

## **Whither Public Housing?**

Ed Olsen  
Professor of Economics  
University of Virginia  
Charlottesville, Virginia

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Thank you, Mister Chairman. I welcome this opportunity to talk with you and the members of your committee about the future of the public housing program. I speak from the perspective of a taxpayer who wants to help low-income families, albeit a taxpayer who has spent more than 30 years studying the performance of housing programs.

My testimony is right up the alley of this committee. It concerns how to get more for the money spent on current programs. In the case of public housing, it's possible to get much more.

The evidence on program performance indicates that the housing voucher program has outperformed the public housing program in every respect. My written testimony mentions some of this evidence and contains references to papers and reports that provide the details.

The largest difference between housing vouchers and public housing is in their cost for providing equally good housing. The evidence is unanimous that it costs much less to provide equally good housing with housing vouchers than with public housing projects. Therefore, shifting the budget for public housing to housing vouchers would allow us to serve all of the families served by public housing equally well (that is, provide them with equally good housing for the same rent) and serve hundreds of thousands of additional families. Alternatively, it would allow us to serve current recipients much better without spending more money or equally well at a much lower taxpayer cost.

The 1998 Housing Act made a small step in that direction. However, it did not go nearly far enough to realize large gains. My testimony describes a much more significant initiative that would gradually lead to the elimination of the public housing program in its current form.

It's important to realize that the poor performance of the public housing program relative to the housing voucher program is not due to differences in administrative competence. Both are administered by the same local public housing agencies. At HUD, the Assistant Secretary for Public and Indian Housing oversees both programs.

The difference in performance is due to fundamental differences in the design of the programs. The voucher program relies on the incentives of recipients to get the best housing possible for the money spent on it. The public housing program relies on civil servants who have weak incentives for good decisions and who do not even know whether they have made bad decisions unless their decisions are extremely bad.

My proposal requires no additional federal funds. It's a proposal to better use the funds and assets currently available to public housing agencies.

New legislation is needed to realize the large gains that would result from a major shift of resources from public housing to housing vouchers. The following proposal will achieve these large gains in an orderly fashion.

Congress should require every local housing agency to offer each current public housing tenant the option of a portable housing voucher or remaining in its current unit on the previous terms. The latter option insures that no public housing tenant is harmed by the legislation. Families that accept a voucher would benefit because they would move to housing, neighborhoods, and/or locations that they prefer to their public housing units.

Housing agencies should be required to pay for the vouchers from their current public housing operating and modernization subsidies. This insures that each housing agency receives the same amount of federal money as it would have received under the current system.

My proposal would not require housing agencies to sell their projects beyond current requirements. However, it would allow them to sell any of their projects to the highest bidder. Requiring sale to the highest bidder will produce the most money to operate and modernize the housing agency's remaining projects. Many housing agencies would surely choose to sell their worst projects. These are the projects that would be abandoned to the greatest extent by public housing families that are offered vouchers, and they are the projects that would be the most expensive to renovate. When a project is sold, the remaining tenants in that project should be offered the choice between vacant units in other public housing projects or a housing voucher.

When public housing units are vacated for whatever reason, the housing agency should be allowed to charge whatever rent the market will bear for them. This will provide additional revenue to housing agencies without additional federal subsidies. More importantly, it will make their revenues depend in part on the desirability of the housing provided. The absence of this connection is the primary source of the excessive cost of the public housing program.

When a current public tenant either gives up its voucher or leaves its unit without a voucher, the housing agency should be required to offer a housing voucher to a family from its public housing waiting list using its existing preference system. This insures that the housing agency will continue to provide housing assistance to the same number of families and indeed the same types of families.

If the preceding proposal is adopted, the public housing program in its current form will wither, but public housing agencies will do a much better job in helping low-income families with their housing.

I appreciate the willingness of members of the Committee to listen to the views of a taxpayer whose only interest in the matters under consideration is to see that tax revenues are used effectively and efficiently to help low-income families.