

Revised July 15, 2004

HOUSING VOUCHER ASSISTANCE WILL BE CUT UNLESS HUD DOES MORE

On April 22, the Department of Housing and Urban Development issued a notice making far-reaching changes in its policy for funding

“Section 8” housing vouchers during 2004. A new Center report, *Further Action by HUD Needed to Halt Cuts in Housing Assistance for Low-Income Families*, explains that HUD’s policy is forcing state and local housing agencies across the country to make cuts in voucher assistance that will cause significant hardship among low-income families.

The full report can be viewed at
<http://www.cbpp.org/4-26-04hours.htm>

On May 20, HUD Secretary Jackson announced steps to mitigate the harmful effects of the new policy. These steps (adjusting HUD’s new method of calculating agencies’ funding levels and providing some unused 2003 funds to about a fifth of agencies) reduced the magnitude of the required reductions but have not eliminated the need for harsh cuts by many agencies.

Some agencies are raising the rental charges that voucher holders must pay by reducing the amount of rent that a voucher can cover and thus shifting costs from the voucher program to low-income tenants. Other agencies are reducing the number of families they assist. Some agencies’ funding shortfalls are so severe that they have been forced to terminate assistance to some low-income families that currently rely on vouchers to help pay the rent.

- **New policy provides inadequate funding to support vouchers in use.** Traditionally, HUD has given agencies enough funds to cover the actual costs of the vouchers they are authorized to administer. HUD’s new funding system departs sharply from this practice.

Under the new system, HUD will limit each agency’s average funding per voucher to the agency’s average per-voucher cost for May-July 2003, plus an adjustment for rent inflation that has occurred since then in that part of the country (as determined by a HUD-devised formula). In many local areas, however, voucher costs have risen *more* than HUD’s rent inflation factor for that part of the country, usually for reasons largely beyond local agencies’ control. Agencies in these areas will not receive sufficient funds to pay landlords for the vouchers now in use. Nationally, the shortfall will exceed \$183 million, according to the National Association of Housing and Redevelopment Officials.

- **Many agencies being forced to reduce the amount of assistance they provide.** To fit within the lower funding levels under HUD’s new system, many agencies are cutting the maximum amount of rent a voucher can cover. That raises the rent burden on families and makes it harder for them to use their vouchers to move to neighborhoods with more jobs, better schools, and less crime. In some cases, families may be unable to find a unit they can afford with their smaller voucher and will have to return it.
- **Many agencies being forced to reduce the number of families they assist.** Some agencies are “shelving” vouchers that become available as families leave the program, rather than issuing them to families on the waiting list. Other agencies are withdrawing

newly issued vouchers from families that are still looking for an apartment or even canceling vouchers for families that have been depending on their voucher to help pay the rent. More agencies may have to take such steps if HUD does not provide additional funds.

- **Appeals process unlikely to provide adequate relief.** Agencies had until July 15 to appeal their new funding levels to HUD. With minor exceptions, the only criteria that HUD so far has said will be accepted as grounds for appeal are increases in local rent and utility costs that exceed the HUD inflation factor. This ignores the fact that voucher costs are tied to changes in family incomes as well as rents. (Vouchers cover the difference between the rent for a modest apartment and 30 percent of a family's income.) If incomes in a local area fail to keep pace with rents — perhaps during an economic slump — average voucher costs will increase faster than the HUD formula allows. Unless HUD allows appeals based on cost increases due to stagnant incomes and other legitimate factors, many agencies will be left with insufficient funds.

- **HUD has the fiscal and legal authority to avoid cuts in voucher assistance.** HUD has stated that the fiscal year 2004 appropriations act leaves it no choice but to distribute voucher funding in a way that will force cuts in assistance. This interpretation is *not* shared by key members of Congress who helped draft the bill. Senator Christopher Bond, the chair of the Senate Appropriations subcommittee with jurisdiction over HUD, stated in an April 29 letter to Secretary Jackson that HUD has the authority to take the actions needed to prevent voucher funding shortfalls this fiscal year.

HUD admits that its new policy (prior to the appeals process) will *leave unspent* about \$190 million from the funds Congress appropriated for the program in fiscal year 2004, even as housing agencies across the country institute cuts that harm needy families. CBPP estimates indicate that the unspent amount could be substantially higher.

- **HUD can take steps to address this crisis.** HUD can avert cuts in housing assistance by providing funding based on agencies' actual costs, as reflected in the latest available data. Failing that, HUD has other ways to reduce the harm its policy would cause, such as:
 - ✓ Permitting all agencies that receive inadequate funds under the new system and that have legitimate reasons for their cost increases (including a recent decline in tenant incomes) to appeal for additional funds;
 - ✓ Agreeing to replenish agency reserves that have been used to cover shortfalls resulting from legitimate increases in voucher costs, instead of just replenishing reserves that have been used to cover increases in the number of vouchers in use.

Examples of Local Cutbacks

- The **Secaucus (NJ)** Housing Authority has reduced the maximum rent it will cover by \$163 per month.
- The **Portland (OR)** Housing Authority has stopped issuing new vouchers when voucher holders leave the program.
- The **Memphis (TN)** Housing Authority has told 160 families that they may not use their recently issued vouchers.
- The **Alameda (CA)** Housing Authority has cut off Section 8 voucher assistance to 108 families. The city is using other funds to help these families, but that aid will likely run out at the end of August.
- The **Montana** Department of Commerce is imposing a minimum monthly rent of \$50 on the poorest 488 families in the program.