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FREQUENTLY ASKED QUESTIONS ABOUT THE ADMINISTRATION'S FISCAL YEAR 2005 HOUSING VOUCHER PROPOSAL

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The Administration's fiscal year 2005 budget request contains a proposal to make fundamental changes to the "Section 8" housing voucher program. The proposal would replace the voucher program with a block grant (labeled the "Flexible Voucher Program") to state and local housing agencies, repeal basic protections in the program for low-income families, and cut funding for the program deeply. This document examines a number of questions raised by the Administration's proposal.

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General Issues

1. Who currently receives housing vouchers?

- The voucher program currently serves nearly two million households.

- Families with children make up 61 percent of households with vouchers. Nearly one-sixth of these households with children are headed by a person who is elderly or has a disability.

- Seventeen percent of voucher households are headed by an elderly person, and 22 percent are headed by a person with a disability.

- Forty-one percent of voucher households are headed by black non-Hispanic persons, and another 40 percent are headed by white non-Hispanic persons. Sixteen percent of heads of voucher households are Hispanic.

- The mean household income of voucher holders in 2000 was approximately $10,000. About three-fourths of voucher households have incomes that fall below 30 percent of the area median income. (Nationally, for a family of four in fiscal year 2004, 30 percent of the median income was $17,250.)

- In 2000, some 57 percent of voucher households headed by persons who were not elderly or disabled had income from work. Another 21 percent had income from welfare but not work.

These estimates all are based on HUD data.[1]

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[1] Sources: March 2004 MTCS Data; Deborah Devine, Robert Gray, Lester Rubin and Lydia Taghavi, *Housing Choice Voucher Location Patterns: Implications for Participants and Neighborhood Welfare*. 2003. Washington

2. **Some sections of the Administration's budget documents show a large decrease in voucher funding from 2004 to 2005, while others show a funding increase. Which outcome reflects the real effect of the Administration's voucher proposal?**

The Administration is proposing to cut the voucher program deeply. There is no dispute that the Administration's budget request for 2005 to renew housing vouchers is more than $1 billion below the amount provided in 2004. In addition, both HUD and the Chairman of the House Appropriations Committee have acknowledged that the request falls more than $1.6 billion below the amount needed in 2005 to maintain the current level of assistance that the program provides. (These estimates project that more than $600 million beyond the amount provided in 2004 will be needed to maintain assistance at its current level in 2005. This increase stems mainly from growth in average voucher costs due to rent increases and other factors, and the issuance of new vouchers to families that lose assistance under other federal housing subsidy programs.)

The Administration is proposing even deeper cuts for years after 2005. In 2009, the Administration is proposing to reduce spending on the voucher program and a separate "project-based" housing assistance program about $4.6 billion below the amount needed to maintain the current levels of assistance that these programs provide.

The confusion about whether the proposal would raise or lower funding stems from Administration documents that show an increase in funding "net of rescissions." In each of the past several years, Congress has "rescinded," or cancelled, some funds that were appropriated for housing programs in previous years but were not spent. If Congress applies the rescinded funds to the program in the current year instead of returning them to the Treasury, it reduces the amount of new funding that is needed.

In 2005, however, the Administration proposes to rescind substantially less funding than Congress rescinded in 2004. As a result, more *new* funding will need to be provided than in 2004. But the *total* amount of funding provided for 2005 — including both newly appropriated funds and unspent funds from previous years that are rescinded and applied to the program — will be more than $1 billion below the amount provided for 2004. It is this total funding level that determines how much assistance can be provided to agencies to support needy families.

3. **Is this year's proposal different from the block-grant proposal the Administration submitted last year?**

Yes. This year's proposal would allow the local and state housing agencies that run the voucher program to continue to administer it, rather than transferring the program to the states as would have occurred under last year's proposal But in nearly every other respect, this year's proposal is more radical — and more threatening to low-income families — than last year's.

D.C.: U.S. Department of Housing and Urban Development. Jeffrey Lubell, Mark Shroder, Barry Steffen, "Work Participation and Length of Stay in HUD-Assisted Housing," Cityscape 6:2 (2003).

Last year's proposal would have significantly weakened major protections for low-income families, such as rules that target most vouchers on the neediest families and cap the amount of rent a family with a voucher can be required to pay. This year's proposal would eliminate those rules entirely.

This year's proposal also is more radical in terms of funding. Last year, the Administration sought to limit the growth in voucher funding below the amount needed to keep pace with rising rents. This year it is proposing to *cut* funding below last year's level. Also, this year the Administration is proposing that binding caps be imposed on overall discretionary spending in each year through 2009, which would increase the likelihood of additional cuts in the program in the future.

4. Is the block grant necessary to provide housing agencies with more flexibility?

No. If Congress wishes to grant greater flexibility to state and local housing agencies, it can amend the existing authorizing statute. This is what happened in the Quality Housing and Work Responsibility Act of 1998, through which Congress made significant changes to the statute authorizing the housing voucher program to expand housing agencies' flexibility.

For example, the 1998 law gave housing agencies more control over setting the criteria that determine which families are eligible for a voucher. It also gave housing agencies more power to decide which families should receive preference for vouchers that become available and how large a family's rent subsidy should be.

In addition, HUD has the power to modify the regulations that govern the voucher program in ways that increase state and local flexibility. HUD can do this at any time, without new legislation.

5. Would a "dollar-based" funding structure for the voucher program work better than the current "unit-based" structure, as the Administration argues?

No. The current voucher program was created by the 1998 legislation that merged the voucher program and the tenant-based housing certificate program. Under the housing certificate program, which was three times as large as the voucher program, housing agencies received funding based on the cost of the number of housing subsidies HUD had awarded to them, while under the voucher program as it operated before 1998, agencies received funding as fixed dollar amounts.

When these two programs were merged to form the current voucher program, HUD chose to fund each agency based on the actual cost of the number of vouchers the agency was authorized to administer. It did so on the unanimous recommendation of a broad-based committee of stakeholders Congress required it to form to examine this issue. The committee determined that under a "unit-based" funding structure, funding levels would be far more responsive to changes in housing costs and other economic conditions than under a "dollar-based" structure. This greater responsiveness, in turn, would give housing agencies, landlords, and voucher holders more confidence that vouchers would not be arbitrarily terminated as a result of shifts in the rental market and that the number of vouchers would not be permanently decreased to offset rising housing prices.

Converting the voucher program to a block grant not only would make it difficult for housing agencies and landlords to rely on voucher funding from year to year, but also would increase the likelihood that voucher funding would be cut further in future years. Historically, funding for many block grants that assist low-income people has failed to keep pace with need and has fallen behind inflation over time. For example, the State Children's Health Insurance Program (SCHIP) has fallen 20 percent in value, after inflation, since its inception in 1997, and the Social Services Block Grant is now 84 percent below the initial funding level in 1973. Given the budget deficits that Congress will confront in coming years, as well as the Administration's proposal to impose restrictive caps on overall discretionary spending for each of the next five years, it is likely that funding for a voucher block grant would fall further and further behind the amount needed to maintain current levels of assistance. That would compel housing agencies to institute deeper cuts each year.

Effects on Families

6. The Administration says the proposed funding cuts can be carried out without harming low-income families. Is that possible?

No. The Administration has claimed its proposal would give housing agencies sufficient flexibility to enable them to absorb the entire $1.6 billion funding reduction in fiscal year 2005 simply by cutting administrative costs or improving efficiency. This would not be possible. The proposed cut in voucher funding exceeds the *entire amount* of administrative funding agencies now receive.

Housing agencies might be able to use the added flexibility to reduce some costs, for example by reducing the frequency of administrative procedures like inspection of apartments. But this would be unlikely to save more than a small fraction of the $1.6 billion cut. In a paper issued on May 18, 2004, HUD estimated that the simplification of administrative requirements it proposed would save only $130 million annually. And in any event, agencies could be given more administrative flexibility without radically changing the voucher program's structure.

The Administration also claims that agencies could achieve large savings ($350 million according to the May 18 paper) by reducing income-related errors in subsidy payments. A 2003 HUD report states, however, that payment errors cost the program only $144 million a year. The report also states that HUD does not expect significant savings from error reductions because such reductions "cause many higher income tenants and tenants who have been underreporting their incomes to leave subsidized housing and be replaced with lower income tenants requiring increased rent subsidies."[2] Moreover, there is no reason to expect that greater error reduction could be achieved under the block grant than under the current program structure. In fact, one of the "efficiencies" that the Administration has suggested will reduce administrative costs under

[2] Department of Housing and Urban Development, *Performance and Accountability Report: Fiscal Year 2003*, pp 2-50 and 2-51.

the block grant is a reduction in the frequency with which housing agencies certify tenant incomes. Such a reduction would make it more, rather than less, difficult to cut down on payment errors.

Because new efficiencies and error-reduction strategies would fall far short of compensating for the proposed funding cut, housing agencies would be forced to carry out the bulk of the cut in one or more of three ways: assisting fewer families, requiring families with vouchers to pay higher rents, and/or shifting vouchers away from poor families to those who have higher incomes and thus need less assistance. (In fiscal year 2005, only a small amount of the funding shortfall could be offset through use of this third option.) Each of these steps would harm low-income families.

7. Under the Administration's proposal, would the voucher program continue to focus its assistance on the neediest families?

Almost certainly not. Under current law, housing agencies are required to provide at least three-fourths of the vouchers that become available each year to "extremely low-income" households — those with incomes below 30 percent of the area median income. (Nationally, for a family of four in fiscal year 2004, 30 percent of median income was $17,250, which is close to the poverty line.) This rule ensures that housing vouchers go primarily to the families with the greatest need for assistance. It also helps compensate for the fact that most other housing assistance programs are aimed at families with comparatively higher incomes.

Under the Administration's proposal, this income targeting rule would be eliminated. Housing agencies would have no obligation to serve *any* extremely low-income families and could direct all of their vouchers to families with incomes as high as 80 percent of area median income. On a national basis for a family of four in fiscal year 2004, this was $46,000.

Housing problems are much less severe among this higher-income group, but many housing agencies will feel they have little choice but to start serving more such families if the Administration's proposals are enacted. One reason is that these families do not need as much assistance as extremely low-income families do; redirecting vouchers to less-needy families is the only way housing agencies can cope with the substantial funding cuts proposed by the Administration without reducing the number of families they serve or saddling families with unrealistically high rent burdens.

Another reason is that according to HUD staff, performance incentives under the Flexible Voucher Program would reward agencies that provide voucher assistance to families for a shorter period of time and move more families into homeownership. Serving a larger proportion of higher-income families would make it easier for housing agencies to meet these goals.

(It should be noted that while shifting vouchers to higher income households would sharply curtail the housing opportunities available to the neediest families, it would not generate large amounts of savings in fiscal year 2005. HUD's May 18 paper claimed that agencies could save up to $350 million in 2005 if they reserved only 40 percent of the vouchers that become available as families leave the program for "extremely low-income" families, rather than 75 percent as is currently required.

But this estimate is erroneous, because it was calculated by mistakenly assuming that all of the "turnover" vouchers that would become available during the course of the year become available immediately at the start of the year. Since families leave the program gradually over the course of the year, the savings under this scenario would be only $175 million. And even this figure is unrealistically high, because many housing agencies have long voucher waiting lists made up primarily of poor households. Unless such a housing agency is willing to drop families that have been waiting for assistance for an extended period of time and jump higher-income families over them — a politically difficult proposition in many areas — it will have to issue turnover vouchers to the families on its current waiting list and may not be able to achieve *any* savings in 2005 by shifting vouchers to higher-income households.)

8. The Administration says that housing agencies will be able to serve *more* people under its block-grant proposal despite the very large funding cut. How is that possible?

It would not be possible — unless housing agencies sharply reduce the value of each voucher. Housing agencies could implement the proposed cut without reducing the number of families assisted, but they would then have to impose extremely deep cuts in other ways. For example, agencies could make up for the entire $1.6 billion cut by raising each voucher household's annual rent by an average of about $850 in 2005 and $2,000 by 2009 (or by achieving the small amount of savings that could be obtained through other means and imposing somewhat smaller rent increases).[3] Theoretically, agencies could go a step further and actually increase the number of families served by raising rents even more sharply.

But rent increases on this scale would force families to divert money from other basic needs to pay for housing, and many of the poorest families would be unable to find any housing they could afford with the shrunken voucher subsidy. The Administration's portrayal of such a scenario as an expansion of assistance is highly misleading.

In addition, it would be difficult as a practical matter for housing agencies to impose rent increases in 2005 that are large enough to compensate for the funding shortfall without lowering the number of families assisted. Agencies have contractual commitments to landlords that prevent them from reducing the approved rent level or raising the tenant's required rent contribution. Agencies may break these contracts and terminate subsidies if funding is inadequate, but they may not change the terms of the contract unilaterally while the contract is in effect.

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[3] The required increases would vary locally; estimates for each state and local area are available at http://www.cbpp.org/3-17-04hous-states.htm.)

9. If the proposed cuts are adopted, what would happen to people who currently rely on vouchers to help pay their rent?

Some current voucher holders will lose assistance. Because the other options for achieving savings are limited, it would be impossible to meet the reductions proposed by the Administration without either cutting off assistance to some current voucher holders or raising tenant rents so high that some current voucher holders are likely not to be able to afford to stay in their homes. Nothing in the Administration's proposal would prevent current tenants from losing assistance.

10. Could the Administration's proposal affect families that received "tenant protection" vouchers after losing other forms of housing assistance?

Yes. In the last 10 years, some families have received vouchers because they lost assistance under another federal housing program due to a decision by Congress. For example, if an owner of a federally subsidized apartment building decides to stop accepting federal project-based subsidies, low-income tenants in the building are usually eligible for such "tenant protection" vouchers. The vouchers enable the tenants to stay in their homes or move to a different apartment without facing a large rent increase. Under the Administration's proposal, most families with tenant protection vouchers could lose their voucher or see their rents raised sharply, just like other families with vouchers.[4]

This would include most households that received a special category of tenant protection vouchers referred to as "enhanced vouchers." Apartment owners who stop accepting housing subsidies sometimes raise rents above the maximum amount that a voucher is normally permitted to cover, because market rents in the neighborhood are above that level. To ensure that tenants in these buildings — who often are elderly or have disabilities — have the option to remain in their homes, Congress established rules allowing them to receive vouchers that are "enhanced" to cover more rent than regular vouchers. Under the Administration's proposal, newly issued enhanced vouchers would generally continue to be subject to these beneficial rules for one year. But families that received their enhanced vouchers a year or more before the proposal takes effect could see their rents rise immediately.

Housing agencies could choose to maintain assistance for families with tenant protection vouchers or to keep paying the additional subsidy needed to prevent tenants with enhanced vouchers from losing their homes. But because of the cut in overall program funding, agencies could do so only by making deeper reductions elsewhere in the program, such as imposing still larger rent increases on other households or making more severe reductions in the number of families served.

[4] For some families that received tenant protection vouchers to relocate from public housing projects and are protected by the Uniform Relocation Act, housing agencies would be required temporarily to provide sufficient assistance to enable families to pay no more than 30 percent of their income for housing costs.

11. Under the Administration's proposal, would families have the same rights as they do now to use their vouchers to move to new communities?

No. Under current program rules, housing agencies generally must allow families to use vouchers issued in any part of the country to move anywhere that there is an agency that runs the voucher program. Under the Administration's proposal, housing agencies would not be required to allow such moves until after a family has received voucher assistance for one year.

While families would be permitted to move after the first year, doing so would become increasingly difficult over time, because the elimination of most federal rules would lead to greater variation among voucher programs in different areas. A family might find, for example, that the housing agency in a particular area required voucher holders to pay a sufficiently high percentage of their income for rent that the family could not afford to move to the area. This reduction in the "portability" of vouchers could harm many voucher holders, such as a working family attempting to follow employment opportunities, an elderly person attempting to move closer to relatives, or a domestic violence victim attempting to flee an abuser.

Rents and Costs Under the Voucher Program

12. The Administration justifies its proposed changes to the voucher program in part by arguing that voucher costs are growing out of control. Are they?

No. The average cost of a voucher has grown substantially in recent years, but a temporary uptick in costs was to be expected, given the "perfect storm" of a hot housing market and a cooling economy. Voucher subsidies fill the gap between rents and limited incomes; a family contributes about 30 percent of its income toward the rent, and the voucher covers the remaining cost of a modest rent in the private market. As a result, when incomes fall or rent and utility costs rise, voucher costs temporarily increase. This is what happened in the late 1990s and early 2000s. Rents were rising rapidly as the housing market boomed, while the economy headed into recession and job losses led to an erosion of tenant income.

The increase in rents has now begun to slow and income growth should accelerate as the economy recovers. These two trends are expected to keep voucher costs in check in the years ahead. The Congressional Budget Office projects that, after adjusting for inflation, total spending under Section 8 (which includes both the voucher program and the project-based housing assistance program) will grow only 0.1 percent in 2005 and will remain nearly level through 2009. See "The Myth of Spiraling Voucher Costs," Center on Budget and Policy Priorities, http://www.cbpp.org/6-11-04hous.pdf.

13. The Administration says that the voucher program currently has no mechanism to control costs. Is this true?

No. Current law limits the size of a voucher subsidy to a rental standard for each area that is set by HUD and is based on the cost of modest housing in the area. This standard is known as the "Fair Market Rent." Housing agencies may adjust this standard to better reflect their local market, but any adjustment of more than 10 percent must be approved by HUD.

In addition, under current law, each housing agency is required to compare the rent for every apartment leased by a voucher holder to market rents for similar units in similar locations and must refuse to make payments on the voucher if the rent is out of line with the local market. The first systematic study of how housing agencies were implementing these requirements, done for HUD in 2001, found that agencies generally were following the requirements and that the average rent of units occupied by families with housing vouchers was *$95 a month less* than the estimated rents for comparable unassisted units.

Housing agencies also have strong local political pressures to keep costs reasonable. If the voucher program pays above-market rents, landlords will prefer voucher-holders over unassisted households. That would generate substantial local political opposition to the voucher program by placing unassisted households at a disadvantage.

14. Are rents in the voucher program out of line with market rents?

The Administration has argued that rents paid by the voucher program are out of line with rents in the private market. To support this argument, the Administration cites data showing that rents for apartments rented by voucher holders rose more rapidly from 2000 to 2003 than the Consumer Price Index for residential rents.[5] For several reasons, however, it is not surprising that voucher rents would grow at a different pace than rents in the broader market:

- The CPI includes both luxury apartments (whose rents often follow different trends from the modest units that are accessible to voucher holders) and public housing units (whose rents are linked to the incomes of tenants).

- More than one-fourth of all vouchers now in existence were created from 1996 to 2003, with particularly rapid growth in the final years of this period. Moreover, the proportion of vouchers that are actually in use (instead of being left unused because a tight housing market makes it impossible for some families to find units they can rent with their vouchers or for some other reason) rose sharply from 2001 to 2003, further increasing the total number of families with voucher assistance. This growth could cause voucher rents to rise more rapidly than rents generally because families are disproportionately likely to move when they first receive a voucher, and rents for newly rented apartments tend to be both higher and more volatile than those for apartments that have been occupied by the same family for some time.

[5] At times the Administration has presented a different version of this argument, claiming that rents in the private market have actually fallen while voucher rents have risen. However, the data most frequently used to support this claim — which were drawn from a November 2003 *New York Times* article — are for *high-end* apartments only. Nationally, average rents for rental units as a whole continue to increase, although at a somewhat slower pace than in recent years. See "HUD's Reliance on Rent Trends for High-End Apartments to Criticize the Housing Voucher Program is Mistaken," Center on Budget and Policy Priorities, http://www.centeronbudget.org/3-16-04hous2.htm.

- Congress and HUD made a number of policy changes in recent years, such as raising the maximum amount of rent that vouchers can cover, that were intended to increase the proportion of authorized vouchers that were in use or to give voucher holders access to neighborhoods with more jobs, less crime and better schools. These policies likely contributed to recent growth in voucher rents to some extent.

It is far more meaningful to compare rents for particular apartments leased by voucher holders to market rents for similar units in similar locations. As noted above, housing agencies are required to make precisely this comparison for every apartment leased with a voucher. A systematic HUD study in 2001 found that the average rent of units occupied by families with vouchers was well below the estimated rent for comparable unassisted units.

15. The Administration often says that housing agencies don't use a lot of the funds provided to them for vouchers, so funding can be cut without anyone being hurt. Is this true?

No. Since fiscal year 2003, Congress has provided only enough funding each year for the vouchers that housing agencies are expected to use. All of the funding provided this year is expected to be needed to continue the vouchers in use; in fact, many housing agencies will have to draw funds from their reserves to maintain these vouchers. Reducing funding by more than $1 billion below the current year's level cannot be done without harm to families, as explained above.

Before 2003, HUD generally provided housing agencies with funding for all of the vouchers that had been *authorized*, even if a small number of these vouchers were unlikely to be *used*. Under that earlier system, a small percentage of voucher funds remained unspent at the end of the year. Given the new funding method that Congress adopted in 2003 of limiting funding to the number of vouchers expected to be in use, rather than to the somewhat larger number of vouchers that Congress has authorized, it is no longer likely that any significant voucher funds go unused.[6] (In addition, the underlying problem of many agencies not using all of their vouchers has largely been eliminated; the estimated national voucher utilization rate at the beginning of 2004 was about 96 percent.)

16. Could the maximum value of vouchers be reduced without harming families?

No. The Administration has pointed to such reductions as a way in which housing agencies could cope with the proposed funding cut for the voucher program and improve the program's "efficiency." But such a step likely would do serious harm to individual families and entire communities.

Under current policy, HUD sets a Fair Market Rent for most metropolitan areas and rural counties at a level sufficient to cover the rent for 40 percent of private market units in the area that meet standards to assure adequate quality (such as basic safety). Each housing agency then

[6] In fiscal year 2003, HUD did not spend all the funds Congress provided for vouchers, but that was a one-time savings resulting from a change in the way HUD wrote contracts with housing agencies.

has the flexibility to set the maximum amount of rent that a voucher can cover, referred to as the "payment standard," anywhere between 90 and 110 percent of the Fair Market Rent. Under limited circumstances, agencies may apply to HUD for approval of payment standards outside this range.

For the voucher program to work effectively, Fair Market Rents and payment standards must be high enough to give voucher holders access to decent-quality housing in a range of neighborhoods. There is no evidence indicating that the program's current payment standards are above the level needed to achieve this goal.

The Flexible Voucher Program would go beyond the flexibility currently available to housing agencies, and permit agencies to lower payment standards *without any lower limit*. Lowering payment standards would force families either to pay a greater share of their rent themselves (which would often be difficult, since most voucher households have incomes below the poverty line and are already struggling to make ends meet) or move to a cheaper apartment. Over time, voucher holders would become increasingly concentrated in neighborhoods with lower rents. Such neighborhoods also tend to have few jobs, poor schools, higher poverty rates and higher crime rates. Even now, HUD studies have found that voucher holders in some metropolitan areas are concentrated in a limited number of neighborhoods.

Vouchers and Self-Sufficiency

17. The Administration says its proposal will help needy families make the transition to work and self-reliance. Is this true?

No. The proposal is more likely to retard efforts to self-sufficiency than promote them. A growing, though not conclusive, body of evidence suggests that housing vouchers help families leave welfare and succeed in the workplace by enabling them to move out of high-poverty areas and into neighborhoods with more jobs, lower crime, and better schools. The Administration's proposal would weaken the voucher program's ability to play this role, not only by causing a drop in the number of families with vouchers, but also in three other key ways:

- Housing agencies would no longer receive dedicated funding for HUD's Family Self-Sufficiency (FSS) program, which combines housing assistance, earnings incentives, and case management services to help voucher holders increase their earnings and build assets. Many agencies will be forced to terminate their FSS programs to help cope with the cut in voucher program funding. (See " 'Family Self-Sufficiency' Program Imperiled By HUD's Fiscal Year 2005 Budget Request," Center on Budget and Policy Priorities, http://www.cbpp.org/3-23-04hous.htm.)

- Many housing agencies will respond to the cut in program funding by shifting voucher assistance away from lower-income families moving from welfare to work and toward higher-income families, who require smaller rental subsidies to enable them to afford housing.

- As discussed above, the funding cut may also lead housing agencies to shrink the value of vouchers to the point where families can only use them in areas with very low rents — and fewer jobs.

In support of its claim that its proposal would promote work, the Administration mainly points to financial incentives in the proposal that encourage housing agencies to move participants off the program as quickly as possible. The great majority of voucher holders, however, are elderly people, people with disabilities, working families who are paid low wages and are unable to afford housing on their own, or families that participate in the Temporary Assistance to Needy Families (TANF) welfare-to-work program and are already subject to time limits and work requirements through that program. There is no evidence that pushing these groups off housing assistance faster would promote self-sufficiency.

18. Do rules that target vouchers on the neediest families discourage work?

No. Currently, 75 percent of vouchers must be issued to families that have incomes below 30 percent of the local median income at the time they enter the program. Congress imposed this targeting requirement because families with extremely low incomes are much more likely than other families to have severe housing needs. In addition, other federal housing programs are available that serve families with somewhat higher incomes.

The Administration has argued that targeting discourages work because it prevents working families from receiving assistance. This is flatly incorrect. Very large numbers of working poor families qualify under the targeting requirement. The income of a full-time minimum-wage worker is only $10,700. As noted above, 30 percent of the median income for a family of four nationally amounts to an annual income of $17,250. Indeed, 30 percent of area median income is roughly equivalent to the federal poverty line. By definition, working-poor families have incomes *below* the poverty line.

Moreover, local agencies can set preferences for *which* families with incomes below 30 percent of the area median income receive priority for the vouchers that become available and the agencies can give priority to working-poor families. Given the need under the Administration’s proposal for housing agencies to cut costs substantially — and the constant pressure to shift vouchers from poor families to families at higher income levels — it is very likely that *fewer* working-poor families will be served under the Administration’s proposal than under the current program.

It should also be noted that the current targeting requirement applies only to initial admissions to the voucher program. Once a family receives a voucher, it may remain in the program until its income reaches a level where it can afford the rent for a modest apartment without spending more than about 30 percent of its income for housing costs — a level substantially above the poverty line. So working-poor families can increase their earnings without losing their vouchers. (They will have to pay more for rent, and their higher incomes will enable them to do so.)