who seek the American dream of self-sufficiency.

I look forward to the work ahead as we seek to improve the nation's largest rental assistance program. I would like to thank all the members of the committee for your support of this effort that we are doing at HUD. I welcome your guidance as we continue to work together.

Thank you, Mr. Chairman, Mr. Ranking Member.

[The prepared statement of Hon. Alphonso Jackson can be found on page 49 in the appendix.]

Mr. MILLER OF CALIFORNIA. [Presiding.] Thank you, Mr. Secretary.

Currently, voucher recipients can keep their vouchers as long as they remain income eligible and adhere to the rules, of course.

Can you explain the provisions that were included in the Administration's proposal regarding time limits and basically why you feel time limits would be important, and how the disabled and elderly would fit under that in particular?

Secretary JACKSON. I will answer the latter part first. The disabled and elderly would not be affected at all. They would, in effect, be grandfathered in because we realize that in many case their income level will never change. But we felt deeply that pre-1998 that the average stay on the voucher was about 3 1/2 years. Today, we are looking at somewhere between 5 to 8 years on the voucher.

My understanding in filling the voucher program was that it was a transitional program, Mr. Chairman, not a substitute for public housing. We believe that giving the housing authorities the option of limiting the amount of time that recipients can stay on the Section 8 program will open up more space for the availability of those people on the waiting list. So we think that Section 8 is a transition between public housing and self-sufficiency. If that is the real case, then it should not be in perpetuity.

Mr. MILLER OF CALIFORNIA. I also wanted to mention we had a roundtable, and Scott Keller was there, and Mr. Frank and other members, a few other members, Congresswoman Waters. I thought it was healthy. One thing that I guess is more of a comment, but prior to your becoming Secretary, we went through the first pro-

posal, which was to block grant. We got no takers in the entire country. So we went through that whole thing.

We did not have an authorization and, of course, appropriations comes in and Section 8 grows. I understand that, and then all of a sudden Section 8 grows, and if not, more money does not go in. The end result is other good programs such as the homelessness, AIDS, veterans, a lot of other programs are going to get eaten up, basically, after a period of time.

So we had the roundtable. I guess it is sort of like education. You can reform education to death, and people have to catch a breath. So we kind of went from this one proposal, and then it stopped. Now we have this one. I want to thank you for coming. I think the roundtables are a more informal way to continue to get more issues laid out there.

But on proposals like this, the caution that I have is that when they are done, how are they implemented after that; how is it carried out; what kind of huge turnover occurs, not turnover of people, but of the system, occurs out in the hinterlands? And does it cost more money to actually make change? I think those are some things with these kinds of proposals that are problems.

A question I had, with my limited amount of time, but in the written testimony, the current voucher program encourages disincentives for very low-and extremely low-income families from seeking housing outside the Section 8 voucher program.

The proposal today would broaden the target assisted population, so that if that proposal would be enacted, what happens to the very low and the extremely low families? Would there be some other assistance for the extremely low and very low?

Secretary JACKSON. Actually, Mr. Chairman, if we look at what we have designed, we said that 90 percent of the vouchers should be used for persons 60 percent or less of median. If we go back to the present proposal that we have before us, 75 percent of those must be used for people 30 percent or less of median, and 25 percent for those up to 80 percent of median. We have effectively cut out those persons between 60 and 80 percent down to 10 percent.

So actually, we are serving more people when we said 90 percent of the vouchers must be 60 percent of median or less. We believe that clearly those persons who are presently on vouchers will not be affected at all, unless they leave the voucher program. If they do, then the housing authority has the right to seek others to take up the voucher. But the housing authority also under our proposal, Mr. Chairman and Ranking Member, they do not have to go up to 60 percent if they choose not to. We are giving them that option. That is not something that we said is mandated. We are saying that they should have the option to serve 90 percent of their vouchers to 60 percent or better of median.

I think that is a rational way of doing it. I do not think that anyone in the low-income bracket will be displaced, as long as they already have a voucher.

Mr. MILLER OF CALIFORNIA. I have heard from groups. They would say that this proposal would help the more higher affluent of the poor. In other words, not wealthy people, but this would not come in to help the poor of the poor. It would help the poor, but the more higher end of that, not that they are rich. I am not trying

to say that. I do not know if you have heard this argument, but it still comes back to this really will not help the poor of the poor.

Secretary JACKSON. Well, my answer to that, Mr. Chairman, is that when we are talking about 30 percent of 60 percent of median, we are talking about marginal people, period, in our country. I do not believe that you should have two persons working every day who could benefit from the voucher, but because they make 35 percent of median, they are, in essence, foreclosed from having the opportunity to use the voucher. They are in need also.

If you go back to pre-1998, there were two unique provisions to the law. The first was that the homeless population rose to the top of the list no matter where they were. Secondly, people who did make up to 50 percent of median had the same rights as the person making 30 percent of median. All we asked them to do was to go back to pre-1998 to that provision, where people stayed a lesser period of time in the voucher program.

Now, the one provision that does not exist today is the homeless provision. I have heard the advocates talk about, well, the homeless persons are going to be disadvantaged. Well, they are clearly disadvantaged today. They do not rise to the top of the list anymore. They do not get the preferential treatment that they did pre-2000.

So clearly I think we are going to serve more people. The voucher will turn over much quicker, and it will be more effective.

Mr. MILLER OF CALIFORNIA. My time has expired.

The gentleman from Massachusetts?

Mr. FRANK. Let me begin with that one.

Frankly, I am confused, Mr. Secretary, because I think you are arguing both sides of the issue. On page five, you seem to say that you want to get to people with more income in the program.

Secretary JACKSON. I am sorry. I did not hear you.

Mr. FRANK. You, on the one hand, have been arguing that one of the virtues of your proposal is that it will get people on the whole with higher incomes than are currently in it, but then you say it is not going to hurt the lower-income people. Well, it is zero-sum game, particularly under your approach.

With regard to the homeless, I do not understand. You say that this does not hurt the homeless. To the extent that you ratchet it up, it seems to me that you are going to have a problem. People who were homeless and are now living in housing, no, they are not affected.

But when you talk about people who are currently homeless applying, does your proposal do anything to enhance their ability to get into public housing or into Section 8 vouchers?

Secretary JACKSON. I think that is a fair question, Mr. Ranking Member. Let me say this to you. No, the preferential treatment of the homeless has been dismissed——

Mr. FRANK. Does your proposal do anything to improve the position of the homeless?

Secretary JACKSON. No, it does not.

Mr. FRANK. When you do not do anything to improve it substantively and when you bring the targeting basically from 30 percent to 60 percent, I think you have a negative effect.

Let me ask you about the enhanced vouchers. As I understand it, you are abolishing enhanced vouchers after a year. Right now, people who are now living in projects that are no longer income-limited are able to stay because of enhanced vouchers. If they cannot meet the new market rent, they will have to move. Is that right?

Secretary JACKSON. No.

Mr. FRANK. Well, how does it work then?

Secretary JACKSON. Again, if you look at my initial speech, we are talking about housing authorities having a great deal of flexibility with the move to work. What we are saying is——

Mr. FRANK. Excuse me. I am not talking about move to work. Now wait a minute. Enhanced vouchers, as I understand it——

Secretary JACKSON. I am going to get to that.

Mr. FRANK. But I want you to get to it before my 5 minutes expire. Here is the problem. Are you telling me that housing authorities would have the power to go above the FMRs?

Secretary JACKSON. Housing authorities have the power right now to go above the FMRs.

Mr. FRANK. On their own say, whenever they want to? They do not think that.

Secretary JACKSON. No, they have to come back to——

Mr. FRANK. Well, right now we have something called enhanced vouchers, which are for people who are in this situation which we know about, so they do not get evicted. You want to abolish them. What is the effect?

Secretary JACKSON. No, we are giving the housing authority the flexibility again, Mr. Ranking Member——

Mr. FRANK. Then your people did not do a very good job of explaining to me. Everything I have seen says you are going to abolish enhanced vouchers.

Secretary JACKSON. We believe that clearly——

Mr. FRANK. Are you going to abolish enhanced vouchers? Mr. Secretary——

Secretary JACKSON. No, we are not abolishing enhanced vouchers.

Mr. FRANK. Well, it says you are.

Secretary JACKSON. No, we are not. No, we are not.

Mr. FRANK. Then correct what your people give out.

Secretary JACKSON. No, we are not.

Mr. FRANK. That is what they told us.

Secretary JACKSON. They have a year.

Mr. FRANK. What does it say with regard to enhanced vouchers?

Secretary JACKSON. They have a year to have the enhanced voucher, and if they choose to stay in that particular building, they have a right to pay a higher cost.

Mr. FRANK. Would you read me the language that says that? Would you explain to me why your people came to me and showed me a paper that says we were going to abolish enhanced vouchers? Other people have that same impression.

Secretary JACKSON. They did not say they were abolishing enhanced vouchers——

Mr. FRANK. But they did, Mr. Secretary. I read it.

Secretary JACKSON. No, they said that they have a year. That is not abolishing enhanced vouchers.

Mr. FRANK. It says it would abolish them after a year.

Secretary JACKSON. Yes, but the way you just asked me a question——

Mr. FRANK. Excuse me. Okay.

Secretary JACKSON. You said——

Mr. FRANK. No, I did say you would give them a year. So you acknowledge that you are going to abolish them after one year.

Secretary JACKSON. Yes.

Mr. FRANK. That is not funny, Mr. Secretary——

Secretary JACKSON. It is not funny because——

Mr. FRANK. Look, I must say I try to be reasonable. I do not think you are cooperative in trying to give me honest answers. I asked you if you were planning to abolish enhanced vouchers. I did say after a year, so let's be careful. Your bill would if passed as submitted abolish enhanced vouchers after one year?

Secretary JACKSON. Yes.

Mr. FRANK. Thank you. What do you think the effect will be on the people who are living in those units where they have needed enhanced vouchers to avoid eviction?

Secretary JACKSON. I do not think they are going to be evicted.

Mr. FRANK. What makes you think that if their rents go up and they cannot pay it?

Secretary JACKSON. I think that they can.

Mr. FRANK. Oh, you think that the people you are giving enhanced vouchers to could all afford to pay the higher rent?

Secretary JACKSON. Yes, I do.

Mr. FRANK. Could I see HUD's study on that? How many people are there now receiving enhanced vouchers?

Secretary JACKSON. I cannot give you that answer.

Mr. FRANK. Has HUD studied that? There is a callousness about this in telling me this. A lot of these are elderly people, and they are going to——

Secretary JACKSON. It does not affect elderly or handicapped.

Mr. FRANK. Oh, if they are elderly they keep getting an enhanced voucher forever?

Secretary JACKSON. That is right, and the physically handicapped.

Mr. FRANK. But other people, families, they lose the enhanced voucher and you know as a fact that they can all pay the higher rent. I envy you your certainty, Mr. Secretary.

Secretary JACKSON. No, I cannot tell you that with certainty.

Mr. FRANK. I do not think it is a certainty, but that is what you just said. You said none of them would be evicted. I do not think it is a certainty. I think it is indifference.

Let me ask you about this provision that says now if I get a voucher from City A and currently I can use it in Town B, but under your proposal if Town B does not allow me to use it there, I cannot use it there. What is the justification for that? It does not save money. It seems to me it is just enforcing anti-poor people. It is segregationist and economically restrictive.

What is the justification for allowing receiving communities to veto someone coming in and renting an apartment with a voucher if the landlord is willing to rent it?

Secretary JACKSON. Let me say this. I think it takes away from the housing authority that issued that voucher because it limits the amount of money that they are going to have.

Mr. FRANK. No, no. Excuse me, but you are wrong. We are not talking about the housing authority's current agreement to do it. The current housing authority, the issuing housing authority could limit it. We are talking about the receiving housing authority. You could accomplish that by saying that the issuing housing authority could say you cannot use it here; you can only use it in this area.

But why should the receiving housing authority be able to veto a use of a voucher, a rental unit in that town, if the issuing authority is willing for it to happen?

Secretary JACKSON. Well, either the issuing authority or the receiving authority can say no.

Mr. FRANK. I understand the argument with the issuing authority, controls of costs. Why would you allow the receiving authority to say no? Which I do not believe they now can, and I do not believe they should.

What other than accomplishing various forms of segregation is that going to accomplish? It does not save money. Why do you let the receiving community veto poor people coming in and renting apartments in their town?

Secretary JACKSON. My position is that it is the issuing authority that has the right——

Mr. FRANK. Your bill gives it to the receiving authority. Your bill gives it to the receiving authority as well; both have to say yes. I do not understand why you are adding that. It is your bill.

Secretary JACKSON. I think that the housing authorities should have the right to decide.

Mr. FRANK. The receiving authority?

Secretary JACKSON. The receiving authority.

Mr. FRANK. Why? Why?

Secretary JACKSON. Because clearly——

Mr. MILLER OF CALIFORNIA. The time has expired.

The gentleman, Mr. Shays from Connecticut?

Mr. SHAYS. Sometimes, most of the time, believe it or not, I think Mr. Frank is right, and I think he is right about a lot of these issues. I have a hard time keeping up with how quickly he speaks.

[Laughter.]

But the bottom line is most Democrats tend to represent urban areas. Most Republicans tend not to. I represent an urban area, and HUD is very important to us.

I believe that we have gotten ourselves in this mess out of a good motive. The good motive was we do not want publicly owned housing where we just warehouse the poor. We would like to be able to have these vouchers so we can have poor people basically live in units that are market-based, and so a kid can wake up in the morning and see someone go off to work. All of that is good.

But we should not be surprised, now, that we are looking at what is really horrific. In 1998, 42 percent of your budget was vouchers; in 2005, 62 percent. I do not know why it goes up another 10 per-

cent in just one year to be 73 percent of your budget, but basically your testimony before us is that 73 percent of your budget is vouchers.

Secretary JACKSON. It will be, yes, if we continue the road that we are going down.

Mr. SHAYS. And so we all know we have a huge challenge. The one good thing is that we are not spending our money on bureaucracy. We are spending it getting it out there. But the bad news is we basically, I would make the analogy to homeownership. You own your house, and the rents keep going up; you have a home, and your mortgage stays more or less constant. Your taxes may go up, and you have been swept up in this marketplace, and you can stay with it.

What we have basically done is we have basically said the Government is going to be in the rental market and as the rental market goes up, we are going to pay these costs. I guess my point is, when we did it, we knew it was going to happen. What concerns me is I feel like we are just kind of pushing this program off a cliff, because, in essence, we are just trying to get the local communities to take it over. We are trying to give them the flexibility to basically dump some people off of it to weed it out.

I feel in a way, candidly Mr. Secretary, that we are passing the buck. I feel like this has got to be a joint effort with the Federal Government. I do not think my housing authority has the capability to maintain this program on its own. I can just tell you, living in the highest-taxed city in the country, I am seeing homeowners in Bridgeport, Connecticut looking at a simple Cape paying $6,000 or $7,000 living on Social Security.

So I guess my concern is not a question. It is to say I understand why you are here, because you are looking at so much of your budget in this program. I do not think it can be a program we just dump to the local communities and then basically give them more flexibility. I feel candidly we are doing the same thing with CDBG and CSBG. We are basically taking a $5.2 billion program, making it $3.7 billion, and then we are saying this is great because we have this new block grant out of Congress.

So having voted for the war in the Gulf and seeing the money that we are spending there, I think people have a right to be critical that we have kind of forced our revenue in that area. I think we are shortchanging you. I think that we have got to be willing to spend more on HUD, and I think that we have to find a way to make sure that HUD is still in the game and not passing the buck.

Secretary JACKSON. Congressman, I do not disagree with you, nor do I disagree with the ranking member in the sense that the Section 8 program is a very valuable program that we have. It does help low- and moderate-income people. But we cannot continue to let it grow at this point.

I do not think the Section 8 program should disappear, go away, nor people who have a voucher should be put off of those vouchers. I am in total agreement with that. But I do think that we should do everything in our power to assist people to become self-sufficient, and the creation of the voucher program was that bridge. That bridge was between public housing and becoming self-suffi-

cient, not a program to substitute for public housing as we know it today.

So my contention is I want the program at HUD. We want the program to work.

Mr. SHAYS. But what confuses me is that we are basically, knowing that the program cannot even afford the folks that we have already, we are expanding and saying more can compete for this as you increase the income limits. So it seems like a little bit of a disconnect for me.

Secretary JACKSON. No, and I understand your concern. I have said a number of times before you, if housing authorities will do their job by enforcing the rent integrity program to make sure that every person that is on that voucher deserves to be on that voucher, and does not deserve to be paid for utilities or a negative-based or zero-based rent, I think yes, that 50 or 55 percent that are on negative-based or zero rent can afford to pay. There are few people other than the physically or mentally handicapped that might not be able to pay.

The most important thing for us to note today is seniors pay their 30 percent. The bulk of the seniors in the Section 8 voucher program pay every day. It is not seniors that do not pay. It is those persons who we would say are physically capable that are in that 50 percent that I am talking about. Yes, I believe they can pay. I will tell you why, because I used to run the rent integrity program. I used to go out and make sure. I found that a lot of people who have the ability to pay that were not paying. If housing authorities would do their job, I think we can change this, and we can house more people.

Mr. MILLER OF CALIFORNIA. The time has expired.

The gentlelady from California, the ranking member, Ms. Waters?

Ms. WATERS. Thank you very much, Mr. Chairman.

I feel as if I have been through this before. I think we all agree that there are a large percentage of people with extremely low incomes who have a need for affordable rental housing. Do we agree on that?

Secretary JACKSON. Right.

Ms. WATERS. Roughly how many people are we talking about who have low incomes?

Secretary JACKSON. About 2 million people.

Ms. WATERS. About 2 million people. So there is a big gap between the number of persons with these extremely low incomes who now have vouchers and the number of people who need them. Is that——

Secretary JACKSON. I think yes, there are still a large number of people who need vouchers.

Ms. WATERS. I heard you say more than once that we cannot continue to allow this program to grow. I mean, is there not a relationship between people who need it and the growth in the program?

Secretary JACKSON. No.

Ms. WATERS. There is not?

Secretary JACKSON. No.

Ms. WATERS. So you think the program is growing despite the fact people do not really need the program?

Secretary JACKSON. The program is growing, but we are not serving any more people. It is growing because we are paying more out in subsidies for rent and for utility allowances per person. It is not growing.

Ms. WATERS. What do you propose to do about that?

Secretary JACKSON. Well, as I said before, we have suggested in this bill that 90 percent of the people that are 60 percent or less of median be accorded the right to have a voucher. I think that clearly if we put time limitations on it, that would be a way to make sure that they turn over. Pre-1998, the average person, Congresswoman, stayed on a voucher about 3 1/2 years. Today, it is closer to 8. It is between 5 and 8 years. That is a huge difference than what we had before.

Ms. WATERS. Let me see where we are going with this, because I do know that there are some basic philosophical differences between me and you and the Administration.

Are you suggesting that this program that you call a bridge program should only serve people for a very limited period of time and that miraculously they are going to have more income? They do not need a voucher? Where do they go? What do they do?

Secretary JACKSON. Well, I do think that there should be a time limitation, and I have said that a number of times.

Ms. WATERS. What happens to the people?

Secretary JACKSON. I think that what people are saying, where do they go, I think that they will be fine in many cases.

Ms. WATERS. I beg your pardon?

Secretary JACKSON. I think they will be fine. I am saying to you that many people, as I just said to the Congressman a few minutes ago, of the 50 percent that we pay negative-based or zero-based rent, I believe that they have the ability to pay rent.

But if the housing authorities will do their job, they will end up paying their subsidies and moving off the program much quicker. But if housing authorities do not do what they should be doing, that is consistently the rent integrity program, doing the inspections, no, they are not going to move.

Ms. WATERS. Do you think there is any relationship to the unemployment rate in poor communities, particularly minority communities, and the inability to pay for housing, people who need help? Is there any——

Secretary JACKSON. I think if you are unemployed, clearly you cannot pay for housing.

Ms. WATERS. Well, unemployed or under-employed, do you think that somehow folks who need help are going to be able to get help for 2 or 3 years and then they will be fine; they get pushed off the program and they just go into the wild blue yonder?

Secretary JACKSON. Yes, I do, because there are a lot of underemployed people today that are paying almost 50 percent of their income for rent who I think should have the same option as those who we say do not have a job. I think they deserve a hand-up just as well.

Ms. WATERS. Well, you know, I suppose we could go on with this conversation, except really we just come from two different places on these issues.

As it was said before by my colleague on the opposite side of the aisle, HUD is a very important agency because of a number of the programs that you administer that are so important to low-income people, average working people, just having a simple decent quality of life.

Secretary JACKSON. I agree.

Ms. WATERS. We believe that it is inevitable that there will be growth in the program as we have economies that are not performing, as we have people who are losing their jobs, as we have jobs that are being exported or outsourced to world countries for cheap labor, as, as, as. We just believe that. And I think the data that we have shows us that we are basically on the right track.

You either have to think that it is the Government's role and responsibility to try and help in a real way, or you do not. You are on the don't side, and I am on the belief side. And so we are not going to get anywhere with these meetings. We are not going to learn anything new. It is your job to come over here and talk to us, and it is our job to sit up here and ask you these dumb questions that we know we are not going to get any good answers from you about.

So having said that, let me yield back the balance of my time and stop wasting my time. Thank you very much.

Secretary JACKSON. Let me say this to you. I would like to say something to the Congresswoman. I do think that the Government should make every effort to help people help themselves. So we do not disagree on that. I just do not think it should be in perpetuity.

Mr. MILLER OF CALIFORNIA. The gentleman from Texas?

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Thank you, Mr. Secretary. I want to commend you for your long and distinguished service in housing. Basically, I came to Congress from the housing business. I started actually, if you are familiar with the old 236 programs, the D-4 and then served on a city council where we had a housing authority in Lubbock.

What I am really interested in, and I think I hear you saying this, is that we need to do everything we can at HUD to help people transition to ownership, because ultimately when people own their homes, the family does better overall. We have a more stable household. A lot of studies have been done to confirm it.

Kind of talk through with me and the panel today about what the flexibility that happens here and how this program will help us begin to transition those people to homeownership, because that is something of great interest to me.

Secretary JACKSON. Thank you very much, Congressman.

I think that somehow people believe that persons, once they are in public housing or voucher, must be there in perpetuity. I ran three housing authorities; I have never met a person who understands public housing to stay on a voucher. Not one. They all want to get off, but they need significant help.

One of the ways that we did it when I ran the Dallas Housing Authority is we had our own training program. We had our own program with the Dallas community about training people. It worked very well. We had sufficient turnover.

That is what I am saying today, that the Section 8 program in the beginning after we left the project-based, but the voucher pro-

gram, was a transitional program. It was to help people move from public housing who had acquired skills and jobs, give them a period of time to try to get those kills in jobs that they have learned in the trade down, and then move into rental housing that is market-rate or homeownership.

I think that we had that program well in tact until 1998 when we came up with the new proposal that 75 percent of the vouchers must go to people 30 percent or less of median, which at that point in time was not the case. So when you go and give it to 30 percent or less of median, you end up paying utility costs. You end up paying other allowances.

But more importantly, which is very important to understand, is the housing quality inspection that we required each housing authority to do. We ended up, and most people do not realize this, we ended up paying landlords 2 or 3 months' rent with no one in those apartments because it takes the housing authorities so long to get to those quality inspections. Where if you and I go out and rent an apartment, we do in it the next week, once we give the security deposit.

So we are saying, with this State and local flexibility, give the housing authorities the right to manage their housing like we would give a private landlord. So if we give a person a voucher, they can go directly into that apartment within 2 or 3 days, not 2 or 3 months. And that is the average because it takes about 60 days to finish an inspection.

So if they have that authority, and I wish we had had that authority, and we had very much similar to that before 1998, and that is why we were able to rent and keep the voucher turning over and over. I think something is very important to understand. In 2005, Congress gave us this budget and said work with it. We are working with the budget, and I think the way to work with the budget is to give the autonomy to housing authorities.

I want to close by saying this. When I ran the housing authority, I always had a saying that HUD was not flexible. It always hid behind regulations, and we had too many regulations. And so my position was, I think I can manage my housing authority if you let me run it. That is one of the reasons today I am here before you to say, give the housing authorities the choice to run their authority.

Mr. NEUGEBAUER. So your opinion is that if we give the housing authorities more flexibility, they can do some more transition-type programs within the complex and help people start to prepare for the ownership piece of that.

Secretary JACKSON. I agree with you. This is going to sound very funny because when I was running housing authorities, I said in many cases there was not a capable, competent, or compassionate person at HUD. Well, since I am at HUD, I think we are competent, capable, and compassionate, and we are trying to do that at this point in time by giving housing authorities the flexibility to run their program. I think we are too prohibitive to housing authorities.

Mr. NEUGEBAUER. Thank you.

I yield back.

Mr. FRANK. How many competent, capable people are there now? Do you have one or more?

Secretary JACKSON. A lot of them.

Mr. FRANK. Okay. I would just ask unanimous consent to put into the record some communications that came to myself and the chairman of the full committee.

There is a statement from the Public Housing Authority Directors Association, the National Association of Housing and Redevelopment Officials, and the Council of Large Public Housing Authorities saying we are very concerned; the bill fails to address the most pressing problems facing our members and assisted families renewal funding; also a statement of opposition from a large coalition of groups from Catholic Charities and the Cerebral Palsy and others worried about its impact on low-income people; and a letter raising serious questions from the alliance of the groups that are generally in the housing supply business, home builders and the Housing Conference, et cetera; and also a statement in opposition to the bill from the Consortium for Citizens with Disabilities.

I ask that all these be put in the record.

Mr. MILLER OF CALIFORNIA. Without objection.

The gentleman, Mr. Crowley?

Mr. CROWLEY. Thank you, Mr. Chairman.

One of the concerns I have is that every time the Administration makes another change to Federal housing policy, it results in less funding and more troubles for many of the people that I represent in my district. You and I had a discussion the last time you were before Congress about the drug elimination program, a program that provided public housing units with police officers placed there to lower crime and to address the issue of drug abuse.

I believe it worked. Many people believed it worked. The Bush administration eliminated that and said that agencies could use capital and operational funds that they receive from the Federal Government to subsidize those programs, when, in fact, both of those funding streams were cut as well.

We look at New York City's housing authority, HPD. They are facing a $50 million shortfall. You have said before you want to give the authorities the right to deny and to do the inspections they need to do in order to make sure that the people who are receiving those vouchers are legitimate or that there is actually a person living in that apartment. And yet at the same time, they are saying they do not have the resources to do what they need to do as it exists right now on a local level.

I just do not believe, Mr. Secretary, and this is my personal belief, that you believe half the things you are saying today. I say that because you went out of your way desperately not to admit to the ranking member that the Section 8 enhanced vouchers were going to be eliminated. You danced around for a few moments there, about a minute or so, until you actually admitted that after 1 year, the enhanced Section 8 vouchers would be eliminated.

I have a building in my district in the South Bronx, in the Soundview section of the South Bronx, Mr. Secretary. It is 100 percent Section 8 housing. I have a new landlord who wanted to take over that building, and he has indicated to folks in that building that he will not accept Section 8 vouchers, enhanced or otherwise.

I do not know what those folks are going to do. Maybe you can tell me what they are going to do for those poor folks who live there now.

Public housing is not a spa. Public housing is not a fun place to be. I have many constituents, and I visit them. They welcome me into their homes and to their abode. They are very gracious. They try to show me the best that they possibly can the side of their living that they are in. But quite frankly, it is not a spa. It is not a five-star hotel.

The idea that somehow many of these folks will somehow find a way to pay for the increase that they will have to use in order to make up for the enhanced voucher is just ludicrous. People just do not have the resources in a city like mine to do that. They are being pushed out of the quasi-public housing that they are in right now, enhanced Section 8 housing, to make way for what the market rate will pay.

Maybe you have answers to that. I do not know what you think these folks are going to do. I am going to ask you. What do you think these people are going to do? How do you propose to address that crisis?

Secretary JACKSON. First of all, when I understood what the ranking member's question was, did we have a year, I answered him yes. Before I thought he said, were we going to eliminate the enhanced voucher. I said no. That is the question I answered.

Secondly, Congressman, I understand your concern, but I ran three housing authorities. I am well aware of the games that people play. Many of the persons that we are talking about have the ability because they are physically capable of doing it, to pay these rents. But if you do not do the necessary inspections, if you do not do the necessary rental integrity program——

Mr. CROWLEY. Mr. Secretary, who benefits from the voucher? Who gets that money?

Secretary JACKSON. The landlord.

Mr. CROWLEY. Yes, so it is the landlord who is at fault, not the individual who receives the voucher. Yet it is the person who receives the voucher, who gives it to the landlord, who is going to be——

Secretary JACKSON. No, it is the housing authority not doing their responsibility. We are the ones——

Mr. CROWLEY. You are just passing the buck to unfunded mandates. As I said before, New York City——

Secretary JACKSON. You say I am passing the buck. The landlord does not do the evaluation of the persons, Congressman. The housing authority does that.

Mr. CROWLEY. He gets the check, though.

Secretary JACKSON. Yes, but the point is——

Mr. CROWLEY. But he gets the check. They benefit from the housing authority. They are not honest enough to come forward and say the person does not live there anymore; here is your money back.

Secretary JACKSON. In some cases, no.

Mr. CROWLEY. So the individual who is on Section 8 housing, that is the individual who pays the price because of that.

Secretary JACKSON. No.

Mr. CROWLEY. Yes. You are seeing that now. You are eliminating the enhanced vouchers.

Secretary JACKSON. No, no.

Mr. CROWLEY. No, you are not eliminating them?

Secretary JACKSON. No, I think many of the people on enhanced vouchers have the ability to pay. And if the housing authority——

Mr. CROWLEY. You actually said they have a right to pay a higher cost.

Secretary JACKSON. They have the ability to pay a higher cost.

Mr. CROWLEY. But not a right. They have the ability to pay a higher cost, and you know that? You just empirically know that?

Secretary JACKSON. I am saying to you that 50 percent of the people on the voucher program today, or 55 percent, are physically in good shape and can pay. I am saying to you when I ran housing authorities, I did the necessary investigations to make sure that many of the people paid. I would not let anyone live in public housing or voucher program that did not pay rent.

Mr. CROWLEY. Well, Mr. Secretary, I would love to have you come to my district in the South Bronx and see the people themselves, and you can explain it to them personally.

Mr. MILLER OF CALIFORNIA. The time has expired.

You are next.

Mr. NEY. Well, I was up, so it is great timing. We seem to be doing a lot of arguing about something that is not specified in the bill. The goal here is to do everything we can to create a venture between the Federal Government and locals.

Secretary JACKSON. That is correct.

Mr. NEY. Now we say we are going to take 90 percent, and we are going to make sure that goes to the 60 percent range. Couldn't a local agency do just what they are doing now?

Secretary JACKSON. They can. It is totally left up to them.

Mr. NEY. So we are not saying that you have to change the current system. If you like the current system and it works locally, you can do that. Is that not correct?

Secretary JACKSON. That is correct.

Mr. NEY. So all this arguing is really about nothing. What the argument is that people in Washington do not trust local public housing authorities to meet the needs of local people.

Secretary JACKSON. Well, Congressman——

Mr. NEY. That is what I am seeing. We want to try to give local agencies more control. I want you to respond to that.

Secretary JACKSON. That is baffling to me because a lot of times they say they trust them, and they do not necessarily trust HUD. We asked for the flexibility so they can run it, and now they are telling us they cannot run it. So I do not think they can have it both ways. Either we believe the housing authorities can run it or we do not. I am one who believes that they can. I ran three of them, and I ran them with limited resources, and people stayed and did very well.

I also, in all three, I charged rent. No one lived in public housing free with me, because I knew if they lived there, they could afford to pay, other than those who were physically or mentally handicapped. Again, I go back to tell you. Seniors pay their rent. It is physically, able-bodied people that are in that 50 to 55 percent.

Mr. NEY. And if you are handicapped and you are elderly, we are not going to do a thing to throw you out.

Secretary JACKSON. That is right. Nothing.

Mr. NEY. You are going to continue where you are at.

Secretary JACKSON. That is right.

Mr. NEY. I guess the thing that bothers me is the goal here—and I have told you my problems with HUD in the past.

Secretary JACKSON. That is correct.

Mr. NEY. I did not think there was any accountability. I did not think they really cared. They had these guidelines that one size fits all, and you had to live with them, like it or not. But for us to go to say that Chicago, New York, Los Angeles, San Francisco, Pittsburgh, you all have different needs; you all have different situations. We are going to give you a guideline. We want to make sure that 90 percent go to that 60 percent or below, but you determine your needs in the community.

What we have to do is you have to give PHAs an incentive to control costs to help people to become self-sufficient. That seems to be the goal because you just cannot continue a program that is just going to fail. We have a long waiting list even in my district. How do we move people into self-sufficiency so we can basically serve more people. That has got to be the goal here. Do you not agree?

Secretary JACKSON. I agree. Let me say this to you. First of all, I appreciate your sponsoring the bill, but what I have seen in dealing with many of the persons in public housing and dealing with many of the advocates is they come to those persons in public housing or on a voucher with a very paternalistic and patronizing attitude. They do not believe that they have the same sense of work that they have, and they must be in poverty for the rest of their lives.

I do not believe that. I cannot believe that because the record is very clear. The last place that I was in in Dallas, we moved a lot of people out. In fact, we educated more than 900 public housing kids through college, and they are not back in public housing. We have to believe that they have the same sense of work that we do, and as my mother used to say, get up on the same side of the bed and want exactly the same thing that we want. I do believe that.

Mr. NEY. Some try to say that this shifts the need from those at the lower income bracket and just serves those who basically have higher income, those families. I want you to address that, and have the time to address that because I do not think you have had time to specifically deal with that. Do you really think we are in any way taking money away from the people who really are poor and giving it to people who have less of a need?

Secretary JACKSON. Absolutely not. What we have said is that 90 percent of the vouchers will go to 60 percent of the people who are less than median. Today, 75 percent of the vouchers go to 30 percent, and 25 percent can be used all the way up to 80 percent. So the top level between 60 and 80 percent are effectively being cut out. It is 60 percent or less of median. That is very important.

Again, we have heard people say, well, it is going to affect the homeless. The homeless population does not get preferential treatment, period, today. You have to go and apply for public housing. But I do think that in my travels, as I have traveled around this

country, when I see people, as I have said before, when I was in Las Vegas, like the Gonzalez's, who are at about 40 percent, who are working every day and paying close to 50 percent of their income for rent, they deserve a hand-up too. They are working every day.

And there are people with the same physical ability today sitting in public housing or on the voucher who are not working. And I do not think that that is right. We can all believe that everybody who has a voucher or even 50 percent of them or 60 percent of them, cannot work. I do not buy that. It was the most amazing thing when we made a decision in Dallas to charge everybody rent. I had the advocates. I had legal aid lawyers saying that people are going to be evicted overnight. Well, no one got evicted, but they came up with the minimum rent. When I demanded, they came up with it.

Mr. NEY. And based on your experience, you believe that public housing authorities have a much better ability to determine who is able to pay and who is not than the Federal Government sitting here in Washington, D.C.?

Secretary JACKSON. Absolutely, because it is the same thing with the fair market rents that we put in place. I do not think we should be in the business of telling Boston or New York or Connecticut what the fair market rent is. I think that is best determined by the local housing authority.

Mr. NEY. Thank you. My time has expired.

Mr. Davis?

Mr. DAVIS OF ALABAMA. Thank you, Mr. Chairman.

Mr. Jackson, Mr. Secretary, let me go back to one of your major premises in your colloquy with Ms. Waters earlier. You stated several times in your written testimony that people are staying on Section 8 too long; the lifetime of people in Section 8 is longer than it should be. That suggests, I guess to some of us, that this is a matter of choice, that people can be incentivized into making choices to leave the program, so I want to test that proposition for a moment.

Looking at the bottom 30 percent of median income, what we call the very poor of the poor, over the last 4 years have the wages of those people in the bottom 30 percent gone up or down or stayed the same in this country?

Secretary JACKSON. You would have the individual housing authority. I do not think that question can be answered because most of the housing authorities——

Mr. DAVIS OF ALABAMA. No, I am asking you a basic question.

Secretary JACKSON. No, no. I cannot answer that question for you.

Mr. DAVIS OF ALABAMA. Okay, so you cannot answer the question.

Secretary JACKSON. Not that way. The question should be asked, if they do the necessary investigation, they will be able to answer that question.

Mr. DAVIS OF ALABAMA. Okay. Well, let me ask the questions, and you can tell me either that you cannot answer them or not. You are unable to tell us if the wages have gone up for people in the bottom 30 percent. I will represent to you based on my own personal knowledge from reading statistics in this country in the

last several years that wages for the lowest income Americans have actually stayed stagnant or gone down in most communities. I will represent that to you, and you do not appear to be in a position to challenge it.

I will ask the second question. Has the unemployment level——

Secretary JACKSON. No. Are you telling me that you know specifically that the 30 percent that we serve are in the low income——

Mr. DAVIS OF ALABAMA. No, sir, I am asking you. You can feel free to not like my question or like it, but I have the time, and I am going to struggle through and ask it.

Looking at the bottom 30 percent of the population of the people, the bottom 30 percent income level, less than 30 percent of median income, let's look at their unemployment levels. Have their unemployment levels gone up or down in the last 4 years?

Secretary JACKSON. I cannot answer that.

Mr. DAVIS OF ALABAMA. Okay. So you cannot answer that.

Secretary JACKSON. No, you are talking about the general population. I am talking about those persons who are in public housing or on vouchers.

Mr. DAVIS OF ALABAMA. Okay, well, then let's limit it to that. Let's limit it to those in public housing. The bottom 30 percent of median income, have their unemployment levels gone up or down or stayed the same in the last 4 years?

Secretary JACKSON. That is for the housing authorities to decide.

Mr. DAVIS OF ALABAMA. Do you happen to know?

Secretary JACKSON. That is for the housing authority to decide.

Mr. DAVIS OF ALABAMA. So I take that as a no.

Secretary JACKSON. No, no. HUD does not do the evaluation or the work for housing authorities. Each housing authority is independent.

Mr. DAVIS OF ALABAMA. Let me make the point then fairly directly, Mr. Secretary. My proposition to you is that I think your major premise is wrong. Your major premise is that——

Secretary JACKSON. That is your right.

Mr. DAVIS OF ALABAMA.—people who are staying on Section 8 are doing it somehow because of a behavioral choice, that they just like the idea of being on Section 8, that they want to linger on Section 8, and that if we have time limits, if we give the local housing authorities more ability to limit their timeframe, they will get their act together and get off the program. I would submit to you that I think that major premise is wrong.

Secretary JACKSON. That is your assessment. That is not what I said. That is what you said.

Mr. DAVIS OF ALABAMA. Well, let me finish my point, please, sir.

I would submit to you that if you look at the unemployment levels, if you look at the percentage of people in Section 8 who are in poverty, if you look at the percentage of the people in Section 8 who are not working or whose wages have been stagnant, that their conditions have not improved in the last 4 years and that rather than it being a matter of laziness or behavioral incentives on their part, that that is why they are staying on Section 8 longer.

Let me shift to another line of questions. When your boss, the President, came into office in 2001, he announced a goal of reducing chronic homelessness; let me get the exact quote here, ending

chronic homelessness. Excuse me, not reducing it, but ending chronic homelessness within 10 years. We are approaching year 5 of the Bush presidency. Has chronic homelessness been reduced in half in this country, Mr. Secretary, in the last 4 1/2 years?

Secretary JACKSON. No, and we are working very hard to——

Mr. DAVIS OF ALABAMA. Tell me how close the Administration is——

Secretary JACKSON. I am sorry?

Mr. DAVIS OF ALABAMA. Tell me how close the Administration is.

Secretary JACKSON. I think——

Mr. DAVIS OF ALABAMA. Let me finish my question, please.

Secretary JACKSON. Okay.

Mr. DAVIS OF ALABAMA. Tell me how close the Administration is to meeting its goal of eliminating chronic homelessness in 10 years, because the answer can be we are really, really close, in which case you guys should be touting that; the answer could be we are no where near it; or the answer could be something more complex than that.

Secretary JACKSON. I think we are doing extremely well because we are funding it at the highest level it has ever been funded at in this country.

Mr. DAVIS OF ALABAMA. No, no, Mr. Secretary, you routinely tell us that funding is not the test now, so I do not want you to go there with me. Tell me the number of homeless people in this country in 2001. What is the number of homeless people today, and what was the number in 2001?

Secretary JACKSON. I will be happy to get back to you. We can get you a number.

Mr. DAVIS OF ALABAMA. You do not know that?

Secretary JACKSON. We can give you that.

Mr. DAVIS OF ALABAMA. You do not know that?

Secretary JACKSON. We will get back to you on that number.

Mr. DAVIS OF ALABAMA. Okay. Well then let me conclude with this proposition. Again, I would submit to you, and I think most people in this room know the number of chronic homeless people is actually a little bit worse today than it was 4 years ago.

Secretary JACKSON. That is absolutely not true, Congressman.

Mr. DAVIS OF ALABAMA. Well, you told me you did not know.

Secretary JACKSON. Give me the facts that you have. You have made a definitive statement. Tell me where you got it from, and I will be happy to look it up.

Mr. DAVIS OF ALABAMA. Well, I am basing it on what I have read, and I think again——

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired.

Mr. DAVIS OF ALABAMA. Thank you, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Mrs. Kelly?

Mrs. KELLY. Thank you.

Mr. Secretary, I thank you for coming before the committee and explaining the Administration's intentions on the legislative text that is in front of us. It is deeply appreciated by this member and a welcome contrast to the Administration's performance on the CDBG bill because we still do not have legislative text or a full understanding of the impact on the States or the localities on CDBGs.

I have been contacted by a number of public housing authorities who have shared some concerns with the bill before us and the Section 8 program administration. On their behalf, I would like to pose a couple of questions. H.R. 1999 allows the PHAs to target 90 percent of their assistance to those at or below 60 percent of area median income, as I understand it, while retaining the hard cap at 80 percent of income for any assistance.

While I think this is admirable flexibility, many areas have housing markets that place the vast majority of people without adequate housing options between median income and 60 percent of median income, rather than at 60 percent and below. I just want a yes or a no answer to this question. Isn't HUD's ability to declare the nonperforming PHAs as troubled protection enough against the fraud and ineffectiveness to allow the PHAs to determine their own income caps and targets below median income?

Secretary JACKSON. No.

Mrs. KELLY. Okay. If H.R. 1999 is passed as drafted, what kind of streamlined process will HUD have in place to adjust income cap and target requests from the PHAs?

Secretary JACKSON. They will always be able to appeal to us.

Mrs. KELLY. They will be able to do what, sir?

Secretary JACKSON. Appeal to us, to show us if they are——

Mrs. KELLY. To appeal? In other words, you are not changing? You are not going to streamline the process? They can do it by appeal? That is not streamlining.

Secretary JACKSON. No, when we say we are streamlining the project, Congresswoman Kelly, we are saying we are giving them the flexibility to use the voucher as they see fit, not being dictated by our mandates from HUD. Right now, if they want to pay 110 percent of median, they have to get approval from us. I do not think they should have to. I think if they realize within their jurisdiction that 110 percent is the median cost, they should be able to do it. If it is 150 percent, understanding that they have a certain amount of money that they have to work with. I think they should have that.

Mrs. KELLY. Okay. You mention in your testimony that Section 8 has expanded from 36 percent of HUD's budget in 1998 to 57 percent of HUD's budget in 2005. In my analysis of your budget request, it shows that to me Section 8's percentage of HUD's budget increases next year to 72.9 percent of HUD's budget if the CDBG program is moved from your department. If you exclude the CDBG from the percentage of HUD resources that you spend on Section 8, then that expands the Section 8 from 71.3 percent to 72.9 percent. That is a 1.6 percent increase.

You say that H.R. 1999 can help contain the cost growth and improve the effectiveness, but the percentage of your agency resources being consumed by Section 8 goes up if your own proposals are enacted. How do you explain that?

Secretary JACKSON. No, it does not.

Mrs. KELLY. Well, that is what your budget told me.

Secretary JACKSON. If we do not enact the State and Local Flexibility Act, it is going to go up, but we believe that clearly if we will let the housing authorities around this country have the flexible

vouchers, it will go up minimally, but not like it has in the past. It will not go up. That is why we are here.

You have given us a 2004 budget that said clearly we are going from unit-based to budget-based. We are on a budget base. Now what we are asking you to do is give the housing authorities the flexibility to be able to use the voucher as they see best for themselves. But if it does not, then yes, if we do not pass the flexible voucher program, yes, we are going to have to come up with more money. We believe with the passage of the bill, we will be able to minimize the increase.

Mrs. KELLY. In your proposed budget for 2006, housing for the elderly is flatlined at $741 million, while Section 8 grows by 1.6 percent, and the funds for housing for those with disabilities declines by $118 million. Don't you think maybe now it is time to establish a firewall between Section 8 funding and the other HUD programs to prevent a continuing drain on the discretionary resources that you have?

Secretary JACKSON. Absolutely.

Mrs. KELLY. I am very concerned about the housing for the elderly and the housing for the disabled. My concern is what you are saying to us. When I look at your budget——

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired.

Mrs. KELLY. Will the gentleman let me finish?

What I am concerned about here is that there will be cohorts of people that are going to be ignored because Section 8 is going to grow. I think you need to very strongly have a look at this, and I wish you would get back to this committee about how you are going to handle these people, the elderly flatlined and aid for disabilities declining by that much money.

Secretary JACKSON. I will be happy to do that, Congresswoman. I will say this to you. The $1.1 million that we added to the Section 8 voucher program is to help make the transition toward the flexible voucher program. That we think is very important.

Secondly, I think that it is important to understand that, as I have said before, the physically, mentally, and seniors will be grandfathered in. They will not be affected by this. We are simply talking about those who can do it.

Mrs. KELLY. It is reflected in your budget. When you see things like area housing——

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired.

Mrs. Lee?

Mrs. KELLY.—you know you are going to have more people in Section 8.

Mr. MILLER OF CALIFORNIA. Mrs. Lee?

Ms. LEE. Thank you, Mr. Chairman.

Good to see you, Mr. Secretary.

All I have to say is, here we go again. You know, first of all, let me just say to you, the more and more I listen to you, the more and more I understand what you meant when you said poverty was basically a state of mind.

Also, and you did not agree around CDBG, but again I am going to have to say to you, this block granting of Section 8 and what you are doing under H.R. 1999 is another effort to dismantle HUD.

For whatever reason, this administration has it out for the poor and the low income. Why, I do not know.

Let me ask you a couple of questions. In terms of homelessness, don't you think first of all by changing this formula you are going to actually increase the numbers of homeless? And secondly, it is my understanding, and I want to ask you, how do you determine what mechanisms you use to count the number of homeless in this country?

And thirdly, some numbers that I have, and you may want to go back and verify them, but you said that this is the highest budget we have had for the homeless, but 10 years ago it was $1.79 billion, and adjusted of course for inflation; in 2005 it was $1.2 billion; and in 2006, $1.4 billion. So that does not appear to be the highest amount of money that we have actually spent, which again is very minimal, if you ask me, given what I think may be 180,000 people who are homeless, but you guys do not tell us because you do not know how to count, I guess.

So could you kind of give me some feedback on that first question?

Secretary JACKSON. Sure. Your figures as they relate to the homeless population are pretty close. It is according to what study you look at, whether it is 180,000 or 200,000 people. We believe that clearly we will do everything in our power to end chronic homelessness because it is very, very important.

I do not think that this present budget that we are presenting for Section 8 we are trying to dismantle HUD. I do not see——

Ms. LEE. Do you think this is going to increase the numbers of those who are homeless, though?

Secretary JACKSON. No.

Ms. LEE. What is going to happen to all these people who are at the bottom of the barrel?

Secretary JACKSON. Until 2000, homeless people rose to the top of the Section 8 waiting list, the same in public housing. That provision was struck out by Congress. That is not the case. So we are not serving the homeless even today with the present vouchers that we have. We are serving those who are the top of the waiting list, and many of those persons are not homeless, Congresswoman.

Ms. LEE. I am saying you are going to create more people.

Secretary JACKSON. I do not see how the two connect.

Ms. LEE. If this goes through, in 3 years guarantee there will be another 50,000 to 60,000 people homeless as a result of this.

Secretary JACKSON. I do not believe so, Congresswoman.

Ms. LEE. You do not believe so.

Secretary JACKSON. No.

Ms. LEE. Okay, but would you let us know what mechanisms you have in place to provide the numbers in terms of statistical data for the homeless?

Secretary JACKSON. I will be happy to.

Ms. LEE. Secondly, let me ask you about this provision which of course I am really quite shocked about, and I did not realize it until today. There is a provision of this bill that eliminates the housing agency requirement to consult with residents or the public in terms of changing the key housing policies, and it prohibits

voucher holders from serving on public housing boards. Is that the case? And if it is——

Secretary JACKSON. Will you give me that again? I am sorry.

Ms. LEE. Okay. There is some provision, and what is why I am trying to clarify this, that actually prohibits voucher holders from serving on public housing boards and also eliminates current requirements to consult with residents in public housing units and changes key housing policies as it relates to the involvement and the participation by tenants.

Secretary JACKSON. Let me say this to you, I am not familiar with that portion, but if it is in there, I will tell you personally I will look at that, because clearly I am a person who believes that the residents should have say-so about what affects their lives, whether they are in public housing or on a voucher. I believe that residents should also serve on the housing authority boards.

Ms. LEE. If that is in there, we have a commitment from you at least to try to take it out?

Secretary JACKSON. Yes, you do.

Ms. LEE. Okay. Thank you very much.

Secretary JACKSON. I will tell you that, yes.

Ms. LEE. I appreciate that. And also, finally just in terms of following up on Congresswoman Waters's questions with regard to the time limits. You know, I am not an attorney, but I have many friends who are lawyers, many on this committee. Listening to you, you cite the worst cases, and I know they always say worst case makes bad law. And you cite, you know, no program is perfect, but you always cite some form of abuse or people trying to beat the system.

But for the most part, that is a very small percentage of those living on Section 8 vouchers. So why do you keep saying, you know, giving us those examples when, in fact, those are the smallest number of people, rather than showing us how the program benefits people and how the majority of those on Section 8 play by the rules?

Secretary JACKSON. First of all, let me say this. I believe that the Section 8 program does benefit people. I do not want any misunderstanding. I think it does help the quality of life of people. But Congresswoman, I have had the unique ability of running three housing authorities. It is not a small number. It is not a small number, and I do not know why people believe that those persons who try to escape the system are small numbers.

I can tell you, whether it was in St. Louis, whether it was in Washington, D.C, or whether it was in Dallas, it was a large number, and in many cases we were removing, in some cases 300 or 400 people off of our rolls about every, not even a year, about every 6 to 8 months because we did find that they were not honest with us. And when you have valuable vouchers, I think it should be used for those persons who actually need the vouchers, not those who are, in essence, conning the system.

So I do not think it is a small number. We disagree on that.

Ms. LEE. Well, okay.

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired.

Ms. LEE. Thank you, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Ms. Ginny Brown-Waite?

Ms. BROWN-WAITE. Thank you very much, Mr. Chairman.

Mr. Secretary, just a couple of questions. Why does it seem to take so long for vacant units to be inspected by housing agencies before the unit is actually approved for a lease-up? I am sorry I came in late. Someone may have already asked this question. Is the problem the standards, the current housing quality standards? Are they too stringent or too lenient? I would appreciate your response.

Secretary JACKSON. Yes. As I said before you came in, Congresswoman, in many cases when we find a landlord who is willing to rent to one of our voucher holders, it is somewhere between 60 and 90 days before they can move in. In many cases, the housing authority has said that their housing quality inspectors are overworked by checking other units.

So what this bill has proposed is the same thing that we do in the regular rental market. If clearly the unit is stable and up to snuff, and the renter, that is the voucher holder, says it is, they have an opportunity to move in. If within the 60 days of that period that they move in, we will do an inspection to see if the unit is up to snuff. If it is not, then we will hold the landlord responsible or tell the person they still have their voucher, but they have to look for a better place to live rather than waiting 60 to 90 days to move that person in, yet we are still paying that landlord.

Ms. BROWN-WAITE. A follow-up question on the question that Ms. Kelly asked. When I came in, she was asking it. Do I understand you to say that the housing units and the expenditures for housing units for seniors and disabled are not being decreased?

Secretary JACKSON. No. What I said is that if we institute the flexible voucher program, many people have said, well, we are going to push seniors, physically and mentally handicapped people off of the rolls. No, we are not. They are not affected by the flexible voucher program that we are talking about here today. We are talking about those persons who are physically capable of carrying out their daily lives.

Ms. BROWN-WAITE. Are there any provisions in the flexibility plan that will protect the seniors and the disabled in public housing?

Secretary JACKSON. Yes.

Ms. BROWN-WAITE. Tell me what those protections are.

Secretary JACKSON. It clearly says that they are not included in the bill. It is just very clear.

Ms. BROWN-WAITE. And the funding that will specifically be there for elder housing and for the disabled, that is the same?

Secretary JACKSON. Yes, it is all in the voucher program package.

Ms. BROWN-WAITE. It has not changed any?

Secretary JACKSON. No, no.

Ms. BROWN-WAITE. So the housing authorities will be given the same amount of money or more? Is it possible that there will be more?

Secretary JACKSON. There might be a possibility that there will, but they will clearly be allocated the amount of money that you all have given us for the 2005 and 2006 budget.

Ms. BROWN-WAITE. Okay. And if I go to your specific budget request, I will see that the funding for seniors and the disabled are not reduced.

Secretary JACKSON. Yes. I cannot say you will see. The funding was increased by $1.1 billion, period, the voucher program, and that takes care of everybody. So it is not dissected into whether it is senior. We do have some specific 811 program which is for the disabled.

Ms. BROWN-WAITE. Okay. Thank you.

Mr. MILLER OF CALIFORNIA. Mr. Lynch of Massachusetts?

Mr. LYNCH. Thank you, Mr. Chairman and the ranking member.

Mr. Secretary, thank you for your willingness to testify and help this committee with its work. I want to follow up on a point in your dialogue with Mr. Davis. You mentioned that a lot of folks just stay too long in public housing. In your own experience, how long do you think it should be before people have the ability to move out and move off of either Section 8 assistance or move out of project-based housing?

Secretary JACKSON. I guess that would depend on the needs of each individual family. In a sense, I do think that traditionally I did not think that 3 1/2 years on a voucher was extensive. I do not think 3 or 4 years in a public housing unit is extensive. I think that it gives the person an opportunity to save and to increase the ability to go out in to the rental market or to buy a home. I think that any way we can help them increase their abilities to get off of public housing or a voucher, we should help them.

Mr. LYNCH. Yes, I just wanted to say this. I do feel that some of your approach is more blaming the tenant, quite frankly, in looking at their approach to life versus looking at what their options might be. In my area in the city of Boston, I actually grew up in the housing projects in South Boston in the Old Colony housing projects myself and my five sisters. My dad worked full time. My mom worked part time. It took us 15 years to finally get out of public housing. My mom and dad wanted us out of there every single day. It is the poorest predominantly white census tract in the United States, a lot of single parents and a lot of hardship there.

Believe me, the families there, and I think in most cases, they want to be out of public housing. I do not agree that they are laying back and they are being insensitive to the needs of their children to get out of that environment in many cases. In the situation of my own family, we were able to buy a house for $14,000 back then. Of course, it was across the street from the housing project, so my parents never did get us out of there even when we did "move out."

I spend a lot of time with my folks in public housing. That is where I come from. Right now, a lot of those families are faced with a couple of options. One, they can try to move out and pay $1,500 a month rent. And if they want a two-or three-bedroom, and a lot of these families have kids, they are looking at $2,000 a month rent. And that is about $500 or $600 more than they make in a month, so there is a deficit here. They want to eat and pay for clothing for their kids.

The other option is just to move out and go into a shelter. That is why we are seeing a lot of the overcrowding in our homeless

shelters. I just do not, and you know, I have had some time to spend with these families and they want desperately out of public housing and they are working their way out, but there are no alternatives for other housing, other than public housing, for these families. We are trying to figure that out.

I just want you to realize that for a lot of these families, they are doing the right thing and looking to get out of a tough situation. This Section 8 situation is the only hope that they have in many cases of getting their kids out of a tough situation.

Mr. MILLER OF CALIFORNIA. Would the gentleman yield for a second?

Mr. LYNCH. The gentleman will yield.

Mr. MILLER OF CALIFORNIA. In the bill when we introduced it, it is optional. We said that if you are going to have time limits, it is no less than 5 years. It is optional.

Secretary JACKSON. That is right.

Mr. MILLER OF CALIFORNIA. We do not mandate that they set any timeframe on it. The local public housing authority has the right to determine how long they want if they want a time limit.

Mr. LYNCH. Right. But what I am saying, if I could reclaim my time——

Mr. MILLER OF CALIFORNIA. Yes, absolutely.

Mr. LYNCH.—is that it obviously creates the opportunity for discrimination. If you are making a case-by-case rule by every individual in each individual circumstances with a couple of million people, I would dare say that from PHA to PHA, whether it is Baltimore or Boston, depending on that person's location and their luck, they are going to be treated differently under this policy. There is no hard and fast rule if you are going to treat it on a case-by-case basis.

I am just very concerned about this. I do not see the resources being put in this area. I see a pullback, quite frankly. I understand because the budget is growing and we have less money because we have to support those tax cuts for folks in the top income brackets, and I understand the need to do that. But in all seriousness, I just see a complete retrenchment in terms of the Federal Government's commitment to public housing. I see it every day, and I see it especially in these hearings.

Secretary JACKSON. Well, Congressman, I understand what you said, but let me first say that I believe, and I think I said it before you came in, that I have not met one person who wants to stay in public housing or stay on a voucher. I agree wholly with you on that point of view. The difference is, as Chairman Miller just said, it is an option.

Secondly and thirdly, we have been criticized over the years for being so prescriptive in the sense that we want unanimity for the housing authority in New York to be the same in San Francisco. They are totally different. They are totally different. What we are saying to you today is we want to give them the flexibility to be able to run their housing authority.

Some years ago, Congress gave us a demonstration program called Move to Work. We have about 10 housing authorities. All 10 of them are different. One is Cambridge, within your, I am not sure if within your congressional district, but Cambridge——

Mr. FRANK. No, no, Cambridge is not in the Congressman's district.

[Laughter.]

To their mutual relief, I think.

[Laughter.]

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired.

Secretary JACKSON. But the key to it is, what we recognized at that point in time, and I had said years before, these housing authorities are different, and they should have the flexibility to run their programs as they see fit. But initially when we started the Move to Work, they said the best model we have seen is Cambridge, so everybody should follow that model. Well, it just did not work in Atlanta, so we had to adjust the models and let the different agencies run their own Move to Work. It would not work in Chicago, so I think flexibility is very important.

Let me close by this. You know, I am very, very sensitive to low- and moderate-income people, but I do not address them the same way as many people. I do not address them from a very paternalistic and patronizing manner. I think they have the same sense of worth that I do, and I am going to help them if they want to help themselves get out of public housing, get off of the voucher.

I will do everything in my power to help them. I think that if you go to either one of the housing authorities I ran, you will do that. If you go to Brumley East and ask your people there, they will tell you that I have probably been one of their greatest advocates.

Mr. MILLER OF CALIFORNIA. Mr. Lynch, that was a very good question. The key to this bill is we do not mandate anything. If they want to leave the system as it is, they can.

Secretary JACKSON. That is right.

Mr. MILLER OF CALIFORNIA. We are just saying to the local PHA, if you want to mandate some type of time limits, you can do that, but it can be no less than 5 years, so we try to put a minimum standard on there.

Mr. FRANK. Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Yes.

Mr. FRANK. I did want to say, because I would like to consult with the gentlewoman from New York, and I did think, Mr. Secretary, I hope you would address this. In her question when she talked about a 1.6 percent budget increase, someone got the impression that your answer was that would have been under the old system. I think the gentleman is accurate that the increase she talked about is the increase you asked for assuming the new system was in place. So the gentlewoman's assumption I think is that the 1.6 percent increase is what you are asking for under the new system.

Secretary JACKSON. Yes.

Mr. FRANK. Well, I think your answer came out differently to that.

Secretary JACKSON. I am sorry if it did.

Mr. MILLER OF CALIFORNIA. Okay, thank you.

Mr. Green?

Did that answer your question, Ms. Kelly? He rephrased his answer.

Mrs. KELLY. I very much appreciate the gentleman's comments, because yes, there was a misunderstanding in the way that you responded to my question. So thank you very much, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Mr. Green?

Secretary JACKSON. Please excuse me. I did not understand it. Thank you.

Mr. GREEN. Thank you, Mr. Chairman, and thank you, Mr. Ranking Member.

And I thank the Secretary for giving us this portion of his valuable time.

Mr. Secretary, perhaps I am restating what has been said, but I too believe that most people receiving welfare really want to say farewell to welfare. They do not care to be on welfare. I had the opportunity for 26 years to sit as a judge of a court that had exclusive jurisdiction over forcible entry and detainer lawsuits commonly known as eviction lawsuits. So I had an opportunity to interact with various housing authorities.

I have had an opportunity to examine empirical data as it relates to the persons who had zero-based rent. Over the years, I consistently saw empirical data that indicated these persons were receiving zero-based rent because of their inability to afford some of the necessities of life. I saw justification for zero-based rent.

My question is, if a person was receiving zero-based rent and you imposed a standard that required the person to pay some amount of rent, where were they to acquire these funds for this rent? Did it matter where they were to get the money from, given that they were qualified to receive zero-based rent?

Secretary JACKSON. I think, Congressman, I do believe that there are some people who are physically and mentally handicapped who deserve to be on zero-based rent. I am of the opinion that if you are physically capable of going to work and in many cases most of the people are, they can come up with the rent. As I said a few minutes ago, when I imposed a rent requirement many people said people could not pay it, that we would have huge evictions. We had no evictions. People came up with the money.

Mr. GREEN. That was why I posed the question. Let me just interrupt for a second because my time is short. That is why I posed the question. Where do you think they are coming up with the money from? I say this to you because to have zero-based rent, by definition means that you could not afford some of the necessities of life. So where do you come up with the money to pay this rent?

Secretary JACKSON. Congressman, and I do not want to sound very harsh, but if they had zero-based rent, in many cases they would not have any amenities within their apartment. It is my belief that in many cases these people do have the ability to make a living and in a lot of cases they do make a living. They just do not report their income. I believe that if you are physically or mentally handicapped, in some cases elderly people, you might clearly have a serious problem with zero-based rent. But I do not think if you are physically capable that that is an issue.

Mr. GREEN. Let me go on. I have actually gone into homes as a part of the judicial process. I have actually gone to locations. I have seen the homes, and you are right. They had very little in their homes. I will also tell you that usually it was a female. Usually she

had more than one child, more than two, probably three or four children.

Notwithstanding what I would like America to be, they were in a position where they could not work and take care of those children, the needs of those young children. There was no day care available for those children. They did not have a spouse who was there to care for those children.

Literally, there are some people who merit zero-based rent, who are physically capable of working. I marvel at the notion that they all paid. That is why I asked where did they get the money from.

Secretary JACKSON. I cannot tell you that, but I know they paid.

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired.

Mr. GREEN. Thank you.

I thank you, Mr. Secretary.

Mr. MILLER OF CALIFORNIA. Did you have a conclusion?

Mr. Cleaver?

Mr. CLEAVER. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here. I am perhaps in a unique position. I think one other person may be in the same position. I both lived in public housing and appointed later in life a public housing authority. My mother, father, and three sisters, and I lived in this house for 7 years. It still stands not far from the last place you served in Dallas, Texas. We lived in here for 7 years.

My father paid $5 a week for us to live in here, and that was too much, no running water, no plumbing. This is an alley. We paid the Templeton family $5 a week to live in what used to be a slave shanty. Mr. Chairman, we moved out of this shack into public housing. We lived in public housing for 7 years. My daddy is not trifling. My daddy worked two jobs and cut yards on the weekend. My mother worked ironing, doing everything else, and started college when I was in the eighth grade.

We lived in public housing for 7 years. To show you how trifling my family was, all three of my sisters and I have post-graduate degrees from this shack. Mr. Secretary, people who live like this for the most part, and I am speaking experientially, are struggling to do better. I agree with you. Nobody enjoys living like this. Our disagreement comes when we have a disagreement on zero rent because there are people who are struggling every day, working hard, working two or three jobs trying to elevate their families, who cannot pay.

I can call the names. This is not something I read in a sociology book. I know people. I grew up with people. I know people today who are struggling. It seems to me that the responsibility of the United States Government is to do everything conceivably possible to make sure that people do not live like this, particularly those who are struggling to get out.

I am troubled that I would be a Member of Congress when we ended up passing legislation that would essentially put people in the streets. I do think people will become homeless in situations like this. We would have, my family would have become homeless. If that had happened, they would not have principals of schools in Houston, in Kansas City, Missouri, and in Flint Michigan.

The proposed lower-income targeting in H.R. 1999 would change the voucher program serving primarily the lowest of the low, the

extremely low-income families who are below 30 percent of the median, to families with income up to 60 percent of the median. Now, the change in the income targeting would have a damaging impact on African Americans and Latinos. According to the National Fair Housing Alliance, 53,000 African American families and over 12,000 Latino families would lose their vouchers.

So what do we say to them? How do we respond to them? What help is available to them?

Secretary JACKSON. Mr. Congressman, I do not know where they got those figures from. Those persons who are presently on vouchers will not lose their vouchers. That is again the exaggeration that I go through every day. They are not going to lose their vouchers.

Let me say something to you. It is clear to me that there are people out there every day that clearly are struggling. I am not in any way blind to that facet of life. I came from a family. My father had a fifth grade education. I am the last of 12 children. They educated all 12 of us. We did not live much better, but I remember something that happened that has always stayed with me.

When my father got cancer, Congressman, the welfare worker came by. She said, "Mr. Barker," she called him, she says, "You are entitled to Social Security, Social Security supplement, welfare and food stamps." My father could barely talk, but he said something that has stayed with me. He said, "I have only earned two, that is Social Security and Social Security supplement; I will not take welfare, and I will not take food stamps." That was his belief, that he had the pride. He had earned what he wanted.

So I am saying to you, I am in no way going to denigrate anybody who is low-income in this country because I have been through it. And due to the hard work of my mom and my dad, I am sitting here because they, too, my mom worked every day. She washed and cleaned white persons' homes. That is what she did.

So I am totally in agreement with you, but I do believe this, that we must give people something to shoot for. If we do not give them something to shoot for, then we leave and we disrespect them. We are saying that they are not human beings with the same sense of work as me. I am not going to do that. I am not going to be patronizing and paternalistic to a person because they are low-income. I believe we can help them if they want to help themselves. My job is to help them, and that is what I did with the three housing authorities that I ran.

I said earlier today, 900 kids came out of college because we started a program. I did not want to see them going back to public housing. I thought that they deserved better and we should give them better if they had incentives. And they did. Now we might disagree how we get there, but I think we agree philosophically that there are people who are suffering, and I do not disagree with that.

Mr. MILLER OF CALIFORNIA. The gentleman's time has expired. Thank you.

Mrs. Moore?

Ms. MOORE OF WISCONSIN. Thank you, Mr. Chairman.

And thank you, Secretary Jackson.

I am focusing on page four of your testimony. I am looking at, I will start from number two since my time is limited, where you

are really talking about 1998, those reforms that gave PHAs greater control. Because HUD was paying more money, that you gave them flexibility, thus allowing them to set the standards between 90 and 110 percent of the local fair market rate.

Secretary JACKSON. Yes.

Ms. MOORE OF WISCONSIN. So here you clearly laid out the problem and why there were escalating costs in the program, but then you concluded that it was the behavior or the wrong program incentives, which is why we now need to give flexibility to these agencies that already abused it. I was not quite understanding that. Could you just clarify that cause-effect relationship because I do not get it?

Secretary JACKSON. What we are saying——

Ms. MOORE OF WISCONSIN. And do not take all my time because I have another question.

Secretary JACKSON. All right. I won't.

Ms. MOORE OF WISCONSIN. Okay.

Secretary JACKSON. What we are saying is that we gave them that incentive, but it was still based on units. It was a unit-based cost. And they could go that high, but in the final analysis what we are saying today is if they choose to pay 150 percent of median, that is their right if they think that is the way they are going to be able to get a person or a family of four into housing.

Now in New Hampshire, in California, even at the ability of 110 percent, they still cannot house a person. I am for giving them the flexibility that they need to address the locale in which they live.

Ms. MOORE OF WISCONSIN. But you said that it was that abuse that caused the costs to spiral, and now you——

Secretary JACKSON. No, what we are saying is this, Congresswoman, is that clearly because it was unit-based, there was no incentive for public housing authorities to really make an effort to bring down the cost of those units, even when the market was less than what it was.

Ms. MOORE OF WISCONSIN. Let me explain my background to you a little bit. Notwithstanding the fact that I have a very similar impoverished background, I want to tell you something else about my background. I was an employee of the Wisconsin Housing and Economic Development Authority for 15 of the 16 years I served in the State legislature and was an employee of that agency.

I saw our creating Section 8 project-based and unit-based Section 8 housing that offered opportunities to families with higher and higher and higher incomes, thus squeezing out the very, very, very low-income person. As a member of that board, I squealed and whined and cried about approving every Section 8 project because, in fact, the lowest-income people were not going to benefit from the program. So I see this bill as just codifying what the public housing agencies are already doing, squeezing out low-income people.

And let me tell you about those people who do not want to be on welfare. Let me tell you; I want my welfare. When I put in my mortgage interest deduction, the biggest housing welfare program we have, I want that welfare because those kinds of things really stabilize a family.

If you have a mortgage, Secretary Jackson, you know, at 4 percent, you have stabilized your housing costs. Maybe you bought or

if you bought property here in the D.C. area, maybe you could direct me to how I can get some welfare or how I can have bought a property 20 years ago for $20,000 at 6 percent interest rate and maintained that same housing costs. Should we kick those people out because they have been there for 5 years? These poor people want the same sort of stability.

So I guess when we start talking about the character of people and not changing the 30 percent, the Brooke amendment, eliminating that. You have asked for hard-core data. I am from Milwaukee, Wisconsin where according to the Bureau of Labor Statistics, 59 percent of African American men have no jobs. Our economy has changed. We have had loss of thousands of manufacturing jobs. These are not people who are just trifling and unwilling to work.

So I can tell you that I see your testimony being very oxymoronic because you did identify the problem. You gave PHAs flexibility, and as my nephews would say, they vicked you. And you are now attributing those high soaring costs to the behavior of poor people, and it is totally unfair.

Secretary JACKSON. I would say this to you, Congresswoman. No, I am not attributing those high costs to low-income people. I do not believe that. I think that clearly the housing authorities, as I said earlier, have not done their job. I am not trivializing anyone because of their low-income status. I would not do that.

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired.

Ms. MOORE OF WISCONSIN. I just want a clarification, Mr. Chairman. I did not say that. I said that you identified the problem in your testimony that the flexibility that you provided them and the extra cost that you picked up was the problem, but you concluded with, we have to create an incentive for people who do not have more than 30 percent; we have to reward the bad behavior of the PHAs by giving them even more flexibility. That is my read of your testimony.

Mr. MILLER OF CALIFORNIA. Thank you.

Would you like to respond?

Secretary JACKSON. I do not think, Congresswoman, that is what I am saying; at least not from my perspective, that is not what I am saying. I am not in any way trying to denigrate the person who uses the voucher. What I am saying clearly is this, is that HUD and the housing authority are both at fault because we let this get out of hand. Today, we are trying to correct it.

There is no question about it. You are right. The housing authorities have not done what they should be doing, but HUD did not do what it should have been doing either. Okay?

So I see this as a way and a mechanism to correct the problem and yet serve more people who are in need. That is all I am saying to you.

Mr. MILLER OF CALIFORNIA. Thank you.

Mrs. Carson, it is good to see you up and about and here with us today. You are recognized for 5 minutes.

Ms. CARSON. Can I ask the gentleman a question?

Mr. MILLER OF CALIFORNIA. Yes, you may.

Ms. CARSON. Is it my turn?

Mr. MILLER OF CALIFORNIA. Yes, it is. It is your time. You are recognized for 5 minutes.

Ms. CARSON. Thank you very much.

Mr. MILLER OF CALIFORNIA. I am sorry. Mrs. Velazquez, you are first.

I am sorry, Mrs. Carson. I am getting a look. I crossed you off. I am sorry, just a second.

Ms. Velazquez?

Ms. CARSON. That is all right. We both look alike. No problem. [Laughter.]

Ms. VELAZQUEZ. That is correct, sister.

Mr. Secretary, I think that the problem that we have with this proposal is, and I am speaking in terms of myself and this side of the aisle, is that my understanding is that this bill rolls back 30 years worth of protection. I am here listening to you saying that everything is going to be fine, that low-income people are not going to be impacted, that they will not lose their vouchers. Is that what you said?

Secretary JACKSON. That is correct.

Ms. VELAZQUEZ. Are you prepared to send to us in a written position stating and laying out how this will not happen?

Secretary JACKSON. I have no problems at all, Congresswoman, telling you that those persons who are currently on a voucher, we are not going to go in and take those vouchers away. If you want a letter from me saying that, I will be happy to give it to you. We are not going to take a voucher from anyone who presently has one.

Ms. VELAZQUEZ. Mr. Secretary, we all know that increasingly more Section 8 buildings are reaching the end of their 20-year contract. There are nearly 2,000 units in my district with expiring contracts this year alone. Despite these figures, this proposal limits the use of enhanced vouchers which protect tenants from unmanageable rent increases.

This is happening in my district in New York City, where we are facing a housing crisis right now. Rather than jeopardizing people's housing stability by limiting enhanced vouchers, wouldn't it be a wiser approach to preserve affordable units by helping tenants find ways to purchase their buildings?

Secretary JACKSON. I agree with that.

Ms. VELAZQUEZ. And?

Secretary JACKSON. I agree with that.

Ms. VELAZQUEZ. So how are we going to do that?

Secretary JACKSON. We are working every day to make sure that if the tenants can do it, they can do it. And we are working also to make sure that those persons who own those buildings do not take them out of the program.

Ms. VELAZQUEZ. But do you have any specific ways to do it right now?

Secretary JACKSON. We work with the landlords who have project-based subsidies. We are doing everything in our power. Legally can we keep them from taking it out of the program once the 30-year period is gone? No, but we are using all of our moral persuasion to make sure that they do not. Because I agree with you, where would many of the persons, whether they are in New York

or they are in Detroit or Chicago or wherever they are, where do they go if that person decides to make the complex market rate? I am totally in agreement with you, and we will continue to do everything.

Ms. VELAZQUEZ. But what kind of assistance do you provide to the tenants so that they are in a position to purchase those properties?

Secretary JACKSON. Well, we cannot provide the tenants any provision to purchase the properties. What we can do is if the tenants get together, whether they create a co-op or whatever, and try to buy the property, we think that clearly we are going to work with them, but we do not have monies to give them to purchase the properties.

Ms. VELAZQUEZ. So how would you prevent a landlord who wants to opt out and go to the market rate?

Secretary JACKSON. You cannot prevent him if clearly the project-based subsidy has run out. You can use moral persuasion. Legally, there is nothing we can do.

Ms. VELAZQUEZ. I know that because this is happening in my district every day. What I am asking you is, what is it that you can do as a department who wants to end homelessness as we know it, because by having this, what you are going to do is increase homelessness everywhere in this country. What is it that you can do to help these people?

Secretary JACKSON. I think that you understand exactly what I have just said. Legally, there is nothing we can do once the subsidy has run. We cannot make the landlord stay in the program.

Ms. VELAZQUEZ. I know that. What I am saying to you is, why can't we think out of the box and put together a program that will help tenants with resources so that they could purchase, like if they want to link up with not-for-profit organizations who will help them purchase those properties?

Secretary JACKSON. I wish I could give you an answer. I am saying to you that legally once the subsidy runs, the person has a right to leave the program. We do not want them to leave the program. We will ask them to sell the property to a 501(c)(3).

Ms. VELAZQUEZ. I am not talking about the landlord. I am talking about the tenants.

Secretary JACKSON. Well, when a tenant moves in on a project-based certificate, they know that the certificate goes with the apartment, not with them. They understand that.

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired.

Ms. VELAZQUEZ. No, I have not finished.

Mr. MILLER OF CALIFORNIA. It has expired.

Ms. VELAZQUEZ. Oh, it is expired. You know what, it does not make any difference. Thank you, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. I apologize for passing over you, and I would never want that to happen again. It was an interesting look you gave me, and I will make sure I never do that again.

[Laughter.]

Mrs. Carson?

Ms. CARSON. You would notice, Mrs. Velazquez, that I did not allow him to do that either.

Mr. Secretary, I have a question on the fair housing implications of H.R. 1999. I apologize if it is redundant or repetitive because I was not here. I was like a runaway bride when they had that airplane running around, so I was running with everybody else.

Secretary JACKSON. Okay.

H.R. 1999, the State and Local Housing Flexibility Act of 2005 would essentially eliminate portability in the voucher program. The bill would allow, for example, a suburban housing authority to reject a family from an urban housing authority. How does HUD intend to follow its own fair housing goals of desegregation, as well as the de-concentration of poverty by eliminating this important aspect of the program?

Secretary JACKSON. Congresswoman Carson, we are not eliminating that. What we are saying is that the housing authority will have the ability to say if you want to take the portable voucher with you, we are not going to pay other than what we agreed to pay when you were sitting here. They are not saying that you cannot take that voucher with you.

You will probably end up paying more if it is a higher-income area. But the way it stands now with portability, if you move from Dallas, Texas from an apartment complex, the best example I can give you, where it is two-bedroom and might cost you, let's say, $850 a month, and you take that same voucher to Chicago for a two-bedroom that is going to cost you $1,200 a month. We are saying that the housing authority has the ability to say we agreed when we signed the contract that we are paying you $850, and that is what we are going to pay you.

It does not restrict the ability to take that voucher with you. It is just that we are giving them the flexibility to say no, we are not going to do it. Because when you move that voucher from Dallas to Chicago, you are effectively taking $400 from some other person who could get that voucher. I think that is absolutely wrong. I think that clearly when the housing authority is allocated money, they should serve as many people as they can. Portability has drained on a lot of housing authorities. So we are not saying that the voucher is not portable. We are giving the housing authority the right to say we agreed on a contractual arrangement, but we will pay you $850. We are not going to pay any more than that.

Ms. CARSON. Just hypothetically, Mr. Secretary, if I can further inquire here. If you have a tenant who is already established as being eligible, number two, already establishes being eligible at a point, at a level, then are you saying that if something happens where the tenant cannot retain the housing that they had and they have to move, that is just tough luck?

Secretary JACKSON. No. That is not what I am saying.

Ms. CARSON. You are saying you are not going to increase.

Secretary JACKSON. I am saying the housing authority has the flexibility to tell them, no, they are not going to increase, because when you signed the contractual arrangement, it was for a certain amount of money, and that is what the housing authority agreed to pay. They must have, in my mind, some sure ability about what they are going to pay out in the coming year.

Ms. CARSON. What happens if a dire emergency exists? Do you make any exceptions?

Secretary JACKSON. Of course, of course. I think that clearly if a person in Dallas and the development that they lived in or the apartment complex burned and the next one that they came up to was $950, I think clearly the housing authority would make that adjustment if they could not find another apartment at $850 a month. Yes, we have to think that there are always going to be the probabilities that you will have emergencies or something very, very definitely could happen to the person's ability to live in that apartment complex. It could be lead or it could be some other things. All of that must be taken into consideration.

Ms. CARSON. So you do take some extraneous circumstances——

Secretary JACKSON. Circumstances, yes.

Ms. CARSON.—into consideration?

Secretary JACKSON. Yes.

Ms. CARSON. I yield back, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Thank you very much.

Ms. Tubbs Jones, I know you left us to go on Ways and Means. Did you change your mind?

Mrs. JONES OF OHIO. Absolutely not.

Mr. MILLER OF CALIFORNIA. I will give you 5 minutes anyway.

Mrs. JONES OF OHIO. I have constituents that are concerned about housing, so I invited myself back to this hearing.

Good afternoon, Mr. Secretary. How are you?

Secretary JACKSON. How are you doing, Congresswoman?

Mrs. JONES OF OHIO. I am doing great. Thank you.

Secretary JACKSON. I know you always do well.

Mrs. JONES OF OHIO. Blessed by the best, you know?

Let me ask you this question; when Congresswoman Sue Kelly asked you the question about Section 8 vouchers and seniors and people on disability, in fact, people on disability receive Section 8 vouchers, don't they?

Secretary JACKSON. Say that again to me.

Mrs. JONES OF OHIO. Finish with your staffer, and then I will ask you.

Secretary JACKSON. I have it.

Mrs. JONES OF OHIO. Are you straight now?

Secretary JACKSON. Yes.

Mrs. JONES OF OHIO. All right. Now, Congresswoman Kelly asked you specifically about seniors, the people on disability and Section 8, and said that Section 8 increases were causing a loss on behalf of the seniors and those among the disabled on some functional charts she had. Correct?

Secretary JACKSON. Right.

Mrs. JONES OF OHIO. In fact, Section 8 vouchers include seniors and those on disability. Is that a correct statement?

Secretary JACKSON. That is correct, yes.

Mrs. JONES OF OHIO. So you are really not playing them one against another. You are actually all part of a Section 8 program.

Secretary JACKSON. Well, yes, but also you have 811 which is——

Mrs. JONES OF OHIO. I understand that, but I am saying conceptually they are all part of a Section 8 program.

Secretary JACKSON. That is correct.

Mrs. JONES OF OHIO. Let me go on to something else. All of the proposals that you have under H.R. 1999 deal with concept, policy, philosophy. Is that correct conceptually?

Secretary JACKSON. I think that——

Mrs. JONES OF OHIO. Let me go through them and maybe you will have a better understanding.

Secretary JACKSON.—the bill that Congressman Miller introduced is pretty specific as far as we are concerned in that it addresses the needs that we think are very important at HUD.

Mrs. JONES OF OHIO. Number two deals with flexibility and simplification, right?

Secretary JACKSON. Yes.

Mrs. JONES OF OHIO. Number one deals with, I am picking up, having picked this up this afternoon, and section three allows new options for homeownership; one does something else. I am just not coming directly at it. But the law does not provide any additional dollars to the housing authorities. It just says that I used to give you $90,000, and under the old rules you could spend $90,000 X-way, but under the new rules I am giving you more flexibility, but I am not giving you any more money.

Secretary JACKSON. Well, we increased the budget by $1.1 billion in 2006, so that is more money.

Mrs. JONES OF OHIO. But you are still not even with the changes under this law. If this should pass, there is no new money in this law to change.

Secretary JACKSON. It is not in the law per se, but there is never any new money in the law. The money comes by appropriation from you all.

Mrs. JONES OF OHIO. I understand that. It comes by appropriation, but this legislation does not provide for any additional dollars.

Secretary JACKSON. No, the legislation provides, Congresswoman, a guideline.

Mrs. JONES OF OHIO. All I am saying to you is, folks, change the way you do it, but I am not going to give you any more money to do what you do.

Secretary JACKSON. You allocate the money. That is Article I, Section 7. You are the authorizer and the appropriator.

Mrs. JONES OF OHIO. Absolutely, I am.

Secretary JACKSON. Okay.

Mrs. JONES OF OHIO. But understood, this is a piece of legislation that you are promoting, and you are not saying give me any more money; you are just saying allow me to do it in a different way.

You do not want to take my line of questioning, Mr. Secretary, so I am going to go on to something else.

Secretary JACKSON. No, I think——

Mrs. JONES OF OHIO. But it is clear from talking to all that I see——

Secretary JACKSON. Congresswoman, I think that would be very presumptuous on my part to tell you how to do your business.

Mrs. JONES OF OHIO. I do not want you to be presumptuous. You are already that, generally, when we have a conversation.

The point I am trying to make is you are asking your housing authorities to do more with less.

Secretary JACKSON. No.

Mrs. JONES OF OHIO. Because you are saying I am going to be flexible; I am going to make you flexible, but you still only have the dollars that you already had.

Let me ask you about, I guess someone already really asked this question of you, and I am concerned, too. I was the Cuyahoga County prosecutor, and I worked very closely with the Cuyahoga Metropolitan Housing Authority when we had police officers, when we were doing drug elimination programs, when we were doing all of that. Clearly, there were a group of people within the housing authority that, A, we thought should not be there, B, did not deserve to be there, and C, were causing problems.

But the majority of the people living in public housing, they do not love being there. They would love to be out of there. A lot of them would love to be out of there if they only had a job. But a lot of people right now are suffering even though the economy is supposedly going up. There are a lot of people suffering in my congressional district without a job, 60,000 without a job since 2001, who would love to walk up and say, take your voucher and shove it, and then go buy a house, but it is not happening.

And so when you sit there having come from where you come from and say, you know, pull yourself up.

Mr. MILLER OF CALIFORNIA. The gentlelady's time has expired.

Mrs. JONES OF OHIO. I am almost done, Mr. Chairman. Thank you very much.

Pull yourself up by your bootstraps, you know, go on out here and get a job, and if you had a job, you would not have to be in the housing. It is really disingenuous because there are so many people out there who want a job and cannot get one.

Secretary JACKSON. Congresswoman, let me say this to you. I disagree with you. I have never said pull yourself up by your bootstraps.

Mrs. JONES OF OHIO. Same concept.

Secretary JACKSON. May I finish? I believe that no one gets anywhere without someone helping them. The problem becomes whether you want or seek the help. I am saying where there are people who want and seek the help, we should do everything in our power to make sure that we do everything that is possible to make sure they get out of the condition in which they live.

If you do not want the help, I have no sympathy for you.

Mr. MILLER OF CALIFORNIA. I will answer the question you were unable to answer. This bill does not require anything additional of any housing authority anywhere in the United States. It does only require that they have flexibility to do what they want to do.

Secretary JACKSON. That is correct.

Mr. MILLER OF CALIFORNIA. But there is no additional mandate that costs one penny in this bill.

Mrs. JONES OF OHIO. I never said that it was, Mr. Chairman. That was not my question.

Mr. MILLER OF CALIFORNIA. You did not give me a chance to answer that one. You said we were mandating they do more and spend more money. No, we are not. We are just allowing them flexibility to do what they think is——

Mrs. JONES OF OHIO. I did not say that, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. Then I misunderstood.

Mr. Jackson, would you like to answer anything that you have not had a chance to answer today in your closing? I know there has been a lot asked of you that you would like to answer, and maybe you have not had a chance to.

Secretary JACKSON. No. First of all, I would just like to thank you for being the sponsor and the other cosponsors of the bill because I think the bill will be very important for housing authorities to have that flexibility. You know, it is important when you think about some of the housing authorities that welcome the flexibility. One of the most progressive housing authorities in the country is Atlanta. They welcome the responsibility of having the ability to do it, and they are not by themselves. There are a number of housing authorities.

Now you have some that do not, and you have advocates that do not, but then the advocates are going to be there because in many cases their living is made off of the housing authority making sure that they feel that they need their help and support. I am saying to you in closing today that even when I ran housing authorities, Mr. Chairman and members, I had problems with the advocacy groups because they could disagree with me, and they would think that probably I am not sensitive, do not care. And I do.

But I believe that public housing residents, Section 8 residents, are human beings with the same sense of worth as me, and I am not going to them and telling them how to live, nor am I going to them being very paternalistic and patronizing to them, as if they are children. They are human beings, and our task and hopefully the flexible voucher will help housing authorities move many of these people out of dependency towards self-sufficiency.

Mr. MILLER OF CALIFORNIA. Mr. Secretary, thank you for your testimony. I am looking forward to working with my Republican and Democrat colleagues to end up with a better situation in public housing than we have today. That is our goal, not to create a situation that is worse.

Secretary JACKSON. Thank you, Mr. Chairman.

Mr. MILLER OF CALIFORNIA. The Chair notes that some members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and place their responses in the record.

Without any additional comments, this hearing is adjourned.

[Whereupon, at 4:10 p.m., the committee was adjourned.]

A P P E N D I X

May 11, 2005

Opening Statement

Chairman Michael G. Oxley
Committee on Financial Services

The Administration's proposed State and Local Housing Flexibility Act

Wednesday, May 11, 2005

Today, the Financial Services Committee again welcomes the Secretary of the Department of Housing and Urban Development, Alphonso Jackson, to discuss the details of the Administration's proposal to overhaul the Housing Choice Voucher program.

Commonly known as the Section 8 program, the Housing Choice Voucher program reflects a major commitment on the part of the federal government to assist low- and very-low income families who are unable to pay market rents in their communities.

While this program has succeeded in providing secure, safe, and affordable housing, this program comes at a high cost. Over the years, the cost of the housing choice voucher has continued to increase. In 1998, the Housing Certificate Fund consumed 42 percent of HUD's annual budget; in 2005, HUD predicts that the program will consume 62 percent of its budget, and in 2006 it will surpass 73 percent.

These cost increases can be attributed to a number of factors. The current voucher program operates under a complex set of regulations which make the program overly prescriptive and difficult to administer. The value of a voucher is calculated as roughly the difference between rents in a community and 30 percent of participating households' incomes. In recent years, rents have been rising faster than incomes which have driven up the cost of a voucher and, therefore, the cost of the program.

Even though the cost of the program continues to increase, the number of people served has remained roughly the same. Of equal concern is the fact that the rising cost of this program has begun to impact funding for other key housing programs. Funding levels for other important housing programs such as CDBG, HOME, and Housing Opportunities for Peoples with AIDS were reduced below their FY2004 appropriation level to cover the cost of the Housing Choice Voucher program.

The spiraling cost of the Housing Choice Voucher program dictates that we reevaluate the program to determine how best to create a more efficient, effective way of providing rental assistance to the neediest low-income families in this country. In 2003, the Administration proposed a state-run block grant model, Housing Assistance for Needy. The Subcommittee on Housing and Community Opportunity held a

series of hearings on this proposal but, in the end, no legislative action was taken on the Administration's proposal.

In the last Congress, the Administration proposed a different approach. Instead of a block grant to the states, the Administration's Flexible Voucher Program envisioned a dollar-based grant program to be administered by public housing authorities. While the Flexible Voucher Program was not considered by the 108th Congress, the Appropriators did include provisions in the 2005 Consolidated Appropriations Act moving the program from a unit-based program to a dollar-based program. This year, in conjunction with the dollar-based budget approach, the Administration has proposed a new version of its flexible voucher program.

I would like to take this opportunity to acknowledge Congressman Gary Miller for his work on this issue. Mr. Miller, along with six original cosponsors from this Committee, introduced the Administration's new proposal, H.R. 1999, the State and Local Flexibility Act of 2005.

This proposal makes significant changes to the housing choice voucher program by providing greater flexibility to public housing authorities to manage their individual budgets. I trust that the introduction of the Administration's proposal by Congressman Miller will move us closer to a consensus on reforms that will not only preserve the program for those that truly need it but that will address the program's spiraling costs.

We are pleased to have Secretary Jackson with us again today. I believe this is your third appearance before our Committee this year. I know that many here today are anxious to learn more about the President's new section 8 initiative.

Statement for the Record
Congresswoman Nydia M. Velázquez
FSC Hearing on The State and Local Housing Flexibility Act
May 11, 2005

We are here today to discuss yet another proposal to gut the Section 8 Housing Choice Voucher program – a program the enables more than 2 million low-income families find safe, decent, affordable housing in what has become out nation's prohibitively expensive housing market. The Administration obviously thought strategically in naming the proposal before us, calling it "The State and Local Housing Flexibility Act". After all, what public housing authorities would argue against flexibility? Yet I think there is a more appropriate name for the legislation – "The Tenant Protection Evisceration Act". This would more aptly describe the President's attack on the low-income families that rely on the Section 8 program for safe, affordable housing.

It's difficult to hone in on one particular area of concern with this bill because there are so many egregious provisions that would have a devastating affect on families across the country. From doing away with income targeting that has been in place for decades to reducing the protections offered families through enhanced vouchers, from removing rent calculations that ensure affordability to allowing time limits, there seems to be no consideration of the so-called "compassionate conservatism" that Administration and Republican leadership tout.

The federal investment in housing is little more than 1 percent of the overall budget, yet the President continues to put forth proposals to rein in what he perceives as the "spiraling costs" of the voucher program. In reality, the program is growing in large part due to newly authorized incremental vouchers and expiring contracts as well as the further widening gap between wages and skyrocketing rents. Perhaps the President could put forth a proposal to increase the minimum wage or funding for job training and development rather than attacking the programs that support families struggling to make ends meet in a weak economy.

The State and Local Housing Flexibility Act would roll back decades of protections for low-income families. Not only would it affect Section 8 voucher recipients, but it would grant HUD the authority to waive virtually all of the rules protecting public housing tenants as well. The proposal also represents a huge shift away from policies that promote deconcentrating poverty in economically diverse communities. By allowing PHAs to turn down transfer applications, the Administration will be fostering the Not In My Backyard mentality that already segregates so many neighborhoods across the country.

Instead of acknowledging that family expenses have increased while income has deteriorated, Secretary Jackson has taken a swing at low-income families. He has stated that our nation's poorest families are not working hard enough, and their housing benefits should be given to those who are "moving up the economic ladder." The Secretary, who believes poverty is, "a state of mind", also ignores that the vast majority of Section 8 recipients are in the workforce, and that workers are putting in longer hours while earning less.

I vehemently oppose this egregious proposal and I hope that my colleagues across the aisle will as well. And I hope that they will acknowledge that misrepresenting the facts is irresponsible and dismantling affordable housing programs is shortsighted and dangerous -- and that the impact on families across the country will be devastating and the affects long lasting.

WRITTEN STATEMENT OF

SECRETARY ALPHONSO JACKSON

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

BEFORE THE

UNITED STATES HOUSE

COMMITTEE ON FINANCIAL SERVICES

MAY 11, 2005

INTRODUCTION

Chairman Oxley, Ranking Member Frank, Distinguished Members of the Committee:

Thank you for the invitation to join you this morning. I am pleased to appear before the committee to discuss H.R. 1999, entitled the State and Local Housing Flexibility Act of 2005. I would like to thank Congressman Miller and his cosponsors on this Committee – Representatives Feeney, Harris, King, and Renzi – for their leadership in introducing H.R. 1999, authorizing legislation to implement this reform.

We believe that this legislation will improve the Department's ability to serve low income families through the rent and flexible voucher reform, while at the same time giving certain public housing authorities the opportunity to become real entrepreneurs in their own communities through the Moving to Work Program.

Each of these three initiatives – the flexible voucher reform, rent reform, and Moving to Work – together represent an engine for positive reform that is desperately needed in the Section 8 program.

The Housing Choice Voucher Program, authorized under Section 8 of the 1937 U.S. Housing Act, is commonly referred to as the "Section 8" program. Therefore, for the purposes of this testimony, all references to "Section 8" refer to the Housing Choice Voucher Program.

Under Section 8, HUD provides approximately 2 million low-income families with subsidies to afford decent rental housing in the private market. I cannot overstate the importance of Section 8 to improving the lives of many of this nation's neediest families. As a compassionate nation, we have an obligation to provide assistance for those citizens who truly need our help.

Yet, the program faces serious challenges. In recent years, Section 8 costs have spiraled out of control and positive results have been overshadowed by lingering doubts about the program's effectiveness and future viability. With Congressional support, however, I am hopeful that we can preserve – and strengthen – the program.

EXPERIENCE

My familiarity with the Section 8 program dates back to 1981, when I was hired as Executive Director of the St. Louis (Missouri) Public Housing Authority. I was appointed in 1987 to direct the Washington, DC, Department of Public and Assisted Housing – the city's equivalent of a public housing authority (PHA). In 1989, I began a seven-year tenure as the President and CEO of the Dallas Housing Authority.

I am the first Secretary in the history of HUD to have run a PHA.

My point is that I bring more than more than 25 years of direct experience in housing – much of it gained in the public housing arena – to my job as Secretary. I fully understand the complexities and importance of the Section 8 program. I support its mission. Yet, my expertise allows me to tell you without hesitation that the Section 8 program is fundamentally different today than it was 20, 10, and even less than five years ago, and that the transformation has put Section 8 at risk.

HISTORY

The modern-day equivalent of Section 8 was established 35 years ago, when HUD created the Housing Allowance Experiment, the Nation's first program of tenant-based rental housing assistance and the precursor to the Section 8 tenant-based housing assistance program.

The Housing Allowance Experiment was the direct result of the Housing and Urban Development Act of 1970, through which Congress directed HUD to "undertake on an experimental basis a program to demonstrate the feasibility of providing families of low income with housing allowances to assist them in obtaining rental housing of their choice in existing standard housing units."

By 1974, Congress had become convinced that tenant-based housing assistance was a viable alternative to public housing. In the Housing and Community Development Act of 1974, Congress amended the Housing Act of 1937 by adding Section 8, which created a tenant-based housing assistance program, commonly referred to at the time as "Section 8 Existing." This name differentiated it from "Section 8 New Construction" another portion of the Section 8 program that was used to subsidize construction or substantial rehabilitation of new privately owned subsidized housing by providing long-term rent subsidies attached to the property.

The Section 8 Existing program served lower-income families, introduced the concept of Fair Market Rents (FMRs), and permitted exception rents. The tenant payment was set at 15 or 25 percent of income, taking into consideration the income of the family, the number of minor children in the household, and medical or other unusual expenses. The income contribution of tenants was later raised to 30 percent of income. Generally, families could not rent above the FMR established by HUD for the locality. Thirty percent of those families assisted had to be very low-income families at the time of initial renting of a unit. Properties had to be maintained at Housing Quality Standards set by the Department.

By 1983, Congress accepted HUD's proposal that more flexibility in tenant-based assistance was appropriate and created the Voucher Demonstration in the Housing and Urban-Rural Recovery Act of 1983. In the Housing and Community Development Act of 1987, Congress replaced the voucher demonstration with a permanent voucher program.

To simplify the program for the Department, local administrators, and participating families, the Department and Congress reached agreement in 1998 to streamline the Section 8 certificate and voucher programs into a single program with a single set of regulations. No longer would two similar programs operate side-by-side under two different sets of rules. The 1998 Quality Housing and Work Responsibility Act, otherwise known as the 1998 Reform Act, authorized this merger.

The final Act was the result of three years' worth of debate and discussion between both chambers of Congress, both political parties, and the Clinton Administration. Although there was general agreement that reform was vital, widespread disagreement persisted as to the substance of the legislation. However, Congress was able to craft a bill after considerable dialogue, negotiation, and compromise; and the final legislation passed almost unanimously.

The merged program retained many features of the previous voucher program. For example, the Act continued to permit families to rent above the payment standard

(but subject to a limitation that the family cannot pay more than 40 percent of their income for rent) in the first year, retained Housing Quality Standards, and permitted portability to any jurisdiction administering a Section 8 program.

While the goals of streamlining the programs were admirable, enough time has now elapsed since 1998 that we can – and must – determine if the program is working as intended and whether further reforms are now necessary.

I believe we can now state without equivocation that the Section 8 program faces serious challenges, and has been overwhelmed with unintended consequences. With each passing year these consequences have been magnified. To continue serving those in need, and to help families become self-sufficient, Section 8 reform is desperately needed.

Until last year, annual funding under the Section 8 program was appropriated for a specific number of vouchers. These funds were then distributed to PHAs based on the number of vouchers they awarded, at whatever costs the PHAs incurred.

For FY 2005, Congress converted this "unit-based" allocation system to a "budget-based" system. This made sense, and the Administration encouraged and strongly supported this decision. For the budget-based system to work, however, program requirements need to be simplified and PHAs need to be provided with greater flexibility.

THE CASE FOR REFORM

Congress has taken a first step toward reform by changing the way funds are appropriated for the program, thereby controlling costs that have spiraled upward without a corresponding increase in benefits or number of people served. To complete the reform process, changes are needed in the Section 8 program that will: (1) give local public housing authorities (PHAs) greater decision-making flexibility combined with performance incentives to maximize the use of appropriated dollars; (2) encourage PHAs to use assistance to families as "hand up" for families moving toward self-sufficiency; and (3) further streamlining the program by eliminating overly prescriptive and complex requirements that do not increase program benefits.

The most telling indicator of Section 8's structural challenges has been the program's rising costs. The program's rising costs are in part attributable to policies enacted in the 1998 Reform Act.

1. In 1998, the Housing Certificate Fund (both project- and tenant-based Section 8 spending) consumed 36 percent of the HUD budget. By the 2005 appropriation, that had risen to 57 percent.

2. The 1998 Reform Act gave PHAs greater control over local payment standards, allowing them to set the standards between 90 and 110 percent of the local FMR. This flexibility, without proper checks and balances, created an incentive for PHAs to raise the payment standard because HUD paid the full cost. In December 2000, the average PHA payment standard was $648, or 95 percent of the FMR. By December 2004, the average PHA payment standard was $889, which was equivalent to 104 percent of FMR. As a consequence, the average PHA payment is now approaching 110 percent of the FMR, rather than the intended average of 100 percent.

3. During this time, the percentage of program participants with payment standards between 101 and 110 percent of FMR rose from 25 percent to 49 percent of all participants. This 37 percent nationwide average increase in payment standards between December 2000 and December 2004 is not consistent with the much lower 13 percent nationwide average increase in gross rents (as measured by Consumer Price Index) during this same period.

4. The gross rent allowed for program units increased by 28 percent, from $652 in 2000 to $832 in 2004.

The end result was a 36 percent increase in the housing assistance payment (HAP), the amount the Federal government pays. The average HAP has increased from $411 per household per month in 2000 to $557 in 2004, a difference that amounts to more than $3.3 billion annually. This cost increase has occurred even as markets across the country exhibited record high vacancy rates and PHAs from across the country reported to HUD that their rental markets were soft.

Even without these budgetary pressures, however, I believe serious restructuring of Section 8 would be necessary to improve the program's results for those it serves.

The program currently doesn't provide families with the right incentives. The Federal government has allowed families who declare no income to live rent-free *and* to receive a check to pay for utilities. There is little incentive for families to seek housing outside of the voucher program; in fact, there is a disincentive to make positive life decisions.

That is in part because since 1998 PHAs have been forced to give three out of every four vouchers to families with little or no income. To be precise, the 1998 statute requires that 75 percent of all vouchers be issued to families making 30 percent or less of area median income. This has restricted a PHA's ability to address the needs of other families who, despite having slightly higher incomes, might benefit more from housing assistance, including many working families.

This requirement has shut the door to voucher assistance on low-income individuals who work hard to raise their income, and then find themselves competing with those that earn slightly less. They are likely to remain too poor to afford a home, yet if they are outside the targeted group, they will be relegated to lengthy waiting lists with the ever-diminishing likelihood of receiving a voucher. Thus, housing agencies are forced to discriminate against those moving up the economic ladder.

It has also led to a higher rate of subsidy per family and created a system where families are more likely to stay in the program longer. We believe that since 1998, the fastest-growing segment of voucher recipients has been families that have been in the program for longer than five years. The current program design has made housing assistance a permanent support for some families. Moreover, results from the welfare-to-work voucher demonstration indicate that providing vouchers to welfare recipients may have contributed to a short-term reduction in earnings and employment, and an increase in welfare dependence. Rather than a "hand up," Section 8 Housing Vouchers have turned into a "hand out."

The problems do not end there. The verification of household income, the determination of tenant contribution to rent, and countless other requirements have become so complex that it is difficult to perform these functions accurately. Section 8 currently has separate rules for more than a dozen different types of vouchers, along

with 120 pages of regulations that PHAs are required to navigate. It is far more time-consuming to determine the right rent contribution for a low-income household than to calculate the Federal income tax for that household.

PROPOSED REFORMS

Over the past two years, HUD has engaged in numerous discussions with PHA directors, housing policy experts, representatives of the housing industry, Members of Congress, and other interested parties on how best to address the challenges facing the Section 8 program.

The result of these policy discussions is the proposed State and Local Housing Flexibility Act of 2005, incorporating the Flexible Voucher Program (FVP, in Title 1 of HR 1999), which the Administration first proposed in its FY 2005 Budget request, and now has re-proposed, with a number of changes, for FY 2006. The Administration is convinced that the Flexible Voucher Program will enable PHAs to better serve low-income families, reduce the waiting lists for vouchers, and move more working families toward self-sufficiency and homeownership. It will put more decision making at the local level, allow PHAs to run a more streamlined program while requiring them to control costs, and to encourage them to give a "hand up" in order to help more needy families. As more families move up to self-sufficiency, the duration of assistance will drop and the same dollars can be used to help additional families over time. While giving PHAs additional flexibility, the reforms also would give them new incentives to set and meet local performance goals, including goals appropriate for special populations such as the elderly and the disabled. The result, we think, is that PHAs will direct vouchers to those most likely to benefit from assistance.

HR 1999 also takes the initiative to provide long awaited rent simplification relief to PHAs operating public housing programs in Title II. The current statutory and corresponding regulatory requirements governing calculation of income and rent are enormously cumbersome and difficult to administer.

Over time the process has become ever more complex so that one study indicated it would consume more than 6 hours of PHA staff time to correctly conduct the required tenant interview and income calculation process. Rent simplification is a logical result of the President's Management Initiative, Rental Housing Integrity Improvement Project (RHIIP), to reduce errors in rent calculation and improper payments, caused in part by the complexity of the rental determination requirements.

The Public Housing Rent Flexibility and Simplification proposal (Title II) provides PHAs with the ability to make local rent determinations that will best suit their needs. It provides the same menu of rent options provided by Title I and applies this to the public housing community.

Under this title, PHAs will have the option to keep existing rent structures or to make changes that better serve their populations. It removes all deductions and exclusions from the calculation of income, the cause for much of the current law's complexity, but it retains the current public housing targeting requirement of 40% of the tenants below 30% of area median income. Under the proposed reforms rent structures could be more transparent, equitable and easily administered.

It reiterates the protections afforded elderly and disabled and applies the same review requirements, and finally, the legislation simplifies the administration of escrow savings accounts and encourages their use to promote savings.

Finally, the State and Local Housing Flexibility Act provides in Title III for an authorized Moving to Work Program.

Essentially the legislation makes permanent the highly successful Moving to Work Demonstration. It opens up the benefits of flexibility and fungibility to all PHAs that have at least 500 public housing units and 500 Section 8 units AND are also high-performing PHAs, as well as all participants of the Moving to Work Demonstration. We have heard the good things these participants are saying about Moving to Work and agree that this program should be extended and opened to even more candidates.

Flexibility works and it is amply shown by the innovative programs PHAs develop when they are not forced to move lock step according to government mandates. Under this program, current MTW PHAs with contracts expiring in the near future will be given the option to extend their existing contracts for a period of three years or to enter the Program immediately. Others can opt into the program at the end of their normal contract term if they are high-performing at that time.

MTW participants may combine public housing operating and capital funds with their voucher assistance to provide housing assistance to low-income families and services to facilitate the transition to work.

The MTW provisions require HUD to set forth standards to measure PHA performance within two years of passage. Until then, a MTW participant's performance would be assessed under applicable assessment systems. New standards may include: moving assisted low-income families to economic self-sufficiency; reducing the per-family cost of providing housing assistance; expanding housing choices for low-income families; improving program management; or increasing the number of homeownership opportunities for low-income families.

Returning to Section 8 and Title I, PHAs would continue to receive a set dollar amount as in 2005, but would have greater freedom to adjust the program to the unique and changing needs of their communities, including the ability to set their own subsidy levels based on local market conditions rather than Washington-determined rents. This would allow PHAs to serve as many families as possible within their grant amount, rather than being held to a specific number of vouchers.

The FVP would allow local PHAs to determine the appropriate mix of low-income families to serve by targeting 90 percent of all assistance to those earning at or below 60 percent of Area Median Income – the same targeting specified in the HOME Investment Partnerships and Low Income Housing Tax Credit programs.

The proposal would allow PHAs to create incentives for voucher recipients to find work, or improve their job situation. For example, PHAs would be allowed to establish time limits of not less than five years for able-bodied families. This would be an option, not a federal mandate. Disabled individuals and the elderly would be exempt from any time limits.

The proposal would allow PHAs to design their own tenant rent policies and simplify rent calculations, thereby reducing the number of errors that are made. The FVP would eliminate many of the complex forms that are currently required to comply

with program rules, saving both time and money. The proposal would significantly reduce unnecessary administrative burdens on PHAs in the area of annual unit inspections, annual family income re-certifications, rent calculations, portability, and program eligibility.

These improvements would provide a more efficient and effective housing voucher program, which would help low-income families obtain decent, affordable housing and thereby achieve their personal goals.

The FVP would also create new options for families pursuing homeownership by: (1) allowing a PHA to provide monthly principal and interest subsidy; (2) allowing a PHA to provide a one-time downpayment grant of up to $10,000; (3) allow qualified families to work with homebuilders to pledge their homeownership voucher assistance in advance of construction; and (4) provide PHAs with a special administrative fee for each new homeownership closing.

Finally, the FVP would limit the ability of currently designated "troubled" agencies to implement important flexibilities without HUD approval, and gives HUD the ability to step in and take quick action in cases of PHAs that fail to properly manage the program.

As with the 1998 Reform Act, the FVP retains the strengths of our nation's voucher program. FVP would continue to: serve only low-income families with non-luxury housing; permit families to rent above the payment standard; retain Housing Quality Standards and; permit portability in a more equitable manner that acknowledges resource limitations.

The FVP provides a reasonable, responsible, and fair approach to maintaining the housing voucher program into the future. Once the FVP is in place, Section 8 will be more effective, efficient, and flexible, but more importantly, it will be better able to meet the needs of the low-income families that depend upon it.

CONCLUSION

Federal tenant-based housing assistance has grown from serving 30,000 households through the Experimental Housing Allowance Program to serving 2 million families today through the Section 8 program. As the program has grown in size and importance, it has also gained acceptance as an appropriate method for providing housing assistance to very low-income families. The 35-year history of tenant-based housing subsidy for low-income renters has been one of growth, refinement, and responsiveness in meeting the needs of our nation's low-income families and individuals.

It has been a history of change.

There is no question that change is urgently needed once again. It must happen soon if we are to continue serving those families that need Federal help, and continue providing for individuals who seek the American dream of self-sufficiency.

I said at the outset, and I should say so again: taken together, these three initiatives of Flexible Voucher Reform, Rent Reform and Moving to Work, embodied in HR 1999, can serve as the engine for reform that is genuinely necessary. This committee has shown leadership, equal to that of the sponsors of the bill, which will go a long way to moving this important debate forward.

I look forward to the work ahead, as we seek to improve our nation's largest rental assistance program. I would like to thank all the members of this Committee for your support of our efforts at HUD. I welcome your guidance as we continue our work together.

Thank you.

April 28, 2005

The Honorable Barney Frank
U.S. House of Representatives
2252 Rayburn House Office Building
Washington, DC 20515

Dear Rep. Frank

The undersigned groups have reviewed S. 771, the "State and Local Housing Flexibility Act of 2005" which was formulated by the U.S. Department of Housing and Urban Development. We are concerned that HUD's proposal lacks specificity with regard to the amount and manner of funding for the voucher program. Further, the bill's treatment of enhanced vouchers raises serious questions about ongoing preservation transactions, not to mention the ability of landlords, lenders and other housing providers that operate in many states and jurisdictions to be able to keep track of potentially 2000 individual programs.

We strongly believe that the current Housing Choice Voucher Program is successful in providing housing opportunities for eligible families. The major barrier to its continued success is the instability created by changing funding formulas enacted in recent years. This instability leaves current voucher holders vulnerable; minimizes the ability of PHAs to utilize the vouchers authorized by Congress; alienates landlords; exacerbates concerns that it is not prudent to lend or invest private capital in affordable housing; reduces housing choice for voucher holders; and inhibits new construction and rehabilitation of additional low income units. We agree that while some flexibility may improve the program, including more effective use of the inspection process, simplifying a uniform standard for the calculation of tenant rents and additional administrative efficiencies, the most urgent concern is to restore stability and predictability to the amount and manner of funding the program. The allocation process, moreover, should ensure that the appropriated funds are used to the fullest extent to meet funding needs. In recent years, appropriated funds for vouchers have been rescinded while program needs have been unmet.

As previously stated, recent and current uncertainty and instability in program funding is a critical problem, seriously undermining the program's ability to achieve its goals. We recommend that the following principles and policy directions should guide further discussion and decision making on Section 8 voucher funding:

- Congress and all other voucher program stakeholders need to know accurately what it would cost to fully fund the program on an annual basis. Full funding means funding sufficient to assist at current levels all voucher households under lease, and to fund all other commitments (e.g. tenant protection vouchers, project-based vouchers, litigation vouchers).

- All stakeholders need to know how funding appropriated will be distributed from HUD to PHAs, and from PHAs to landlords. That is, the formula must be understandable to all parties and not needlessly complicated. Stakeholders also need to know how the amount and distribution of funding will affect voucher holders (e.g., the effect on the number of households that will be supported). Funds allocated to an area that are not needed should be reallocated to areas of need rather than rescinded.
- A system of reserves, including adequate reserves for PHAs and a HUD central fund, is paramount in order to deal with unforeseeable changes in market conditions, family incomes, appropriations and administration, and to allow leasing of additional authorized vouchers by individual PHAs.

We stand ready to work with you to achieve the objectives outlined in this letter. Please contact Denise B. Muha at NLHA with any questions (202/785-8888 or dmuha@hudnlha.com)

Sincerely,

American Association of Homes and Services for the Aging (AAHSA)
Council for Affordable and Rural Housing (CARH)
Institute for Real Estate Management (IREM)
Institute for Responsible Housing Preservation (IRHP)
National Apartment Association (NAA)
National Affordable Housing Management Association (NAHMA)
National Association of Affordable Housing Lenders (NAAHL)
National Association of Homebuilders (NAHB)
National Housing Conference (NHC)
National Leased Housing Association (NLHA)
National Multi Housing Council (NMHC)

May 10, 2005

The Honorable Michael Oxley
Chair, House Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Barney Frank
Ranking Member, House Financial Services Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chair Oxley and Ranking Member Frank:

The organizations listed below write in opposition to H.R. 1999, "The State and Local Housing Flexibility Act of 2005." On behalf of the 9.7 million extremely low income households with severe housing cost burdens who need housing assistance, the five million families able to afford safe and decent housing today through HUD's major housing subsidy programs and the millions of homeless people who the Administration is seeking to help through its campaign to end long-term homelessness, we write in opposition to this legislation.

The bill represents a seismic shift in national housing policy. The bill would substantially change income targeting for the voucher program (and for public housing residents in agencies participating in the Moving to Work program), allow time limits in the voucher program, change rent setting policies in both the voucher and public housing programs and remove the current protections offered by enhanced vouchers to at-risk project-based residents, among other troublesome features.

The program changes proposed by the bill would be devastating to those currently participating in HUD affordable housing programs as well as to the millions in need of such assistance. For example, latest data show that, nationally, 84% of severely cost burdened renter households in the United States are extremely low income households. This legislation would set the stage for a shift of housing assistance away from families most in need of affordable housing and increase the number of homeless people in our country.

We urge you to oppose H.R. 1999.

Sincerely,

ACORN
American Association of People with Disabilities
American Network of Community Options and Resources
The Arc of the United States

Call to Renewal
Catholic Charities USA
Child Welfare League of America
Children's Defense Fund
Coalition on Human Needs
Consortium for Citizens with Disabilities
Corporation for Supportive Housing
Evangelical Lutheran Church in America
Jesuit Conference USA
Lutheran Services in America
National Advocacy Center of the Sisters of the Good Shepherd
National AIDS Housing Coalition
National Alliance for the Mentally Ill
National Alliance of HUD Tenants
National Association of Protection and Advocacy Systems
National Coalition for the Homeless
National Council for Community Behavioral Healthcare
National Council on Independent Living
National Fair Housing Alliance
National Law Center on Homelessness & Poverty
National Low Income Housing Coalition
National Student Campaign Against Hunger and Homelessness
National Mental Health Association
NETWORK, A National Catholic Social Justice Lobby
Poverty and Race Research Action Council
Technical Assistance Collaborative
United Cerebral Palsy
United Jewish Communities
United Spinal Association
United Way of America
Volunteers of America
Wayne Sherwood and Associates

CONSORTIUM FOR CITIZENS
WITH DISABILITIES

Administration's Section 8 Voucher Proposal Closes the Door on People with Disabilities

Legislation developed by the U.S. Department of Housing and Urban Development (HUD) has been introduced in Congress. The State and Local Housing Flexibility Act of 2005" (S 771/HR 1999) would end the existing Section 8 Housing Choice Voucher program and replace it with a new Flexible Voucher Program. The provisions of the Flexible Voucher Program would be disastrous for people with disabilities – and particularly to those who rely on Supplemental Security Income (SSI) benefits. Similar to previous unsuccessful HUD proposals made in 2003 and 2004, the Flexible Voucher Program would undermine critically important federal housing policies that benefit people with disabilities. It would also eliminate valuable civil rights and fair housing protections that help people with disabilities access federal housing programs.

The Consortium for Citizens with Disabilities (CCD)* and the Technical Assistance Collaborative Inc. (TAC) are strongly opposed to S 771/HR 1999 which would re-direct vouchers desperately needed by extremely low income households to higher income households. The Flexible Voucher Program would assist households with incomes as high as 60-80 percent of median income and who already benefit from many other federal housing programs. This change would leave people with disabilities with extremely low incomes behind -- particularly those who rely on SSI payments equal to only 18 percent of area median income. The current Section 8 Housing Choice Voucher program is the only program remaining in the "safety net" of federal housing programs for people with the most severe disabilities who must survive on a monthly income of $600 per month or less.

In June, the CCD Housing Task Force and TAC will release an important study, which documents --without question -- that by far people with disabilities are those most in need of federal housing assistance. This study, *Priced Out in 2003-2004*, will show that people with disabilities are three times more likely to have extremely low incomes than non-disabled households. This study also documents that the average rent for a modest apartment in 2004 cost more than the entire monthly income of a person with disabilities receiving SSI. By eliminating rules that benefit these and other extremely low income households, the proponents of the Flexible Voucher Program are sending a very clear message that the needs of the poorest and most vulnerable people in our society should no longer be a priority in our nation's housing policy.

Flexible Voucher Proposal Would Seriously Harm People with Disabilities

CCD strongly believes that this proposed legislation would completely erode federal housing assistance for the poorest people with disabilities. It would also promote discrimination against

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people with disabilities. The legislation – combined with HUD's FY 2006 budget proposal to eliminate the production of housing for people with disabilities under the Section 811 Supportive Housing for Persons with Disabilities Program – would totally undermine stated Administration disability policy goals to promote community integration through the New Freedom Initiative and to end chronic homelessness by 2012.

The Administration's Flexible Voucher proposal would cause serious harm to people with disabilities in the following ways:

- The proposal would eliminate all targeting to the lowest income households at or below 30 percent of median income. Thus it would severely curtail access to vouchers by people with disabilities receiving SSI. The extremely low income targeting in the current Section 8 voucher program has helped hundreds of thousands of people with disabilities to live in the community.
- Eligibility for vouchers would be expanded to higher income households. Households with incomes as high as 80 percent of median income could receive Flexible Vouchers. These higher income households are already the primary beneficiaries of many other federal housing programs including the HOME program and the federal Low Income Housing Tax Credit program.
- Public Housing Agencies (PHAs) would be permitted to use the funding exclusively for homeownership for higher income households – closing the doors on many people with disabilities who need rental housing.
- People with disabilities could be required to pay much higher rents than they can afford. Current rules limiting tenant rents to 30-40 percent of income would be eliminated.
- In direct opposition to federal fair housing laws and the Americans with Disabilities Act, PHAs would be permitted to adopt tenant selection policies that would have the affect of excluding some disability sub-populations in favor of others. These preferences would also have the potential to create highly segregated housing – a practice, which perpetuates stigma and housing discrimination.
- Rules requiring PHAs to permit voucher holders to move to other localities would be eliminated.
- CCD recognizes that S 771/HR 1999 exempts people with disabilities from arbitrary time limits on the duration of rental assistance under the flexible voucher program. Unfortunately, this policy exempting people with disabilities is undermined by other provisions in this legislation that will allow housing agencies unfettered discretion to increase rent contributions for voucher holders with disabilities.
- Congress would no longer have the authority - as it has for the past seven years – to target Section 8 vouchers for people with disabilities who have lost housing due to elderly-only policies. Over 50,000 people with currently funded disability vouchers would be at-risk.
- The Flexible Voucher Program legislation eliminates extremely valuable civil rights protections for people with disabilities.

New Study Provides Compelling Evidence of Disproportionate Harm to People with Disabilities

TAC and the CCD Housing Task Force have just completed a new study, which clearly documents that people with disabilities disproportionately would be adversely affected if the Flexible Voucher Program becomes law. This study – *Priced Out in 2003-2004* – for the first

time uses both American Community Survey data[1] and SSI data[2] to document the urgent housing affordability housing crisis faced by people with disabilities in our nation. The study provides compelling evidence of the high priority housing needs of people with disabilities – evidence which directly and starkly rebuts the policy direction being proposed by proponents of the Flexible Voucher Program.

Specifically, *Priced Out in 2003-2004* documents that:

- People with disabilities are much more likely to have extremely low incomes than non-disabled households and are therefore greatly over-represented in the extremely low income category. Specifically, people with disabilities between the ages of 21-64 are almost three times more likely to have incomes at or below 30 percent of area median income than households without disabilities;

- In 2003, one person households with disabilities between the ages of 21-64 were 3½ times more likely than one person households without disabilities to have extremely low incomes;

- According to ACS data, 50.9 percent of all non-elderly single person households with disabilities in the United States have extremely low incomes as compared to 14.9 percent of non-disabled households in the same age group;
- The approximately 4 million extremely low-income non-elderly people with disabilities living on SSI have incomes well below 30 percent of median. Preliminary *Priced Out in 2004* national data indicates that SSI payments in 2004 equaled only 17 percent of median as a national average – well below the 30 percent of median income ceiling for extremely low income households;[3]

- Preliminary *Priced Out in 2004* national data also shows that average monthly rents for modest rental housing were still higher than monthly SSI payments in 2004. This data means that people with disabilities are still completely priced out of the nation's rental housing supply unless they can obtain subsidized housing through programs like the Section 8 Housing Choice Voucher.

According to recent SSI Annual Statistics, only 9 percent of non-institutionalized people receiving SSI receive housing assistance. The current Section 8 program represents a potential "lifeline" for people with disabilities who rely on SSI, as well as other low income people with disabilities who simply cannot afford the cost of rental housing. Without vouchers, they remain in institutions, are forced into seriously substandard housing or congregate board and care type facilities, or into homelessness. Section 8 vouchers are also needed by people with disabilities who are no longer eligible to move in to public housing. Over 500,000 units of HUD public and

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[1] The American Community Survey uses the United States Census definition of disability which in 2003 covered an estimated 19.8 million households. The Social Security Administration uses a more restrictive definition of disability for the purposes of determining eligibility for the federal Supplemental Security Income (SSI) program. Approximately 4 million non-elderly people with disabilities currently receive SSI payments.

[3] State by state *Priced Out 2004* data will not be available until the Social Security Administration publishes all state SSI payment levels for that year for both federal and state administered SSI supplements. Unfortunately, publication of that important data has been delayed.

assisted housing now have "elderly only" policies, and more units are converted to "elderly only "every day.

HUD's Flawed Rationale

For the past two years, HUD officials have repeatedly stated that a new and more flexible voucher program controlled by local housing officials would be more "effective and cost-efficient". The disability community knows better than to believe this rationale for reducing the federal government's role in providing housing assistance to those most in need. The question which HUD and others who support this proposal must answer is "effective and cost-efficient for who?" Eliminating the Section 8 voucher program's income targeting policies which now benefit extremely low income households means that Public Housing Agencies would have absolutely no incentive or obligation to assist these households in the future.

Pressure on PHA voucher budgets – a reality clearly illustrated during the past two years when Congress did not fund all authorized vouchers – could mean that PHAs will assist more households with higher incomes because they cost less to serve. Some PHAs would be pressured to dedicate substantial amounts of Flexible Voucher funding for more politically popular homeownership programs.

Across the country, housing advocates and self-advocates know first hand what often happens when local housing officials have control over who receives federal housing funds. For the past ten years, TAC and the CCD Housing Task Force have documented that in many communities, people with disabilities with the lowest incomes rarely benefit from other federal housing programs such as the HOME program. The role of Congress and HUD in directing precious housing funding to those most in need must be preserved.

Protections for Voucher Recipients with Disabilities Misleading

Section 105 of the bill contains a provision which appears to protect voucher holders with disabilities. Specifically, the provision would allow existing voucher holders to continue receiving assistance under current program rules through January 1, 2009. After January 1, 2009 all elderly and disabled voucher holders would be subject to provisions in the legislation that allow for higher tenant rent contributions. This provision appears to offer some protection for vulnerable voucher recipients with disabilities. However, this protection is significantly undermined by another provision in the legislation that allows a PHA to immediately put in place new rules for higher tenant rent contributions for new voucher holders with disabilities. CCD is troubled by this inadequate protection for people with disabilities because it fails to account for the needs of individuals with long-term chronic or permanent disabilities who will need housing stability beyond January 1, 2009. Further, this provision offers no protection for people with disabilities currently on Section 8 waiting lists who may not be selected due to higher income targeting requirements that PHAs will be putting in place immediately after the bill's effective date.

Civil Rights and Discrimination Issues

The Flexible Voucher Program legislation contains disturbing provisions which the CCD and TAC believe would promote and increase housing discrimination and segregation. The

legislation also eliminates many civil rights protections that people with disabilities need and use successfully in the Section 8 Housing Choice Voucher program. Specifically, the legislation would permit PHAs to create disability specific preferences which would have the affect of reducing or eliminating access to vouchers by people with other disabilities. For example, PHAs could establish a preference for people mobility impairments which would have the affect of discriminating against people with mental disabilities. This feature of the Flexible Voucher Program would also result in segregated housing that promotes both stigma and discrimination, and would roll back much of the progress achieved by people with disabilities through the Section 8 voucher program during the past 10 years. For example the bill fails to include important features of the Section 8 program that help people with disabilities such as provisions which explicitly cover live-in personal care attendants. . In addition, it appears that this provision would also permit disability specific public housing.

Conclusion

The current Section 8 Housing Choice Voucher program is the most important federal housing resource to address the housing needs of households with extremely low incomes – especially people with disabilities who are disproportionately represented within that income category. The undersigned organizations urge Congress to immediately and soundly reject the Flexible Voucher Program proposal because it would severely and negatively affect the most vulnerable people with disabilities. After two years and two other failed Administration proposals, we believe that it is extremely important for Congress to immediately restore the credibility and viability of the Section 8 voucher program, which continues to be at-risk because of these ill-advised proposals. We believe that it is vitally important for Congress to continue to have the direct authority to ensure adequate funding for the program, and to retain control of important policies – including income targeting and tenant selection policies – to ensure that people with disabilities who are the most in need of housing assistance in this country are not left behind!

On behalf of:
American Association of People with Disabilities
American Counseling Association
Association of University Centers on Disability
Easter Seals
Federal of Families for Children's Mental Health
National Alliance for the Mentally Ill
National Association of Councils on Developmental Disabilities
National Association of Protection and Advocacy Systems
National Association of State Mental Health Program Directors
National Council for Community Behavioral Health Care
National Mental Health Association
Technical Assistance Collaborative Inc.
The Arc of the United States
United Cerebral Palsy
United Spinal Association
Volunteers of America

May 11, 2005

The Consortium of Citizens with Disabilities is a coalition of national organizations dedicated to ensuring the full participation of people with disabilities in society. It is comprised of over 100 organizations representing people with disabilities, their families, service providers, advocates and other stakeholders.

Olson, Scott

From: Pat Lewis [plewis@clpha.org]
Sent: Wednesday, May 11, 2005 11:10 AM
To: Pat Lewis
Subject: Public Housing Industry Joint Statement on SLHFA

Statement on State and Local Housing Flexibility Act

The Council of Large Public Housing Authorities (CLPHA,) the National Association of Housing and Redevelopment Officials (NAHRO,) and the Public Housing Authorities Directors Association (PHADA,) represent local housing agencies who together serve more than 3.2 million low-income households. Our members work closely with residents, property owners, lenders, developers and other stakeholders to provide the most effective and efficient services possible.

Our common goal is to build on the reforms of the last ten years, which have transformed public housing. We view any legislative or regulatory proposal through our commitment to the principles of affordability, safeguards for residents, local decision making and accountability, and adequate and predictable funding.

We are pleased that HUD, in its legislative proposal, acknowledges the successes of the last decade in public housing, and we welcome a thoughtful discussion of reform that seeks to enhance the ability of local housing agencies to meet local needs. There are recommendations in the bill that we support, such as extending and expanding the successful Moving to Work (MTW) project and simplifying the cumbersome laws and regulations that govern rent calculations; and we look forward to working closely with Congress and HUD on these issues.

However, we are very concerned that the bill fails to address the most pressing problem facing our members and assisted families: Section 8 renewal funding.

The Section 8 Housing Choice Voucher Program (HCV) has successfully served millions of low-income families for more than 30 years, and has become a key part of the federal government's efforts to address an ongoing national housing crisis through the private housing market. The Office of Management and Budget (OMB) has given the HCV program the highest rating of HUD's programs, similar to the rating given to the popular HOME program.

Yet despite three years of turmoil caused by constant funding formula changes, the State and Local Housing Flexibility Act (SLHFA) does not adequately provide a rational and stable allocation formula that housing agencies can count on from year to year.

These abrupt shifts have created crises in communities across the country, with housing authorities forced to make retroactive budget cuts, to lower rent payments and terminate or rescind vouchers. Wary landlords have left the program; waiting lists have been frozen; investors have withdrawn from affordable development supported by Section 8; housing authorities have been unable to plan.

SLHFA would maintain the current inequitable funding system for a minimum of two years; it defers decision-making on any future funding policy to a Negotiated Rulemaking process with the Department of Housing and Urban Development (HUD). In short, the Section 8 funding issue, left unaddressed, severely threatens the ability of local agencies to continue to assist families in need .

We look forward to working with Congress, the Administration and all public housing stakeholders to arrive at meaningful and effective reform.

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SENT VIA U.S. MAIL AND FACSIMILE

May 10, 2005

The Honorable Michael G. Oxley
Chairman
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515-3504

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
U.S. House of Representatives
2252 Rayburn House Office Building
Washington, DC 20515-2104

Dear Chairman Oxley and Ranking Member Frank:

We write on behalf of Lawyers' Committee for Civil Rights Under Law, the Poverty and Race Research Action Council, the National Fair Housing Alliance, and the National Housing Law Project to urge you to oppose the "State and Local Housing Flexibility Act of 2005," S.771, H.R.1999, which would place new obstacles in the path of low-income and minority families seeking housing opportunities. Not only is this bill bad housing policy, but it is also detrimental to fair housing and civil rights goals. Our concerns with the bill are threefold:

(1) the proposed "Flexible Voucher Program" provisions will disadvantage minority families who make up the majority of extremely low-income households and eliminate much of the Section 8 program's potential to help poor families move out of high poverty neighborhoods;
(2) the elimination of affordability requirements for voucher holders and public housing tenants will remove essential federal controls; and
(3) the expanded "Moving to Work Program" could result in increased concentrations of poverty in minority neighborhoods.

I. The Flexible Voucher Program

Restricting the right of housing choice. The bill would restrict the ability of families to move to communities of their choice and impede their ability to move to lower-poverty (and higher-rent) neighborhoods in two ways. First, the bill would limit Public Housing Authorities (PHAs) to a fixed sum of funds for the year, based on the agency's 2005 budget, with no right to receive extra funds when costs for individual vouchers increase. This funding scheme creates a financial conflict on the local level between the number and the quality of housing placements. This system has already led to reductions in allowable rents across the country, and denials of family moves to higher cost areas. This type of conflict is bad for fair housing, deprives poor families of choice, and will inevitably increase segregation. HUD knows that the problem could be ameliorated with a special reserve fund for moves to lower poverty areas, but such a reserve fund does not appear in the bill.

Second, the bill appears to restrict the long-standing right of Section 8 families to use their vouchers across jurisdictional lines (for example, moving from city to suburb). The bill appears to say that city and suburban housing authorities must "agree" on a system for transferring vouchers ("portability") before families can move. If that is the intent, the bill would give suburban PHAs the authority to simply say "no" to additional city families seeking to move to opportunity. The fair housing consequences of such a rule are severe, and undermine a central purpose of the program -- allowing families the choice of where to live.

Eliminating the current income targeting system could lead to loss of vouchers for Black and Latino families. The bill would dramatically alter the Section 8 voucher program by eliminating the requirement that the majority of vouchers be reserved for extremely low-income families. Under the current program, 75 percent of vouchers must be reserved for families earning up to 30 percent of the median income. However, the proposed "flexible voucher program" would require only that 90 percent of vouchers each year to go to families with incomes below 60 percent of area median income (AMI), and the remaining ten percent could be allocated among families with incomes up to 80 percent of AMI. African Americans currently make up the majority of extremely low-income households; likewise, Hispanics are disproportionately represented in that category. If the proposal becomes law, and local housing agencies eliminate income targeting, even using conservative estimates of turnover and redistribution of Section 8 vouchers, hundreds of thousands of vouchers could be shifted away from extremely poor Black and Hispanic households over the next five to ten years.[1]

Reducing income targeting will undermine efforts to deconcentrate poverty. By removing the program's current focus on the poorest city residents, the proposal to eliminate income targeting would steer new vouchers away from extremely low-income households in the most deeply segregated and poverty concentrated neighborhoods and shift the vouchers to higher income neighborhoods. This change undermines the voucher program's core goal to deconcentrate poverty, as envisioned by the architects of the successful "*Gautreaux*" and "Moving to Opportunity" housing mobility programs and reinforces patterns of housing isolation and neglect in impoverished neighborhoods.[2]

II. Eliminating Affordability Requirements for Voucher Holders and Public Housing Residents

Allowing housing authorities to set rents without regard to income could eliminate housing affordability. This bill would allow local housing agencies to determine how much voucher recipients and public housing residents would have to pay in rent without regard to income. Under current law, families are required to make rental payments based on 30 percent of their adjusted income. If the proposal becomes law, PHAs would have broad discretion to establish minimum rents or "flat" rents of any amount.

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[1] Poverty and Race Research Action Council, Civil Rights Implications of the 2005 "Flexible Voucher" Proposal (April 26, 2005). See www.prrac.org/policy.php.

[2] The signatories to this letter are also concerned by other provisions in the bill that would adversely affect persons with disabilities. We understand that these fair housing issues will be addressed in a separate letter from other groups.

Likewise, PHAs would have the same ability to designate public housing rents at any level, rather than proportional to household income. This change would effectively repeal the "Brooke Amendment" guarantee of affordable housing by removing federal rent protections for America's poorest families. Eliminating the current rental policies that preserve housing affordability would place the lowest income families in an even more precarious financial position and disproportionately impact minorities, who are overrepresented in the lowest-income tiers of voucher holders and public housing residents.

III. Dramatic Expansion of Waivers Available Under the Moving to Work Program

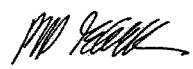
The "Moving to Work" (MTW) proposal is potentially the most far-reaching of all the components of the bill. Agencies allowed to participate in a revamped MTW program could waive important statutory protections that have fair housing consequences. Currently, participation in the MTW demonstration is limited to 32 agencies, and these agencies are required to serve substantially the same number of families as they would without their special status. This bill would permit agencies to reduce or eliminate tenant-based vouchers and to use voucher funds to operate public housing under the MTW program. Indeed, the proposal encourages this reallocation if it is less costly for the housing agency involved. Such a change would undermine fair housing goals, since vouchers are often the only vehicle by which minority and low income families can move to lower poverty neighborhoods.

The proposal also appears to allow HUD to waive fair housing provisions that promote deconcentration of voucher locations and desegregated siting of public housing. These requirements, particularly the HUD "site and neighborhood standards," are a central obligation imposed by the Fair Housing Act on all federal housing programs. They are critical to ensuring that the programs cannot be used by local housing authorities to increase segregation or limit housing opportunities only to poor neighborhoods.

For these reasons, the bill would diminish fair housing opportunities for low-income Black and Latino households, while at the same time exacerbating concentrated poverty and segregation. We strongly urge you to reject this bill.

Sincerely,

Barbara Arnwine, Executive Director
Lawyers' Committee for Civil Rights Under Law



Philip Tegeler, Executive Director
Poverty and Race Research Action Council

Shanna Smith, President and CEO
National Fair Housing Alliance

Gideon Anders, Executive Director
National Housing Law Project

LAWYERS' COMMITTEE FOR CIVIL RIGHTS UNDER LAW

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Secretary Alphonso Jackson
U.S. Department of Housing and Urban Development
Response to Additional Questions from Rep. Deborah Pryce

Hearing on H.R. 1999, The State and Local Housing Flexibility Act of 2005, at 2 p.m. on Wednesday, May 11, 2005.

1. Q- Mr. Secretary, I want to commend you for continuing to make it a priority to use the resources of your department to help solve the problem of homelessness in our country. I am concerned, however, about the possible effect this legislative proposal could have on our ability to achieve this common goal. Providing housing assistance to homeless families and individuals is likely to cost more for each household than it would to assist working families. If agencies are evaluated on such goals as cost containment wouldn't that mean that agencies could be discouraged from using their flexibility under the bill to prioritize providing assistance to homeless?

   A- The Flexible Voucher Program continues HUD's mission of assisting low-income families. It rectifies existing problems with the current targeting requirements that act as a disincentive to work and encourages underreporting of income. Under the current system, PHAs are forced to skip low-income working families who have been on the waiting list for years in order to meet the existing targeting requirements. Many of these working families have incomes that are not much higher than 30% of area median income. Severe income targeting sends the wrong message to many poor families. At the very least, the working poor should **not** be told by the Federal government that they forfeit their claim to any housing subsidy under this program.

   The Flexible Voucher Program will target 90% of assistance to families earning at or below 60% of area median income. This will permit local flexibility in determining local needs, and permit expanded PHA waiting list management and admission preference decisions. Transferring the decisions on family admission preferences from the federal government to localities will permit PHAs more flexibility to meet local needs such as families transitioning from welfare to work, families working full-time yet still in need, families experiencing housing emergencies, first time low-income homebuyers, and families at 31% or 35% of AMI who have waited for prolonged periods of time.

   It is important to note that Title 1 of the Act does **not** require PHAs to change their current income targeting and admission selection policies. PHAs will continue to have flexibility to provide Flexible Voucher Program assistance to both currently homeless and formerly homeless families and individuals "graduating" from HUD's continuum of care programs.

2. Q- On a similar note, Mr. Secretary, many good programs currently exist that provide flexible resources to states and localities to use for rehabilitation and construction of new rental housing, such as the HOME block grant and the Low Income Housing Tax Credit program. Often, however, funds from these programs alone are not able to produce housing that is affordable to poor families. Many times Section 8 vouchers are used in conjunction with these capital grants to enable the HOME and tax credit programs to serve the low-income. If targeting requirements are changed to be the same as under the HOME, as this bill proposes, where will developers look to find additional subsidies they need to serve lower income families?

   A- PHAs may continue to use 20 percent of Flexible Voucher Program funding for project-based assistance. This is the same percentage now permitted under the Housing Choice Voucher Program.

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