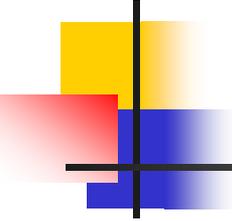


The Effect on Program Participation of Replacing Current Low-Income Housing Programs with an Entitlement Housing Voucher Program

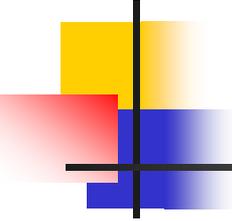
Edgar O. Olsen
University of Virginia

Jeffrey M. Tebbs, J.D.



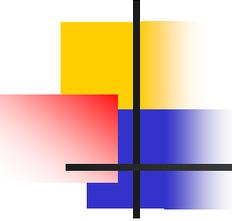
Outline

- Overview of current system
- Shortcomings of current system
- Proposed reform
- Features of entitlement voucher program
- Programs replaced
- Estimating participation in current programs
- Predicting participation in proposed program
- Results



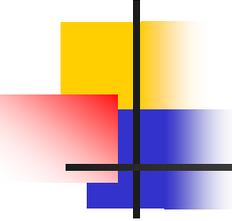
Overview of Current System

- Most assistance is for renting
- Types of rental assistance (PBA v. TBA)
- Two broad types of PBA
 - Public housing (1 million families)
 - Private projects (4 million families)
- Housing vouchers (2 million families)
- PBA accounts for 70% of families served
- Non-entitlement system



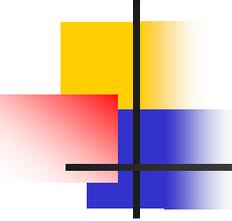
Shortcomings of Current System

- Excessive reliance on PBA
 - TBA much less expensive for providing same housing
 - TBA offers more choice
- Failure to offer assistance to all poor
- Bulk of budget allocated to rental programs



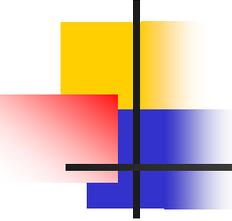
Proposed Reform

- Replace current programs with an entitlement housing voucher program that is neutral with respect to owning versus renting



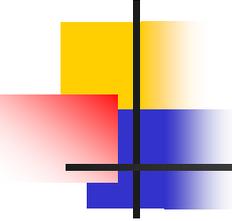
Features of Entitlement Housing Voucher Program

- Cash grant conditional on occupying unit meeting minimum housing standards
- Same minimum standards as current HCVP
- $\text{Subsidy} = \text{Payment Standard} - .3 * \text{Adj Income}$
- Payment Standard varies with family size and composition and across locations
- Same subsidy for renters and homeowners in same economic circumstances



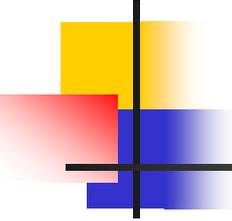
Programs Not Replaced

- LIHTC
- **USDA's Section 515/521**
- HOME
- CDBG
- **HUD's homeless programs**



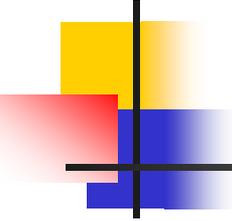
Programs Replaced

- Public housing
- Project-based Section 8 and older HUD programs that subsidize privately-owned projects
- Section 8 voucher program



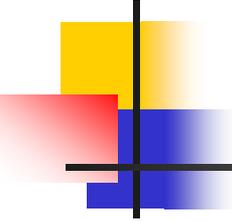
Households Excluded

- One-person, non-elderly



Estimating Participation in Current Programs

- HUD administrative data on almost 3 million households (MTCS & TRACS)
- **HUD's Picture of Subsidized Households**



Predicting Participation in Entitlement Voucher Programs

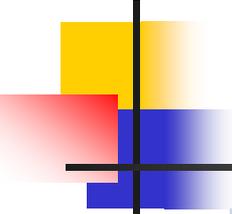
- Data on about 5 million households from 2000 Decennial Census
- Prediction equations based on experience with similar entitlement programs operated in two metropolitan areas in 1970s

Effects of Basic Reform with Same Cost on Number of Households Served

Group	Current System	Proposed Program	Absolute Increase	Percentage Increase
All	3,339,409	5,366,820	2,027,411	61%
White	1,846,794	3,447,158	1,600,364	87%
Black	1,360,794	1,582,365	221,571	16%
Hispanic	461,222	702,132	240,910	52%
Elderly	1,202,217	1,440,998	238,781	20%
Non-Elderly	2,137,192	3,925,822	1,788,630	84%
Metro	2,728,184	4,304,864	1,576,680	58%
Non-Metro	611,225	1,061,956	450,731	74%
First Real Income Decile	2,239,993	3,628,556	1,388,563	62%
Second Real Income Decile	852,240	1,622,123	769,883	90%
1-2 person	1888015	2419067	531,052	28%
3-4 person	1102278	2058900	956,622	87%
5+ person	349116	888853	539,737	155%

Effects of Reform Costing 10 Percent Less on Number of Households Served

Group	Current System	Proposed Program	Absolute Increase	Percentage Increase
All	3,339,409	5,023,523	1,684,114	50%
White	1,846,794	3,202,087	1,355,293	73%
Black	1,360,794	1,502,843	142,049	10%
Hispanic	461,222	660,752	199,530	43%
Elderly	1,202,217	1,335,222	133,005	11%
Non-Elderly	2,137,192	3,688,301	1,551,109	73%
Metro	2,728,184	4,035,546	1,307,362	48%
Non-Metro	611,225	987,977	376,752	62%
First Income Decile	2,239,993	3,558,975	1,318,982	59%
Second Income Decile	852,240	1,398,618	546,378	64%
1-2 person	1,888,015	2,259,791	371,776	20%
3-4 person	1,102,278	1,932,966	830,688	75%
5+ person	349,116	830,766	481,650	138%



Subgroup Participation Rates in Lowest Real Income Decile

Group	Current System	Proposed Program
White	23.1%	46.6%
Black	48.1%	54.2%
Hispanic	20.5%	28.5%
Elderly	29.7%	37.7%
Non-Elderly	26.3%	45.8%
Metro	28.2%	43.8%
Non-Metro	23.0%	44.4%
1-2 person	30.3%	40.4%
3-4 person	29.0%	50.3%
5+ person	17.7%	39.9%