

# PRRAC

## *Poverty & Race Research Action Council*

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### **CIVIL RIGHTS IMPLICATIONS OF THE 2005 “FLEXIBLE VOUCHER” PROPOSAL**

In its proposed “State and Local Housing Flexibility Act of 2005”, S. 771, the Administration has revived its 2004 proposal for a “Flexible Voucher Program.” This bill would place new obstacles in the path of low income families seeking to move to lower poverty communities, and by eliminating the current system of “income targeting” of vouchers towards the most needy families in the Section 8 program, the bill could also deprive up to several hundred thousand Black and Latino families of essential housing opportunities during the next 5-10 years, if housing agencies elect to remove income targeting guidelines.

#### **Restricting the right of housing choice**

The bill as currently drafted would restrict the ability of families to move to communities of their choice and would impede their ability to move to lower-poverty (and higher-rent) neighborhoods, in two ways.

First, the bill would continue a version of the new voucher budgeting system (begun in the 2004 fiscal year) that limits Public Housing Agencies (PHAs) to a fixed sum of funds for the year, based on the prior year’s housing voucher budget, with no right to receive extra funds when costs for individual vouchers increase.<sup>1</sup> This funding system, which replaced a system that paid agencies for the actual cost of vouchers in use, creates a financial conflict on the local level between the number and the quality of housing placements. In other words, since apartments in segregated, higher poverty neighborhoods are more likely to have lower rents, an agency will face pressure to serve more families by approving tenancies in those areas rather than paying the higher cost of subsidies for families to move to housing located in better areas. 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 it will lead inexorably to more 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 language of 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 this interpretation of the bill is correct, it would give suburban government officials the authority to simply say “no” to

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<sup>1</sup> The new bill would base funding on each PHA’s share of national voucher funding in the 2005 fiscal year.

additional city families seeking to rent private apartments in their town. The fair housing consequences of such a rule are severe.

### **Eliminating the current income targeting system will lead to loss of vouchers for Black and Latino families**

Currently, the Section 8 program requires that PHAs distribute at least 75 percent of their vouchers in each fiscal year to "extremely low-income families" (earning 30 percent or less of the area median income). This income-targeting requirement has meant that Black and Latino families, who are disproportionately concentrated in the extremely low-income bracket,<sup>2</sup> have been successful in receiving the majority of vouchers.<sup>3</sup>

The proposed bill, S. 771, would alter drastically the "income targeting" of vouchers to the most needy families in the Section 8 program, a step which, if adopted by Congress and implemented by local PHAs, could result in a huge loss of vouchers for Black and Latino families.

According to the proposed legislation, at least 90 percent of vouchers would go to families with incomes up to 60 percent of Area Median Income.<sup>4</sup> This change would give housing authorities the incentive and the ability to distribute vouchers to higher-income (predominantly white) households rather than lower-income (largely minority) households, as the former require fewer subsidy dollars and thus enable a limited pool of funds to reach a larger number of families.

Based on data from the 2000 Census and Area Median Income data maintained by the National Low Income Housing Coalition, we can anticipate the racial impact of these proposed changes. Currently, an average of 40.9% of all vouchers in the United States go to non-Hispanic Blacks, and 16.3% go to Hispanics.<sup>5</sup> Assuming a turnover of approximately 230,000 vouchers annually,<sup>6</sup> and assuming that turnover is similar throughout the country and that distribution of vouchers mimics distribution of population, we would expect about 94,070 Black and 37,490 Latino families to receive new vouchers annually under the current targeted system. However, if income targeting were altered as proposed in the forthcoming HUD bill, and new vouchers were distributed evenly across all eligible income levels (a conservative assumption), then we would

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<sup>2</sup> Nationally, 30 percent of median income is \$16,950 for a family of four, which is roughly equivalent to the poverty threshold. See: Center on Budget and Policy Priorities, "Introduction to the Housing Voucher Program" (Washington, DC: 2003), p. 3. In 1999, Black and Hispanic households were three times more likely to live below the poverty line than White households. See: Joseph Dalakar and Bernadette D. Proctor, *Poverty in the United States: 1999* (United States Census Bureau, Washington, DC: September 2000), p. v.

<sup>3</sup> See: Deborah J. Devine, et. al, *Housing Choice Voucher Location Patterns: Implications for Participants and Neighborhood Welfare* (Washington, DC: January 2003), esp. p. 91, Table A-3.

<sup>4</sup> The remaining 10 percent of vouchers could be available to any families that meet the eligibility standard for the program (incomes not exceeding 80 percent of area median income).

<sup>5</sup> Devine et al., *Housing Choice Voucher Location Patterns*, 91.

<sup>6</sup> There are approximately 2.1 million vouchers in circulation, with a turnover rate of around 11 percent. See: Center on Budget and Policy Priorities, "Introduction to the Housing Voucher Program" (Washington, DC: 2003), p. 3. With income-targeting, 75 percent of these turnover vouchers (approximately 170,000) have to be distributed to extremely low-income families.

expect only 40,923 Black and 25,328 Latino families to receive vouchers next year—a loss of 53,147 vouchers for Blacks and 12,162 vouchers for Latinos.<sup>7</sup>

Thus, over time, and based on current income distributions by race, HUD’s proposal would foreseeably take away as many as 360,996 vouchers from Blacks and 31,426 vouchers from Latinos,<sup>8</sup> not counting vouchers lost in New England.<sup>9</sup> This represents a potential future loss of approximately 392,422 vouchers from very low income Black and Latino families.<sup>10</sup>

### **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 the most deeply segregated and poverty concentrated neighborhoods, undermining the voucher program’s core goal to deconcentrate poverty. Architects of the successful “*Gautreaux*” and “Moving to Opportunity” housing mobility programs have called for a much stronger targeting of vouchers to these hypersegregated neighborhoods. Yet HUD’s proposal would lead us in exactly the opposite direction, taking away the one opportunity many families in our poorest, most opportunity deprived neighborhoods have to move out.

### **Conclusion**

The new “Flexible Voucher” bill is the latest in a series of actions and proposals that would restrict housing choice, harm minority families, and lead to increased segregation in HUD’s largest housing program. HUD began restricting housing choice in 2003 by cutting back on the use of Section 8 “exception payment standards,” which permit families to move to lower-poverty areas that have higher rents. HUD’s decision in April of 2004 to retroactively cut voucher funding in PIH Notice 2004-7 further increased incentives for PHAs to adopt policies that

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<sup>7</sup> This number was determined by calculating the number of people whose income is under 60 percent of Area Median Income (AMI) in every county in every state, and then determining what percentages of such people nationally are of any given ethnicity. Those percentages were then multiplied by 90 percent of the annual turnover in vouchers. A similar process was repeated to determine the percentage of people of given ethnicities under 80 percent of Area Median Income; those percentages were multiplied by 10 percent of the annual turnover in vouchers. The two figures were summed to result in the number of families of each ethnicity receiving housing vouchers in the first year of a new program.

<sup>8</sup> This number was determined by calculating the number of people whose income is under 60 percent of Area Median Income (AMI) in every county in every state, and using that to calculate the percentage of people of a given ethnicity under 60 percent AMI in each given county. County level data was then aggregated to state level data, and the percentage of people of a given ethnicity under 60 percent AMI in each state was multiplied by 90 percent of the number of vouchers available in a given state. The same process was repeated to find the percentage of people of a given ethnicity under 80 percent AMI in each county and state, and the state level data was multiplied by 10 percent of the number of vouchers available in a given state. These figures were summed to get the number of vouchers available to people of a given ethnicity in each state, and that information was aggregated to determine the national level data.

<sup>9</sup> Area Median Income data for New England is calculated at the level of county subdivisions (townships, towns, cities), but very limited racial data is available at that level, making a calculation of vouchers lost in New England very difficult. Accordingly, these calculations of vouchers lost from minority families are quite conservative.

<sup>10</sup> This data can also be displayed by state (tables available on request). In Wyoming, the percentage of non-Hispanic Blacks who currently receive vouchers but would not if income targeting is eliminated is approximately 88 percent. In California, that percentage is 71 percent.

discourage or prohibit families from moving to higher-rent areas, and HUD subsequently advised local PHAs that they were free to deny “portability” moves for budgetary reasons. PRRAC has prepared analyses of several of these recent developments – see [www.prrac.org/policy.php](http://www.prrac.org/policy.php).

If you would like to be heard on these bills, go to the National Low Income Housing Coalition’s website, [www.nlihc.org](http://www.nlihc.org) for the latest action alerts and links to your Congressional representatives.