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NUMBER OF HOMELESS FAMILIES CLIMBING DUE TO RECESSION

Recovery Package Should Include New Housing Vouchers And Other Measures to Prevent Homelessness

by Barbara Sard

Executive Summary

New data indicate that the number of homeless families with children has climbed in recent months and continues to mount. Although the recovery package that Congress will consider in coming weeks is expected to include measures to restore several million jobs, an unusually large number of people are still likely to fall into severe poverty and to be at risk of homelessness, due to the depth of the recession. As a result, it is important that the package include funding for effective homelessness prevention strategies. Such measures could be included for a cost equal to just one-half of one percent of the cost of the overall package.

Goldman Sachs projects that the unemployment rate will rise to 9 percent by the fourth quarter of 2009 and continue rising into 2010. If unemployment reaches 9 percent and the increase in poverty, relative to the increase in the unemployment rate, is within the range that occurred in the last three recessions, the number of poor Americans will rise by 7.5 – 10.3 million. Moreover, the number of

KEY FINDINGS

- New data show that homelessness among families with children is already mounting due to the recession.
- If unemployment reaches 9 percent, as some experts predict, the ranks of the poor could expand by up to 10 million and the ranks of the very poor by up to 6 million (including up to 1 million very poor families with children), based on the relationship between unemployment and poverty in past recessions. Large increases in homelessness could result.
- The housing market crisis adds to the risk of increased homelessness. Foreclosures have pushed many families into the rental market, driving up rents in many areas and making housing less affordable.
- Congress should include in the forthcoming recovery package one-time funding for 200,000 new, non-renewable housing vouchers, along with a substantial increase for HUD's Emergency Shelter Grant program to prevent an additional several hundred thousand families from becoming homeless. At a cost of one-half of one percent of the overall package, these measures would substantially diminish the increase in homelessness during the recession while also providing effective short-term stimulus. Congress can design these provisions in a way that does not create budget pressures after 2010.

people in “deep poverty” — with incomes below *half* of the poverty line — will rise by an estimated 4.5 – 6.3 million if unemployment reaches 9 percent. This would represent an increase of about 900,000 – 1.1 million *families* with children that fall into deep poverty and thus are at risk of housing instability and homelessness.[1]

New figures suggest that hardship and homelessness are already growing:

- In July - November 2008, compared with the same period in 2007, the number of families entering New York City homeless shelters jumped by 40 percent.[2]
- Massachusetts reports a 32 percent increase between November 2007 and November 2008 in the number of homeless families residing in state-supported emergency shelters.[3]
- In Connecticut, family homeless shelters turned away 30 percent more families due to lack of bed space in September 2008 than in September 2007.[4]
- Hennepin County, Minnesota (Minneapolis) reports a 20 percent increase between the first 10 months of 2008 and the comparable period in 2007 in the number of homeless families in emergency shelters.[5]
- Los Angeles County reports a 12 percent increase between September 2007 and September 2008 in the number of families receiving welfare assistance who are known to be homeless.[6]

Two recent national surveys support these data. In a fall 2008 survey by the U.S. Conference of Mayors, 16 of the 22 cities that provided data on the number of homeless families with children reported an increase in 2008, some of them substantial. (Louisville reported a 58 percent increase.)[7] In another national survey, one in five responding school districts reported having more homeless children in the fall of 2008 than over the course of the entire 2007-2008 school year.[8]

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[1] Sharon Parrott, “Recession Could Cause Large Increases in Poverty and Push Millions Into Deep Poverty,” Center on Budget and Policy Priorities, November 24, 2008, http://www.cbpp.org/11-24-08pov.htm. This analysis found that if the unemployment rate increases to 9 percent by the fourth quarter of 2009, between 1.5 million and 2 million additional children will fall into deep poverty, based on the increases in poverty rates in recent recessions. Repeating the analysis for *families* with children (as distinguished from children themselves) indicates that 900,000 to 1.1 million such families would fall into deep poverty.

[2] Data provided by the New York City Department of Homeless Services.

[3] Data provided by Julia Kehoe, Commissioner, Massachusetts Department of Transitional Assistance.

[4] Data from Connecticut Department of Social Services Homeless Shelter Reports.

[5] Memorandum from staff of the Minnesota Housing Finance Agency to the Board of Directors, December 18, 2008.

[6] Data from CalWORKS Program Division, Los Angeles County.

[7] Abt Associates, “U.S. Conference of Mayors 2008 Status Report on Hunger and Homelessness,” December 2008, http://www.usmayors.org/pressreleases/documents/hungerhomelessnessreport_121208.pdf.

[8] Barbara Duffield and Phillip Lovell, “The Economic Crisis Hits Home: The Unfolding Increase in Child and Youth Homelessness,” National Association for the Education of Homeless Children and Youth and

The housing market's ongoing troubles heighten the potential for significant increases in homelessness during this recession. Home foreclosures have pushed many owner and renter families into the rental market, driving up rents in some areas by increasing the demand for housing — despite falling incomes and rising unemployment. In addition, a number of state and localities are beginning to cut back homelessness prevention programs due to large state and local budget shortfalls, even as the need for these programs grows.

Increased homelessness could have adverse long-term consequences, especially for children. Various studies have found that housing instability and homelessness lower academic performance, increase the chances of repeating a grade, and reduce high school completion rates. Homelessness also puts children at greater risk of serious physical health problems.[9]

To minimize the risk of large increases in homelessness, and these attendant educational setbacks and health problems, the forthcoming recovery package could include:

- **Funding for 200,000 additional housing vouchers.** Noted researcher and former HUD Policy Director Jill Khadduri has written, "An extensive body of careful research has demonstrated that housing vouchers are critically important both for preventing families with children from becoming homeless and for helping those who do enter the shelter system to leave it for permanent housing and not become homeless again."[10]

  At a cost of roughly $2.1 billion, Congress could provide vouchers to enable 200,000 additional families to afford decent housing through the end of 2010. Importantly, Congress can design this provision in a way that does *not* create budget pressures *after* 2010, as explained below.

- **A significant funding increase for homelessness prevention assistance through HUD's Emergency Shelter Grant program.** With an additional $1.5 billion to $2 billion, states and localities, through existing networks of service providers, could provide short-term assistance to enable approximately 400,000 families to avert eviction or obtain new housing.

These two measures would not only help prevent an increase in homelessness but also constitute effective stimulus. They would inject funds quickly into local economies and help bolster local housing markets. All or nearly all of the funds would be spent before the end of 2010, the time frame when additional spending is badly needed to help turn the

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First Focus, December 2008, http://www.naehcy.org/dl/TheEconomicCrisisHitsHome.pdf. The voluntary survey was conducted October 24 – December 10, 2008.

[9] Jeffrey Lubell and Maya Brennan, ""Framing the Issues — the Positive Impacts of Affordable Housing on Education" and Jeffrey Lubell, Rosalyn Crain, and Rebecca Cohen, "Framing the Issues — the Positive Impacts of Affordable Housing on Health," Center for Housing Policy and Enterprise Community Partners, 2007.

[10] Jill Khadduri, "Housing Vouchers Critical for Ending Family Homelessness," Homelessness Research Institute, National Alliance to End Homelessness, January 2008, p. 6.

economy around. The Appendix includes estimates of the number of families in each state that would be assisted if these proposals were adopted.

Recession Will Increase Deep Poverty, Raising Risks of Homelessness

In the next few years, the nation is likely to experience the sharpest increases in severe poverty in over 30 years. During the last three recessions, the number of Americans living in poverty — as well the number living below *half* of the poverty line, a commonly used measure of "deep" or "severe" poverty — has risen markedly, with the largest increases occurring in recessions with the highest unemployment. Based on the relationship between increases in the unemployment rate and increases in poverty in the past three recessions, the number of severely poor families with children — that is, the number living below *half* of the poverty line — is expected to rise by 900,000 – 1.1 million as a result of the current economic downturn.

Families with incomes below half of the poverty line are at the greatest risk of becoming homeless.[11] Not surprisingly, these families have the most difficulty paying rent. A family of four with income at half of the poverty line has a monthly income of $833, or less than the $900 average cost of a modest two-bedroom apartment.[12] Families that lose their housing may be able to "double up" temporarily with relatives or friends, but such arrangements often do not last.

Moreover, very poor families may be at greater risk of homelessness in this recession than in previous recessions because the safety net to protect jobless families against destitution is now weaker than it was during previous major recessions.

- The unemployment insurance system has not kept up with changes in the labor market, and many of the low-income, female, and part-time workers who now make up a significant portion of the labor force do not qualify for UI benefits when they are laid off.

- The basic cash assistance safety net for jobless families that do not qualify for unemployment insurance benefits is considerably weaker than in past recessions. Only about 40 percent of families that qualify for cash assistance under the Temporary Assistance for Needy Families (TANF) program actually receive that aid (and the help

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[11] Jill Khadduri, "Housing Vouchers Critical for Ending Family Homelessness," Homelessness Research Institute, National Alliance to End Homelessness, January 2008.

[12] The 2008 poverty line for a family of four in the continental United States is $21,200. HUD publishes annual estimates of the median (50th percentile) and 40th percentile "gross rent" (rent and utilities) of recently-rented non-luxury dwellings for each metropolitan area and non-metropolitan county. For 28 metropolitan areas, HUD sets the "Fair Market Rent" (FMR) at the 50th percentile based on findings that voucher holders are overly concentrated in a small portion of the area's census tracts. For all other metropolitan areas and all non-metropolitan counties, HUD sets the FMR at the 40th percentile of the rent charged for recently-rented non-luxury dwellings. The $900 average rent figure was calculated by the National Low Income Housing Coalition using the HUD FMR estimates for 2008, weighted by the number of renter households in each county in 2000. Keith E. Wardrip, Danilo Pelletiere and Sheila Crowley, *Out of Reach 2007-2008*, National Low Income Housing Coalition, April 2008.

in preparing for and finding jobs that should come with it). In contrast, in the recessions of the early 1980s and early 1990s, about 80 percent of poor families eligible for AFDC cash assistance obtained it. In addition, at the time of previous major recessions, most states operated "general assistance" programs that served as a cash assistance safety-net of last resort, particularly for destitute individuals not raising minor children. Most states terminated these programs in the late 1980s or 1990s, however, (except for people with severe disabilities) and now have no comparable safety-net for these people.

Turmoil in Housing Sector Exacerbates Risks of Homelessness

The current severe problems in the housing sector and the growing number of foreclosures are exacerbating the risks of homelessness. Both homeowners and renters are being displaced into the rental housing market as an increasing number of owners become subject to foreclosure or walk away from "underwater" mortgages. National data indicate that at least 20 percent of foreclosed properties are *not* owner-occupied,[13] and in many parts of the country (such as New England, New York City, and Minneapolis), half or more of households living in foreclosed buildings are renters.[14]

When foreclosure occurs, renters usually are forced to vacate, even if they have not missed any rent payments and regardless of whether they have access to funds needed for the up-front costs of a new apartment. This is because lenders (such as banks) who foreclose on properties typically are reluctant to act as landlords and consequently evict tenants while they attempt to sell the properties. Fannie Mae recently announced that it would no longer require renters who are up to date on rental payments to move after foreclosure, but it is not yet clear whether other lenders will make similar changes in their practices voluntarily.

Furthermore, as a result of the troubles in the housing market, many families who previously were owners now are seeking to rent, and many renter families that would otherwise be purchasing homes are waiting for prices (and the economy) to stabilize before doing so. Thus, although home prices are falling, rents have continued to rise in a number of areas due to an increased demand for rental units. In the greater Boston area, for example, the median home price has dropped by 11 percent since 2005 but rents have risen 12 percent, the result of a decrease in vacancy rates for rental units as foreclosed homeowners move into rental housing and fewer renters move into homeownership.[15]

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[13] The Mortgage Bankers Association reports that at the end of 2007, one out of every five new foreclosure actions involved absentee owners of the foreclosed properties. Joint Center for Housing Studies of Harvard University, *America's Rental Housing: The Key to a Balanced National Policy*, April 2008.

[14] Data on renters affected by foreclosures are gathered in Danilo Pelletiere and Keith Wardrip, "Renters and the Housing Credit Crisis," *Poverty & Race* (July/August 2008, pp. 3-7.)

[15] Barry Bluestone, Chase Billingham, and Tim Davis, "The Great Boston Housing Report Card 2008: From Paradigm to Paradox: Understanding Great Boston's New Housing Market," prepared for The Boston Foundation, October 2008.

These developments come at an inopportune time. The number of poor renter families with severe housing affordability problems (i.e., who pay at least half of their income for housing) was rising markedly even before the current economic downturn; it increased 29 percent from 2001 to 2007. It will rise farther as the economy contracts.

Family Homelessness Increasing in Many Areas, Recent Data Show

Before the recession began, HUD reported that there were 131,000 homeless families with children residing in emergency shelters or transitional housing facilities (other than shelters that serve victims of domestic violence) during the year ending September 30, 2007.[16] HUD also reported that communities counted 51,000 homeless families with children who were on the streets or in cars, abandoned buildings, or other places not fit for habitation during the January 2007 "point in time" count of homeless people. As many as several hundred thousand additional families with children apparently had no place of their own to live and were living temporarily with others; in the 2006-2007 school year, public schools reported 680,000 homeless children, some of whom were literally homeless (and thus likely to be reflected in the HUD data), and others of whom were doubled up in what were often unstable living arrangements.[17]

No systematic, national data on homelessness are collected in sufficient "real time" to reflect the impact of the worsening economy over the course of 2008. There are, however, a growing number of troubling reports from states and localities that maintain current data.

- Sixteen of the 22 cities that provided data on homeless families in the fall 2008 U.S. Conference of Mayors survey reported an increase in 2008 compared with 2007; only two reported a decrease. Some of these increases were substantial. For example, Louisville reported a 58 percent increase in homeless families, and San Francisco reported a 50 percent increase in the *wait* for emergency shelter beds.

- One out of five school districts that responded to a recent survey reported having more homeless children in the fall of 2008 than over the course of the entire 2007-2008 school year. More than a third of the districts that could compare the number of homeless children as of a specific date in the fall of 2008 to the number in the same period in 2007 reported an increase, with 141 school districts reporting an increase of 30 percent or more. Often, the recent increase in homelessness comes on top of an increase during the 2007-2008 school year.

- In New York City, 40 percent more families moved into homeless shelters in July - November 2008 than in the same period a year earlier.[18] More families with children

[16] U.S. Department of Housing and Urban Development, "The Third Annual Homeless Assessment Report to Congress," July 2008, http://www.hudhre.info/documents/3rdHomelessAssessmentReport.pdf.

[17] National Center for Homeless Education, "Education for Homeless Children and Youth Program: Analysis of Data from the 2006-07 Federally Required State Data Collection for the McKinney-Vento Education Assistance Improvements Act of 2001" revised July 2008, http://www.serve.org/nche/downloads/data_comp_03-06.pdf.

[18] Data provided by the New York City Department of Homeless Services, January 5, 2009.

now reside in municipal shelters than at any time since collection of data began over 25 years ago.[19]

- In Massachusetts, the number of homeless families residing in state-supported emergency shelters rose by 32 percent between November 2007 and November 2008. The growth in the number of homeless families accelerated beginning in the summer of 2008.[20]

- In Connecticut, the number of homeless families turned away due to lack of bed space was 30 percent higher in September 2008 than in September 2007.[21]

- In Hennepin County, Minnesota, 20 percent more families used county-funded emergency shelters in the first 10 months of 2008 than in the same time period in 2007.[22] The "acute" increase in the number of homeless families with children in the last two years reverses most of the progress made to decrease homelessness since 2001.[23]

- In Los Angeles County, the number of families receiving welfare assistance who were known to be homeless rose by 12 percent between September 2007 and September 2008.[24]

The surveys of cities and school districts indicate that the weakening of the economy is helping to drive the increase in homeless families. A majority of the cities reporting in the recent Conference of Mayors survey also attributed part of the recent increase in homelessness to foreclosures. Similarly, about half of the school districts responding to the recent survey reported an increase in homeless children due to the economic downturn, and 29 percent reported an increase due to foreclosures.

State and Local Resources Are Insufficient to Meet Growing Need

Unlike in prior recessions, many state and local jurisdictions now have coordinated interagency plans to prevent homelessness. These efforts appear to have been somewhat effective, particularly in reducing the number of unsheltered individuals, and could lessen

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[19] Trymaine Lee, "Families With Children in City Shelters Soar to Record Level," *New York Times*, December 23, 2008.

[20] E-mail communication to author from Julia Kehoe, Commissioner, Massachusetts Department of Transitional Assistance, December 23, 2008.

[21] E-mail communication to author from Natalie Matthews, Assistant Director, Connecticut Coalition to End Homelessness, based on data from Connecticut Department of Social Services Homeless Shelter Reports, January 6, 2009.

[22] Memorandum from staff of the Minnesota Housing Finance Agency to the Board of Directors, December 18, 2008.

[23] Data provided by Marge Wherley, Supervisor, Housing and Homeless Initiatives, Hennepin County (Minnesota) Department of Human Services and Public Health, January 5, 2009.

[24] E-mail communication to author from Charlotte Lee, Chief, CalWORKS Program Division, Los Angeles County, December 23, 2008.

the increase in homelessness during this recession if given adequate resources.[25] For example, the number of homeless families with children in Cleveland declined in 2008, even though the city has one of the highest foreclosure rates in the country. City officials attribute this change to increased resources for eviction prevention.

To function effectively, however, these efforts need adequate funds. And as states and localities experience mounting budget shortfalls due to the recession and face a need to cut programs and/or raise taxes to keep their budgets in balance, many will be hard pressed to maintain (let alone to increase) funding for homelessness prevention.[26]

For example, the Denver Department of Human Services will have to cut overall expenditures by about 17 percent for the fiscal year beginning January 1, 2009. As a result, it will be reducing spending on homeless services by about 24 percent, despite the local increase in homelessness.[27]

Troubling reports of insufficient resources to respond to growing need are beginning to come from various school districts. For example, the homeless liaison for Washington's Olympia School District reports that in the first two months of school this fall, "many families were literally on the street with their children" because the shelters were full and no housing vouchers were available.[28] Similarly, the school social worker at Wisconsin's Stevens Point School District reports that local resources are not keeping up with increased requests by homeless families for financial help to rent apartments.

Harmful Effects of Homelessness on Children Will Outlast Recession

If public policies do not prevent a large increase in homeless children in this recession, the adverse consequences for some children could be long-lasting. Various studies have found that housing instability and homelessness lower academic performance, increase the chances of repeating a grade, and reduce high school completion rates.[29] One study found that children experiencing homelessness are almost three times as likely as other children to suffer from emotional or behavioral problems that interfere with learning.[30] Homelessness

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[25] U.S. Department of Housing and Urban Development, "The Third Annual Homeless Assessment Report to Congress," July 2008, http://www.hudhre.info/documents/3rdHomelessAssessmentReport.pdf. HUD cautions that the decrease in homelessness in 2007 compared with 2006 may reflect data errors or changes in data collection methods.

[26] Nicholas Johnson, Elizabeth Hudgins, and Jeremy Koulish, "Facing Deficits, Most States Are Imposing Cuts That Hurt Vulnerable Residents," Center on Budget and Policy Priorities, updated December 23, 2008, http://www.cbpp.org/3-13-08sfp.htm.

[27] E-mail communications from staff of the Denver Department of Human Services. Homeless services spending will still substantially exceed the mid-decade level.

[28] Duffield and Lovell, p. 7.

[29] Jeffrey Lubell and Maya Brennan, ""Framing the Issues — the Positive Impacts of Affordable Housing on Education," Center for Housing Policy and Enterprise Community Partners, 2007.

[30] Better Homes Fund, *Homeless Children: America's New Outcasts*, 1999.

is also associated with children being at greater risk of severe physical health problems than other similarly poor children.[31]

The specific causal pathways connecting housing instability and learning are not well understood; researchers hypothesize that disruptions in courses of instruction or in social networks that reinforce learning, as well as the stress and anxiety caused by the underlying economic hardships, may be responsible for the increased educational difficulties that children in unstable homes experience. It seems clear, however, that frequent moves and school changes set children back in ways that may endure even after housing stabilizes.

Housing Vouchers Have Been Found Effective in Preventing Homelessness

Some families at risk of homelessness due to the downturn could avert homelessness if they secured help paying a few months of overdue rent or utility bills or meeting the costs of moving into a new apartment. Relocation funds could be particularly effective in helping families meet the one-time costs associated with getting settled in new housing after being displaced by foreclosure.

Currently, the federal government funds homelessness prevention activities through two funding streams: the Emergency Food and Shelter Program (EFSP, administered by the United Way, with a federally appointed board of non-profit organizations) and the Emergency Shelter Grant (ESG) program administered by HUD. EFSP received a significant funding increase for 2009 as part of the Homeland Security bill, and the network of agencies through which it works is unlikely to be able to expand further in the time frame needed.

ESG, by contrast (which allocates funds to states and the same local jurisdictions that receive entitlement funding under the Community Development Block Grant program, using the CDBG formula), could productively use more funds. A significant increase in funding for ESG homelessness prevention activities would be an efficient and cost-effective strategy. State and local administrators could effectively use substantially more homelessness prevention funding by working with large networks of existing service providers that form the front line of communities' strategies for responding to homelessness.

For such short-term assistance to be most effective, however, families must be able to sustain their ongoing rental costs. If a parent is unable to find a full-time, steady job and does not qualify for unemployment insurance or another program that provides sufficient income maintenance, very short-term housing assistance could be a "bridge to nowhere." Even if the forthcoming economic recovery legislation includes measures to temporarily increase food stamp benefits and unemployment insurance (in addition to initiatives to generate additional jobs), a substantial increase in the number of very poor families is virtually certain to occur, given the steep increase in unemployment that is anticipated.

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[31] Lubell, Crain, and Cohen, "Framing the Issues — the Positive Impacts of Affordable Housing on Education," Center for Housing Policy and Enterprise Community Partners, 2007.

It therefore makes sense also to include a substantial number of additional housing vouchers in the economic recovery package. Housing vouchers enable families to afford decent housing by paying the difference between the cost of a modest rental unit and 30 percent of a family's income (after certain deductions). Because the amount of the subsidy adjusts with changes in family income, the voucher program works well in an economic downturn, and costs decline as participants become employed and increase their earnings.

Recent evidence from a rigorous, five-year study confirms what previous research indicated: housing vouchers are effective in preventing homelessness. The federally funded Voucher Family Study found that voucher assistance resulted in a 74 percent decrease in the incidence of "official" homelessness. That is, control group members — similarly poor families that did not receive housing vouchers — were four times more likely to have resided in a shelter or on the streets in the fourth year of the study than comparable families that were provided vouchers and rented housing with them.[32]

Reviewing these and other findings, noted researcher and former HUD Policy Director Jill Khadduri has written:

> An extensive body of careful research has demonstrated that housing vouchers are critically important both for preventing families with children from becoming homeless and for helping those who do enter the shelter system to leave it for permanent housing and not become homeless again. . . . [H]aving a voucher serves as protection against the pattern of housing instability that can lead to homelessness; having a voucher virtually eliminates the risk that the family will enter a shelter or sleep in a place not fit for human habitation. For families who do become homeless, housing vouchers are an extensively tested and demonstrably effective tool for moving to permanent housing and remaining stably housed.[33]

Few Vouchers Will be Available to Assist New Families in 2009

Federal housing assistance serves only about one of every four eligible low-income households. Unlike most other major components of the safety net, housing assistance is not an entitlement; appropriations bills and other policies limit the number of families that can be served. And while some families leave the programs each year, freeing up resources for new applicants, fewer families are likely to become independent of federal housing assistance during an economic downturn, which means that fewer new families can be assisted now than would usually be the case.[34]

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[32] Michelle Wood, Jennifer Turnham, and Gregory Mills, "Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation," *Housing Policy Debate* (19:2, 2008), pp. 367- 412. These findings adjust the control group to exclude families that were eventually provided vouchers despite being in the control group. Most of the small number of voucher users in the study who experienced homelessness had left the voucher program by the fourth year, voluntarily or involuntarily.

[33] Jill Khadduri, "Housing Vouchers Critical for Ending Family Homelessness," Homelessness Research Institute, National Alliance to End Homelessness, January 2008, p. 6.

[34] In 2004 – 2006, the latest years for which these data are available, an average of 12 percent of families left the program each year. HUD, "Seventh Annual Report to Congress on Public Housing and Rental Assistance Programs," March 2008. These data indicate, however, that fewer new households received housing vouchers in these years than the number of families exiting the program. This was likely due to

In 2008, for the first time in six years, Congress provided funding for a small number of additional households to receive housing assistance. But few of the roughly 15,000 new housing vouchers will be available to homeless (or imminently homeless) families with children; most of the vouchers are set aside for people with disabilities or homeless veterans. Only approximately 2,840 of the new vouchers can be used for families with children, and these families must be connected to the foster care system.

It is unlikely that the 2009 appropriations bill will provide more than a similarly small number of new vouchers for families with children. The Senate version of the bill would provide about the same number of new vouchers for families with children in the foster care system as in 2008, plus another 10,000 new vouchers for homeless veterans. The House bill would provide about 14,000 new vouchers, all for people with disabilities or homeless veterans. Congress is expected to finalize the 2009 appropriations for HUD and other agencies early in 2009.

Congress Should Fund 200,000 New Vouchers as Part of Recovery Bill

Only a small number of new families with children thus will be able to receive voucher assistance in 2009 unless Congress includes funding for additional vouchers in the economic recovery package.[35] It is reasonable to expect that state and local housing agencies could serve about 10 percent more households in 2009 than in 2008, if they received the requisite resources. This suggests including funding for 200,000 additional vouchers in the recovery package. (Roughly 2 million families now have vouchers.)

If Congress does not place special restrictions on eligibility for the new vouchers, the share that will assist families with children will depend on the state and local agencies that receive the funds, but it is likely that substantially more than half of the newly issued vouchers would go to poor families with children.[36] And since about 40 percent of families with children that newly receive vouchers in a given year have incomes below about *half* of the poverty line even during better economic times, vouchers are well targeted to combat destitution and homelessness.[37]

We estimate that if Congress provided new vouchers in the recovery package, most of them could be "leased up" within six months of enactment. Thus, if Congress approved

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funding reductions and changes in renewal funding policy in those years. In June 2008, some 2,015,000 families were receiving housing voucher assistance.

[35] In addition to whatever small number of new vouchers for families with children Congress may fund for 2009, the number of new families served will depend on the rate of exits from the program, the funding available to reissue these vouchers to new families, and whether some agencies will have sufficient funds remaining from prior years to serve additional families. How large a share of new program participants will be families with children depends on local waiting lists and admissions preferences.

[36] In 2006, 56 percent of households participating in the housing voucher program had minor children. HUD, "Seventh Annual Report to Congress on Public Housing and Rental Assistance Programs: Demographics, Income and Work and Rent," March 2008. It is likely that the share of newly-admitted households with children is larger, as families with children tend to use vouchers for shorter periods of time than other households such as those who are elderly or have permanent disabilities.

[37] *Id.*

legislation by February, families could be stabilized before the start of the new school year in the fall of 2009. Families that use vouchers to help pay the rent in their current dwelling could receive help more quickly than that.

Congress could direct HUD to expedite the usual process for awarding new voucher funds, enabling allocations to be made to state and local agencies within 90 days of enactment. Under existing rules, new funds are divided among states or smaller areas based on indicators of poverty and rental housing need,[38] and agencies then compete for a share of the vouchers allocated to their area. Rather than having agencies compete to administer the funds allocated to their area, Congress could specify that awards are to be made to the agencies in each state with the best recent record of using their voucher funds. (Note: HUD succeeded in developing a new formula to allocate, within 90 days, the $3.9 billion in Neighborhood Stabilization funds provided to states and localities under the foreclosure legislation enacted in July. New voucher funds ought to be able to be distributed even more quickly because the formula for allocating such funds already exists in regulations and is based on readily available data.)

Funding for New Vouchers Need Not Create Future Budget Pressure

Providing 200,000 new housing vouchers through the end of calendar year 2010 would cost about $2.1 billion, including administrative fees. (The voucher program is funded on a calendar year basis.) There has been some concern that these additional vouchers could strain HUD's budget beginning in 2011, when renewal funding for the vouchers would be needed. Yet Congress can provide a quick infusion of resources to prevent homelessness *without* creating subsequent budget pressures — by requiring in the recovery package that agencies receiving the new vouchers *not* reissue these vouchers when the families that receive them leave the program and that these agencies also take other vouchers out of circulation by the end of 2010, through normal turnover, to the extent necessary for the number of vouchers to return to its pre-expansion level.

If agencies are not allowed to reissue the new vouchers, it is reasonable to expect that roughly 30 percent of the new vouchers will have been retired by the end of calendar year 2010. An analysis of HUD data from 1995 - 2002 found that 40 percent of households using vouchers received this assistance for two years or less, with 25 percent leaving in the first year.[39] To offset the vouchers that families continue to use, agencies could be required to delay reissuing vouchers as other families leave the program. In 2006, 13.8 percent of voucher holders left the program.[40] This rate is likely to decline due to the recession, but some households will continue to leave the voucher program for non-economic reasons. If

[38] HUD regulations allow the Secretary to add other objective factors to this "fair share" formula. Measures of change or severity in the unemployment rate could be included in the formula for allocating new vouchers provided in an economic recovery package.

[39] Dianne T. Thompson, "Evaluating Length of Stay in Assisted Housing Programs: A Methodological Note," *Cityscape* (9:1, 2007), pp. 217 – 238. The author of this study noted that the high rate of exits in the first year may indicate a data problem. Of the households that remained on the program for at least 6 months, 9.2 percent had left within 12 months.

[40] HUD, "Seventh Annual Report to Congress on Public Housing and Rental Assistance Programs: Demographics, Income and Work and Rent," March 2008. In 2004 - 2006, an average of 12 percent of participating households exited annually. (The rate increased over this time period.)

an agency with a 1,000-voucher program receives 100 new vouchers in 2009 and 30 of these new vouchers are no longer in use by the end of 2010, the agency would have to retire only 70 of its "regular" vouchers during 2010 to end the year at its pre-expansion size. As long as its exit rate in 2010 is at least 7 percent , the agency could meet a requirement that the new vouchers not increase budgetary needs in 2011.[41]

It is possible that exit rates at particular agencies could be lower than anticipated, resulting in a need for some additional funding in 2011 to maintain new vouchers that were not offset by the shelving of other vouchers as families left the program. There are a number of ways to address this risk. Some agencies may have sufficient reserve funds to meet a short-term need for additional funds and could be required to use the funds for this purpose.[42] In addition, not all of the newly awarded funds are likely to be used by every local agency; unused funds could be recaptured from other agencies and reallocated for this purpose. (Because agencies would not be allowed to reissue the new vouchers that are freed up by families that leave the program after brief stays, some of the newly allocated funds would remain unspent. Agencies that have sufficient turnover to offset the new vouchers that remain in use thus may not use all of the funds awarded for the new vouchers.)

Or Congress could appropriate more than the $2.1 billion proposed in order to have sufficient funds available to sustain the new vouchers through a longer wind-down period. The proposed $2.1 billion is designed to cover funding only for 16 months. We have assumed that on average the new vouchers will begin to be used in September of 2009, and therefore 16 months of funding on average would be needed to sustain the new vouchers through the end of calendar year 2010. Instead, Congress could provide funding for 20 months (about $2.7 billion). In this way, agencies with slower turnover rates could still help prevent homelessness in their communities by accepting a significant number of new vouchers, and in other areas a smaller portion of regular vouchers that families no longer use would have to be shelved.

Thus, even if some agencies are not fully able to reduce the number of families they serve to return to their pre-expansion voucher level by the beginning of 2011, the infusion of new vouchers would not require an increase in renewal funding in 2011 and beyond. In addition, this goal could be achieved without imposing time limits on any individual family still in need of assistance. Agencies also could partner with workforce, welfare, and other agencies to target employment services on new voucher program participants and thereby seek to expedite their return to employment as the economy improves.

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41 It would be important that agencies carefully estimate their likely voucher exit rate in determining how many new vouchers they could use subject to such requirements. The voucher renewal funding policy for 2011 would have to be adjusted to be consistent with these requirements, limiting agencies that received the new vouchers to renewal funding based on vouchers in use at the end of the year rather than on average voucher use for the year, as has recently been the policy.

42 From 2005 – 2007, agencies were allowed to retain an unlimited amount of unused voucher funds from prior years. In 2008, Congress offset the renewal funding due to agencies that were deemed to have excess unspent fund balances, and may employ a similar mechanism in 2009. Currently, the authorizing law does not limit the amount of unspent prior year funds that agencies are allowed to retain and use.

In addition to the immediate and long-term benefits of preventing homelessness and ensuring housing stability, the new vouchers would begin to inject funds into local economies within four to six months after enactment, with an impact on the weak housing sector. And families receiving vouchers that currently are spending most of their income on rent would be able to spend more on food, clothing, health care, and other necessities, boosting total household consumption.

Conclusion

Current evidence leaves little doubt that the worsening recession will cause a substantial increase in homelessness, particularly among families with children. The harm that housing instability and homelessness can inflict on children is significant. To the extent that we can avoid this harm, it is important that a comprehensive package to address the recession include measures to do so.

Housing vouchers are a proven and effective tool to prevent homelessness. The existing administrative infrastructure could quickly provide vouchers to about 200,000 additional households. Homelessness among hundreds of thousands of additional families, including those displaced by foreclosures, can potentially be averted by short-term rental or relocation assistance through HUD's Emergency Shelter Grant program.

Together the cost of these two measures would be about one-half of one percent of the total recovery package. While the level of expenditure would be modest, it would have a major impact on homelessness and destitution. It also would provide some stimulus through the infusion of funds into local economies.

Appendix:
Estimated State Shares of Recommended Increases in Housing Vouchers and ESG Homelessness Prevention Funding

State	Number of New Vouchers	Amount of New ESG Funds	Estimated Number of Households Assisted with New ESG Funds
Alabama	2,538	$26,836,638	7,442
Alaska	413	$2,564,888	436
Arizona	2,734	$29,417,925	5,869
Arkansas	1,812	$14,957,550	4,183
California	32,479	$254,209,250	33,580
Colorado	2,486	$20,776,713	4,100
Connecticut	2,197	$22,696,525	3,410
Delaware	394	$3,918,975	748
District of Columbia	814	$10,107,538	1,260
Florida	7,435	$87,595,463	15,358
Georgia	4,365	$44,760,263	10,158
Hawaii	680	$8,280,500	905
Idaho	850	$6,615,650	1,724

State	Number of New Vouchers	Amount of New ESG Funds	Estimated Number of Households Assisted with New ESG Funds
Indiana	3,673	$38,204,588	9,352
Iowa	1,684	$22,402,300	5,981
Kansas	1,440	$15,184,050	3,989
Kentucky	2,516	$24,804,300	6,687
Louisiana	2,684	$33,812,038	7,478
Maine	993	$10,756,575	2,278
Maryland	2,511	$30,214,763	4,524
Massachusetts	6,013	$59,688,875	8,255
Michigan	5,517	$71,702,063	15,986
Minnesota	2,908	$31,589,625	6,822
Mississippi	1,440	$19,139,350	5,101
Missouri	3,529	$36,684,238	9,369
Montana	793	$5,003,588	1,317
Nebraska	1,140	$10,555,900	2,764
Nevada	1,194	$11,006,600	1,882
New Hampshire	793	$7,188,475	1,172
New Jersey	5,618	$54,922,800	7,832
New Mexico	952	$11,444,463	2,870
New York	25,345	$190,110,688	26,182
North Carolina	4,765	$38,736,925	9,385
North Dakota	490	$3,456,425	1,054
Ohio	7,751	$88,181,650	21,395
Oklahoma	2,042	$16,467,075	4,469
Oregon	2,957	$19,936,338	4,562
Pennsylvania	8,642	$120,807,625	26,400
Rhode Island	1,035	$9,330,488	1,496
South Carolina	2,135	$21,140,588	5,190
South Dakota	556	$4,346,150	1,232
Tennessee	3,214	$27,235,200	6,977
Texas	12,291	$138,826,538	29,327
Utah	1,190	$11,170,225	2,622
Vermont	506	$4,539,113	896
Virginia	3,868	$33,331,313	5,844
Washington	4,803	$33,437,763	6,655
West Virginia	1,049	$13,662,188	3,997
Wisconsin	3,829	$36,345,513	8,387
Wyoming	318	$2,288,125	608

Methodology

Housing Vouchers

We have assumed that the proposed 200,000 additional vouchers would be allocated under the "fair share" rules of current law (42 U.S.C. sec. 1439(d) and 24 CFR 791.402.)

These rules prescribe six factors.[43] We used the Public Use Microdata Sample of the 2007 American Community Survey (ACS) one-year estimates to calculate the six factors for each state in order to determine the relative need for assistance according to the prescribed formula.[44] These are the factors we used:

1. Renter population (20%) — the number of renter households.[45]
2. Poor renters (20%) — the number of renter households with annual incomes at or below the federal poverty line.
3. Overcrowded rental housing (10%) — the number of renter-occupied units with an occupancy ratio of 1.01 or more persons per room.
4. Rental vacancies (10%) — the number of additional units that would be needed to bring the state's rental vacancy rate to the national rate of 7.9% indicated by 2007 ACS data.[46]
5. Substandard rental housing (20%) — the number of housing units built before 1940 and occupied by renters with annual incomes at or below the poverty level.
6. Rental burden for poor households (20%) — the number of renter households with annual incomes at or below 50 percent of the state's median income who pay more than 30 percent of their gross income for rent. (The regulation directs HUD to include "other objectively measurable conditions" weighted at 20% and offers as an example "the number of renter households with incomes below specified levels and paying a gross rent of more than 30 percent of household income." We operationalized this sixth factor by setting the ceiling income at 50 percent of the state median.)[47]

For each factor, we divided each state's raw number by the national total meeting the criteria. The factors were then aggregated according to the weights noted above to create

[43] To attempt to replicate the method HUD would use to allocate new funds, we relied on the description of HUD's methodology in an analysis of the fair share formula by the Joint Center for Housing Studies for two of the factors. William C. Apgar and Christopher E. Herbert, "Fair Access to Housing Assistance Resources: An Examination of the Allocation Process for Section 8 Vouchers and Certificates," Working Paper W94-2, Harvard University, 1994.

[44] Because ACS data is not available for U.S. territories, we have not allocated any share of the 200,000 new vouchers to those jurisdictions. It is unclear to us what data source HUD would use to make those allocations. As of January 2008, only 35,741 of the 2.19M authorized vouchers were in the territories, so this omission likely has little effect of the estimates presented.

[45] The regulation describes the first factor as the "renter population." The JCHS report indicates that HUD interprets this to mean the number of renter *households*, and we followed that interpretation.

[46] The fair share regulation specifies that the vacancy factor is the number of renter units required to maintain vacancies at "levels typical of balanced market conditions." The JCHS report indicates that HUD has interpreted this level as the national average vacancy rate, rather than a specific normative level. (The JCHS report also indicates that HUD measures the number of units vacant for two months or more, but we were unable to replicate this measure using the ACS data.) If the state's rental vacancy rate was above 7.9 percent, it was given a zero for that measure.

[47] Following the convention used for HUD's Worst Case Needs reports, when counting households for factors with an income threshold (2, 5, and 6), households with zero or negative annual incomes are not counted as falling below the threshold.

the state's "fair share" of new vouchers. The proposed 200,000 new vouchers were allocated according to these shares.

Emergency Shelter Grant Homelessness Prevention Funds

We estimated each state's share of the proposed $2 billion in new ESG funds by giving each state the same share of $2 billion as it received of the ESG funding awarded in 2008.[48] These shares take the territories into account, although they are not shown in the table.

To estimate the number of households assisted by new ESG funds in each state, we assumed that the national average ESG cost per household assisted would be $5,000 (including the pro rata share of administrative costs), and used the state's average HUD Fair Market Rent for a two-bedroom apartment in 2008 to get a weighted state average ESG household cost. The new ESG funds allocated to each state under the 2008 formula were divided by this weighted average.

[48] The 2008 ESG allocations are available at http://www.hud.gov/offices/cpd/about/budget/budget08/index.cfm.