

***Statement of the  
National Alliance of HUD Tenants***

***before***

***The Commercial Activities Panel***

***Monday, June 11, 2001***

*On behalf of the National Alliance of HUD Tenants, we are pleased to have the opportunity to testify before this body. The National Alliance of HUD Tenants (NAHT) is the nation's first and only membership organization representing the 2.1 million families who live in privately-owned, HUD-assisted housing. Tenants founded NAHT in 1992 because we believed that tenants need to speak for ourselves to make our voices fully heard in Washington. Our membership today includes voting member tenant groups and 45 area wide tenant coalitions or organizing projects in 32 states. We are governed by an all-tenants board of Directors elected by member organizations from all ten of HUD's administrative regions at our annual June conference.*

*Our comments here focus on the impact of the Department of Housing and Urban Development's decision to contract out work previously done by HUD staff—the administration of Section 8 contracts. HUD refers to these as CA Contracts (Contract Administration Contracts). The vast majority of our members live in privately-owned housing where the Owner has one or more Section 8 contracts with HUD. Through*

*these contracts, the Owners assume responsibility for providing decent, safe and sanitary housing. Oversight and enforcement of these contracts directly affects the quality of housing for our members.*

*In 1999, the agency proposed contracting out the oversight and enforcement of the Section 8 contracts, issuing a Request for Proposals in May. It is our understanding that the agency began entering into CA Contracts on a state by state basis in 2000. These contracts have an initial term of three years, and may be renewed for two additional one year terms.*

*NAHT opposes the CA Contracts for three reasons: 1) the contracts result in more bureaucracy that tenants must work with; 2) the contracts are a misuse of Section 8 funds; 3) the contracts cost far in excess of the cost of having the work done in-house.*

***CA Contracts force tenants to work with more bureaucracy, and result in unequal treatment of tenants nationwide.***

*Previous to the CA Contracts, HUD staff administered the Section 8 contracts. Now, individual state public housing authorities or housing finance agencies administer the Section 8 contracts. In some states such as New York, the state agency has subcontracted the work to a private entity. Now instead of having to learn one bureaucracy, tenants are forced to learn two or three.*

*At a national level, we are talking about the possibility of dealing with fifty-one different bureaucracies and their interpretations of HUD standards. Our goal at*

*NAHT is to level the playing field for all tenants nationwide. One administrator helps achieve uniform policy. We want to reinforce centralization, not privatization.*

*The CA Contracts have lead to an explosion of bureaucracy that is fundamentally unfair and overly burdensome for HUD-assisted tenants.*

***The CA Contracts misuse Section 8 funds.***

*The cost of these contracts is taken from the Section 8 fund. This is money that should be spent on housing—bricks and mortar, roofs and floors. The cost of administering the Section 8 contracts used to come from HUD’s Salaries and Expenses budget. Now, the cost is coming from the program, leaving less to meet the crisis in affordable housing.*

***The CA Contracts cost far in excess of having the work done in-house.***

*Finally, based upon review of the HUD Inspector General, these contracts cost far more than it would cost to have the work done by HUD staff. In September of 1999, the HUD Inspector General issued a report finding that the agency’s cost-benefit analysis (which was not conducted under OMB Circular A-76) overstated the cost of performing the work in-house, and nonetheless showed it was less costly to keep the work in-house (99-PH-163-0002 at page 16). Of even more concern to tenants, the IG found that contracting-out would put the entire Section 8 program at risk (at page 17).*

*To give a quick comparison of costs, Secretary Mel Martinez testified before the House Appropriations Subcommittee that the agency was seeking \$196 million to pay*

*for contract oversight of approximately 20,000 Section 8 contracts. That works out to a cost of \$9800 per contract overseen. Prior to contracting out this work, the HUD standard for projects per HUD staff person was 30 to 1. (We know that staff routinely had 40 to 120 projects in their individual portfolios, creating service problems that should have been resolved by hiring more staff, not contracting out.) Assuming that for every 7 HUD staff servicing a portfolio, there are 3 other staff providing support or supervision, 10 staff would cover 210 contracts, thus putting the per employee standard at 21 to 1. Under the budget request of Secretary Martinez, each staff would have to cost \$205,800 in order to equal the cost of contracting this work out. Since the total HUD Salaries and Expenses line item for Fiscal Year 2001 is less than \$1.1 billion supporting approximately 10,000 staff, the actual maximum cost per employee is less than \$110,000, which would include the cost of space, electricity, and all other overhead expenses. Even a simple calculation shows that the cost of contracting out must be at least twice as much as keeping the work in-house.*

***NAHT urges the discontinuance of the CA Contracts.***

*Although we believe that the CA Contracts waste scarce federal housing dollars, our largest concern is the adverse impact on customer service. These contracts create additional layers of bureaucracy. Even if, as Deputy Assistant Secretary for Multifamily Housing Fred Tombar asserted on June 3 at our national conference, the cost of the CA Contracts are only 7% more than having the work done in-house, the*

*work should not be done by 50 plus state and private entities. HUD-assisted tenants seek one set of rules, one set of standards, one bureaucracy. Section 8 Contract Administration should be done by HUD staff.*

*Thank you for providing an opportunity to speak on this issue. If you would like additional information, please contact our Executive Director Michael Kane, at 617/267-4769.*

