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Federal Housing Agency Goes Rogue For 39 Years - No One Notices

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The City of Kyle is a rapidly growing bedroom community of 32,000 in Central Texas about 20 miles south of Austin, the proud home of the late Helen Michaelis, the first woman inducted into the American Quarter Horse Hall of Fame.

Kyle has another less well-known claim to fame, however, one that is likely repeated unknowingly across the nation: it has a federal housing authority and the people elected to govern Kyle didn't even know it.

In an article in the *Austin American-Statesman*, Kyle's mayor, Todd Webster, admits to receiving a toughly-worded letter from the federal government wherein the bureaucrats in Washington accuse the city of mismanaging its independent housing authority—which was news to the mayor, given neither he nor the six city council members nor the city manager even knew Kyle had an independent housing authority.

Near as anyone can tell, the Kyle Housing Authority was created in 1977 to manage two subsidized rent apartment complexes with 51 units that receive federal funds from the Department of Housing and Urban Development (HUD) and the Department of Agriculture.

But, since its inception, the Kyle Housing Authority likely never received local oversight in the form of an independent commission appointed by the mayor as per Texas law.

Why our federal government finds it necessary to have two federal agencies doling out redundant housing subsidies is one thing, keeping that money flowing for almost 40 years without proper oversight is quite another.

The Kyle Housing Authority's Executive Director, Vickie Simpson, has worked for the agency for 32 years. Simpson apparently appointed her own board members to oversee her work, with the last appointments made in 2007. Days after HUD sent its nasty-gram, Simpson announced her retirement, citing family health reasons.

With a complete lack of local oversight by local elected representatives, it's not surprising to hear that the housing agency has also failed to file its annual reports. Kyle's city records can find no evidence that any annual report was submitted in 39 years of operation.

The Kyle Housing Authority has two staff: the executive director and a handyman. The executive director works 28 hours a week and draws a salary from both HUD and the Department of Agriculture. With persistent maintenance issues, some residents suspect that the maintenance staffer isn't trying all that hard, with one woman who had smelled natural gas leaking from her oven for months speculating, "How do we know he's not sleeping?"

The bigger issue is that of a systemic lack of government accountability, especially at the federal level with what amounts to virtually inexhaustible supplies of "free" money. Kyle City Council member Travis Mitchell summed it up best when he observed, "…this is what happens when organizations who receive governmental subsidies operate with virtually no oversight for years on end. …Over time, things get missed and dollars get lost."

Councilman Mitchell's concern multiplies exponentially at the state level, where, in Texas, there are some 800 federally-funded programs that come with some level of control from Washington in exchange for "free" money. The largest is Medicaid and related human services programs with some 54,000 Texas government employees managing about $80 billion in healthcare spending of which about half is federal funds.

While the state legislature has some degree of oversight for the Medicaid program, within tight boundaries set by the federal government—at least until the program evolves to block grants—other federal programs, like Kyle's housing authority, bypass state oversight entirely. The Federal Transit Administration runs one such program called New Starts.

Congress created New Starts 25 years ago to award grants to local agencies "…based on a comprehensive review of (their) mobility improvements, environmental benefits, cost effectiveness… …congestion relief, (and) economic development effects." Federal New Starts grants incentivize the construction of new urban rail systems by paying for half of the capital costs. But, according to the Cato Institute, these projects often reduce transit mobility by shifting resources from bus service in low-income neighborhoods that rely on government-subsidized transit to passenger rail in higher income areas where such services are an extra luxury. To add insult to injury, these flashy new projects often make congestion worse by cannibalizing traffic lanes with the added effect being higher energy use and air pollution due to idling engines. Further, by calculating the value of land taken by eminent domain as an in-kind contribution towards the local agency's contribution match, New Starts abets eminent domain abuse.

The City of Austin and Capital Metro, Austin's regional public transportation provider, have been trying for years to secure a New Starts grant to build a billion-dollar light rail project. But, their plans have been thwarted by a voting public skeptical of more debt and higher property taxes with little assurance of congestion relief.

Unfortunately, even though Austin's traffic problems affect the regional economy and the larger state economy as well as budget, Texas legislators have little say in federal programs that bypass their authority to link up directly with municipal or special purpose governments. This is because programs that distribute billions in “free” federal money for urban rail often end up costing Texans real tax money in upfront costs and decades of follow on operating and maintenance costs that end up starving local transportation budgets for mundane things such as funding for roads and bridges.

Absent federal reform or abolition for New Starts and other federal programs that bypass the authority of state lawmakers (a prime drain the swamp candidate), the best remaining option for state lawmakers might be to simply prohibit local governments from accepting federal money that comes with strings attached.