

TESTIMONY
of
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ON
THE SECTION 8 HOUSING ASSISTANCE PROGRAM:
PROMOTING DECENT AFFORDABLE HOUSING
FOR FAMILIES AND INDIVIDUALS.

BEFORE THE
HOUSING AND COMMUNITY OPPORTUNITY SUBCOMMITTEE
HOUSE FINANCIAL SERVICES COMMITTEE
JUNE 10, 2003

Chairman Ney, Ranking Member Waters, and members of the Committee, thank you for this opportunity to testify before the Subcommittee on Housing and Community Opportunity to participate in discussions regarding the Section 8 Housing Assistance Program: Promoting Decent Affordable Housing for Families and Individuals.

I would like to begin with a brief recent history of the Topeka Housing Authority, or THA, as this history bears on comments that will follow.

In February of 1999 THA was a financial and programmatic mess. The vacancy rate for THA's 636 Public Housing units was over 20%, and many units were unrentable. THA was using less than 60% of the 944 Housing Choice vouchers available. THA wide, expenditures exceeded revenues, and our reserves represented only six weeks of operating capital. Appropriately, HUD declared THA a Troubled Agency. At that time I had just joined the Authority's Advisory Board. The Cleveland TARC Office was assigned the task of helping our Board of Commissioners improve our capacity.

Over time, with the help of a number of capable, dedicated THA staff and equally capable and dedicated people in the TARC and in HUD's Kansas City Field Office, our Board was able to make dramatic improvements in the way THA operates. Effective January 1, 2001 we became an independent unit of government under Kansas' Municipal Housing Authority law, and I have served as Chairman of the Board of Commissioner since that time. Today, our core administrative costs are 40% lower than they were in 1999, and we are providing quality, affordable housing to 60% more Topeka families.

Our vacancy rate in 2002 was below 3%, and we are using 100% of the Housing Choice 8 vouchers available to us. We have streamlined our staff, we have improved our technological resources, we have privatized certain functions where appropriate, and our scores from HUD have reflected this progress.

Thus, while I cannot answer all the questions presented with your kind invitation letter, nor do I even want to suggest that I am an authority on the operations the Department of Housing and Urban Development (HUD), for I am not; I can address many of them from the perspective of one of those many community volunteers charged with setting policies for implementing this essential program..

On May 22, 2003 I was here in Washington D.C. on other business and I was present for this committee's proceedings when Michael Liu, Assistant Secretary for Public and Indian Housing, testified before this Committee regarding H.R. 1841. I found it enlightening.

Judging from his testimony, Secretary Liu and I share a number of perspectives and differ on others. Most significantly, we both want low-income American families to live in quality, affordable, accessible housing. What we do not agree on is how best to achieve this goal. Perhaps the reason for this is that our respective experiences with promoting decent, affordable housing for families and individuals and with Public Housing Authorities are different.

As one of those on the front line in the effort to meet these needs my perspective takes on a human face. In my position as Chairman of the THA Board of Commissioners I have met regularly over the past five years with public housing residents and Housing Choice Voucher Program participants. I readily admit that I do not know nearly as much about what goes on inside the beltway here as I do about what goes on in the affordable housing world in Topeka, Kansas, a city in the heart of the Midwest. Still, I think mine is a uniquely useful vantage point from which to offer comments regarding the promotion of decent affordable housing, and the proposed HANF legislation.

Taking the broadest issues first, I view affordable housing as a national problem that requires national solutions. I don't see it as a state problem. Coming from a state where populism has its roots such a view is probably contrary to what many might think those of us in the Midwest believe. I don't see how 50 different approaches for solving this problem and 50 different, slowly dwindling, patched together Housing Choice Voucher funding stream combinations are going to be an improvement.

To work successfully in a Section 8 Program under today's laws, rules and regulations one must know a great deal about how to determine eligibility, how to calculate income and how to project income over the course of a year, how to verify income, how to reexamine and recertify a participant, how to handle debt collection, causes and reasons for denial, the "one strike" initiative, due process and hearing procedures, the local availability of rental units, inspections, program rents and fair market rents, leases, and contract enforcement. This is a lot to ask of front line staff!

This doesn't even begin to cover the understanding that is expected of our staff in other areas of the law including, but not limited to, Title VI of the Civil Rights Act of 1964, Title VII of the Civil Rights Act of 1968, as amended by the 1974 Housing and Community Development Act, Section 504 of the Rehabilitation Act of 1975, the Americans with Disabilities Act, and a range of applicable state laws and local ordinances protecting the rights of participants.

Adding an additional layer of administration and possibly conflicting state rules will only impede the abilities of those of us on the front line to meet the desperate housing needs we find in our community for persons of limited economic means.

The goals of the Section 8 Program are to provide quality, accessible, affordable housing in mixed-income settings for low-income individuals and families, to strengthen participating families, promote self-sufficiency, and support neighborhood development. To make these goals realistic, we need to be talking about removing barriers to effective program implementation, not adding them.

I find it interesting that I have a greater belief in the ability of the Congress and federal agencies to address nationwide problems---including affordable housing--- then the proponents of HANF appear to have. My belief is perhaps the result of our Board of Commissioners' participation as a full partner in a joint Federal/local effort to successfully rebuild and redirect an underperforming Housing Authority. We could not have done what we did without the capable assistance of appointed and career federal employees. THA's Board, staff, and the people we serve can all attest that Federal/local partnerships can and do work effectively. It may be that state employees could have done as much for us, but frankly I doubt it. We are a mobile society, employment opportunities are not confined to the locality in which we live, we treasure our privilege to travel across state lines and housing is an interstate activity not solely an intrastate activity. In certain areas of my state people live on one side of the state line and work on the other. A goal of the Section 8 program is to promote mobility and thus portability of vouchers under a single set of rules across the nation should be paramount.

In his May 22, 2003 testimony Assistant Secretary Liu identified three Housing Choice Voucher Program shortcomings:

- 1) Underutilization of available funds;
- 2) Administrative inefficiencies; and,
- 3) Regulatory complexity.

As I understand it, HUD officials are actively and successfully engaged in making improvements in all of these areas. And, if legislation is necessary, I have no doubt that if a cogent case is made, Congress will remove legislative impediments to these efforts given the laudable objectives involved.

In its own study *Section 8 Tenant Based Housing Assistance: A Look Back After 30 Years*, March 2000, HUD reported that:

“HUD has implemented *stronger program monitoring and enforcement* of all its programs, including Section 8. The Section 8 Management Assessment Program will permit the Department to identify and work with PHAs with serious Section 8 program problems and will also allow us to identify weaknesses that could turn into problems without attention. HUD understands the need for *technical assistance* to PHAs to help them improve their local programs, including meeting the goals of mobility and deconcentration. A series of Section 8 technical assistance efforts has begun, and HUD has plans for more. HUD also believes that it has a responsibility to continue its *policy analysis, research, and dissemination* efforts. Thus, the Department has a large number of research projects underway that will contribute to the continued improvement of the program.”

It seems to me that there is already an awareness both nationally and at the front line that we must improve our performance. We must improve performance if for no other reason that the participants of this program deserve our best efforts.

I will address more than the impacts of H.R. 1841, but I do want to observe that HANF is a misleading acronym. HANF implies a natural link with TANF---or welfare. It may interest you to know that welfare is the primary source of income for only 14% of THA Housing Choice Voucher Program participants. Three target populations are more broadly represented: SSI recipients at 18%, Social Security recipients at 21%, and wage earners at 34%. The Voucher program, then, is not primarily a welfare program. It is more accurate to think of it as a Program that serves the working poor, the elderly, and persons with disabilities. More than 85% of these households are headed by women.

Let me address some of Assistant Secretary Liu’s comments and speak to some of the questions that you have posed.

With respect to the underutilization of available funds it is my understanding that Congress has taken steps to recapture funds not being spent for the purpose for which they were appropriated. I would suggest that Congress closely monitor the utilization reforms mandated and put in place this Spring. After at least one fiscal year Congress will be in a better position to then judge their effectiveness.

With respect to administrative inefficiencies, the old maxim “the shortest distance between two points is a straight line” is applicable. At THA we attempt to empower as much as possible those members of our staff that have direct contact with our constituencies so they can address concerns without the proverbial “bureaucratic red tape.” If you have ever read any management treatises you know that the best run organizations, as Peters and Waterman stated in their work *In Search of Excellence*, have a bias for action -- they do it, fix it, and try it. They don’t stand still.

In Section 8, like in any well run company, we must be close to the customer, and encourage productivity through our staff. Thus while I would oppose interposing the States between HUD and the customer – in this case the public housing agencies administering the program.

In HUD's 2004 budget message is was stated:

- ***Housing Assistance for Needy Families (HANF)***. By overhauling the voucher program to allocate vouchers to the states rather than PHAs, HUD will provide a unique opportunity to improve the coordination of self-sufficiency efforts between the voucher program, the Temporary Assistance for Needy Families program and other state-run self-sufficiency initiatives. State control of both the housing and welfare programs, along with additional flexibility in the housing program to allow local needs to be addressed, should result in more effective self-sufficiency efforts and better support of the families involved.

Can we not have additional flexibility to allow for local needs to be addressed without state control?

On February 3, 2003, in the HUD press release describing HANF the department stated that: “The FY 2004 budget proposes a new initiative under which rental assistance vouchers previously allocated to thousands of public housing authorities would be allocated to states. States, in turn, would contract with local housing agencies to administer the program. Allocation of rental assistance vouchers to states would allow more flexibility and reduce or eliminate problems associated with the underutilization, and ultimately the recapture, of billions of dollars in rental assistance to local housing agencies. Moreover, the HANF Program should run more effectively with HUD managing fewer than 60 grantees compared to approximately 2,600 today.”

If ultimately the states are going to contract with local housing agencies to administer the program, can we not find a better solution that effectively creating 60 mini-HUD's between Washington and Topeka? I think we can.

I do understand the need to streamline the number of points of contact between HUD and Section 8 administrative units. There is no reason to maintain 2,600 Housing Choice Voucher Program operators, half of which have fewer than 250 vouchers. To this end I suggest that there be consolidation over a reasonable period of time. It may not be necessary for Congress to mandate the form this consolidation takes. You may merely want to set a minimum in terms of the number of vouchers that will be provided to any program operator at some date in the future.

Smaller local housing authorities today have to be as knowledgeable about those matters I previously listed as larger authorities. That may be an unreasonable expectation. We recently had a household transfer to our Section 8 from a much smaller housing agency and community. Some of the materials we received had not been in use

for years. These smaller communities could either work with another, larger authority nearby or they could form cooperatives to administer this Program.

HUD needs to more aggressively market programs and program components that are obviously successful. That is, HUD staff should “bottle” and distribute what works to other programs. THA is only one of a number of Housing Authorities across the country that has made a remarkable turnaround.

One such study entitled *Learning from Each Other New Ideas for Managing the Section 8 Certificate and Voucher Programs* was prepared for the U.S. Department of Housing and Urban Development Office of Policy Development and Research Office of Public and Indian Housing, by Abt Associates under Contract HC-18374, in September 1996. That study concluded that:

“Improving the administration of the Section 8 certificate and voucher programs depends much more on local initiative than on programmatic and policy changes at the national level. For some time, local program administrators have been responding to challenges and reengineering program operations. Sometimes this means taking advantage of new technologies. For example, some program administrators have created voice mail systems that enable potential certificate and voucher-holders to verify on their own the status of their position on the housing authority waiting list. Other housing authorities use hand-held computers to schedule and conduct inspections and to inform landlords of defects that must be repaired for the unit to meet housing quality standards. Quick and efficient inspection can prevent a family from losing access to a good rental unit because the owner rents to an unsubsidized tenant rather than waiting for a lengthy bureaucratic process. In other cases, innovations take the form of new relationships with other institutions: police departments for anti-crime initiatives; service providers for combining housing assistance with other supports needed by families or individuals; other governmental institutions for more efficient access to records of household income.”

In this internet age there is a great wealth of information available to make us all more efficient. Again, those we serve deserve our best efforts to provide unparalleled quality, service and reliability.

With respect to regulatory complexity, in successful enterprises, the maxim “simple form, lean staffs” applies. One company I have represented over the years produced a sticker that had the words “we have always done it that way” printed beneath a red circle with a slash through it. It appears from the local level that much of what we do today to meet bureaucratic requirements is merely because that’s the way it’s always been done. Instead, we should simplify and build comparative elements into the existing HUD scorekeeping systems and make the system real time.

HUD has a Section Eight Management Assessment Program (SEMAP) which measures the performance of public housing agencies that administer the housing choice voucher program. Theoretically SEMAP helps HUD target monitoring and assistance to programs that need the most improvement. The 14 indicators of performance show

whether we help eligible families to afford decent rental units at a reasonable subsidy cost as intended by Federal housing legislation. Indicators of performance include: proper selection of applicants from the housing choice voucher waiting list, proper determination of reasonable rent for each unit leased, establishment of payment standards within the required range of the HUD fair market rent, accurate verification of family income, timely annual reexaminations of family income, correct calculation of the tenant share of the rent and the housing assistance payment, maintenance of a current schedule of allowances for tenant utility costs, ensuring that units comply with the housing quality standards, timely annual housing quality inspections, performing of quality control inspections, ensuring that landlords and tenants promptly correct housing quality deficiencies, ensuring that all available housing choice vouchers are used, expanding housing choice outside areas of poverty or minority concentration, and enrolling families in the family self-sufficiency (FSS) program as required and help FSS families achieve increases in employment income. There are monthly reports that basically summarize for the housing authority the data we submit.

And while the new Public Housing and Section 8 scorekeeping systems are a step in the right direction. They are complicated and have too long a time lag before results are available. We submitted our annual Section 8 Management Assessment Program certification for 2002 on February 19, 2003, within 60 days as required by law. HUD has 120 days to grade us, and if past experience is a guide, we may not receive a response from HUD until after that 120 day period. That's too late for this to be a useful monitoring tool for us or for HUD. If we have already identified the problem we most likely have fixed it. If we haven't identified the problem, then by the time it is identified we've compounded it effect.

At THA we have a comprehensive, 70 element internal scorekeeping system that fits on two pages. It details both what we do and what difference we make for all of our customers. It is compact enough to include in our monthly newsletter. THA's Board, staff, local elected officials, program participants, and other interested persons know at all times what we have accomplished and how this compares with our goals.

Having reviewed HUD's FY 2004, Annual Performance Plan, dated April 2003 I am aware that HUD has as the agency's goal to "act to...expand the customer service impacts of HUD 2020 by ... sharing best practices for housing and community development across the country, ...Empower[ing] HUD employees and increase their ratings of personal and organizational effectiveness; and ... Increase[ing] the capability of HUD partners." Perhaps before Congress creates the "mini-HUD's" it should provide The HUD the resources it needs to accomplish its Plan. If the Plan is truly implements, then we won't need to interject state governments into the middle of the administration of Section 8.

The Committee's questions address a combination of administrative and regulatory concerns. I have already suggested some changes that might be made. Let me also offer these recommendations. My staff tells me that one thing that needs to be

done is to simplify the work required to determine income eligibility. An equal priority is to provide real-time mechanisms to track and verify results.

HUD currently uses only one approach to determining income. That is, \$500 in earned income is treated the same as a \$500 SSI payment, for example. We suggest that HUD consider using a two category approach to income determination; one for incomes for the working poor, and a second for persons on fixed incomes (generally some form of government assistance). You cannot equate the two. Wage earners have deductions coming from their checks. Payment recipients do not. HUD does not need to reinvent the wheel to make this change. There are already many programs around the country that use this dual approach to calculate income for child support purposes.

We also need immediate access to available income verification sources and the ability to request tax returns. Congress needs to insure that Section 8 providers have ready access to a variety of income data bases. At a minimum, this should include access to unemployment reports filed by employers with the states which documents gross income paid and to current social security recipient information.

With respect to the questions raised regarding fees paid to public housing agencies and reserves retained I would make these observations.

In June 1994, the Assistant Secretary for Policy Development and Research for HUD submitted SECTION 8 ADMINISTRATIVE FEES: A REPORT TO CONGRESS, pursuant to the HUD Demonstration Act of 1993. It stated, in part that "Data collected by HUD and others over the past decade show distinct differences among various types of PHAs in their ability to cover administrative costs." I am sure more efficient agencies can do more for less. What many don't realize however, is that we get only get paid our administrative fee when a participant is housed. At THA we spend many hours assisting prospective participants who, for a variety of reasons are not housed. That 1994 report also concluded that "The dramatic decline in surpluses for all PHAs over the past decade suggests that these reimbursements have not kept pace with the costs of administering Section 8 rental assistance." In a time of economic uncertainty and tighter markets where landlords may find it economically more advantageous not to participate in Section 8, we are providing prospects for housing services for which we are not specifically compensated. By capping reserves, local housing agencies will have an incentive to spend rather than save. We will have less incentive to be efficient if we cannot accumulate the savings we make. Caps on reserves are counterproductive to encouraging entrepreneurship. Need I say more? No.

It has been truly an honor to return to this magnificent city of my birth and provide you with these thoughts. Let me close by saying, let us not lose sight of the purpose of our enterprise, let us remove the barriers that impede our ability to provide quality, accessible, affordable housing in mixed-income settings for low-income individuals and families, to strengthen participating families, promote self-sufficiency, and support neighborhood development.