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PRESIDENT'S PROPOSAL TO RAISE RENTS ON SOME OF THE NATION'S POOREST HOUSEHOLDS WOULD CAUSE SERIOUS HARDSHIP

By Barbara Sard

The President's budget proposes to raise the rents charged to more than 500,000 of the nation's poorest families. It would do this by raising to \$75 a month the "minimum rent" charged to the poorest families in the rental assistance programs that the Department of Housing and Urban Development administers and eliminating state and local housing agencies' discretion to set the minimum rent below that level.

Half a million families with incomes below \$250 per month, or \$3,000 per year, would face rent increases that many would have difficulty affording. For the vast majority of these households — about 400,000 of them — rents would increase by 50 percent or more. A substantial number of families in every state would face rent increases (see Appendix I), although the severity of the impact would vary due to differences across the states in such factors as joblessness and the strength of other safety-net programs (see Appendix II). The affected families include 725,000 children, and are disproportionately minority.

This proposal comes even as a study by leading poverty researchers finds that the number of U.S. families with children living below a standard the World Bank uses to measure serious poverty in third-world countries — income of less than \$2 per person per day — has more than doubled since the mid-1990s, to 1.46 million families with 2.8 million children.¹

The President's proposal is similar to (although harsher than) one in the version of the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA) that a subcommittee of the House Financial Services Committee approved on February 7, which would require housing agencies and owners to charge these families a minimum rent of \$69.45 a month in rent (and more in future years).² The full House Financial Services Committee is likely to consider the legislation in the next few weeks.

¹ H. Luke Shaefer and Kathryn Edin, "Extreme Poverty in the United States, 1996 to 2011," National Poverty Center Policy Brief #28, February 2012, http://npc.umich.edu/publications/policy_briefs/brief28/policybrief28.pdf. The authors found that about 300,000 of these extremely poor families with children had housing assistance in 2011; this nearly matches our estimate, based on HUD administrative data, that 346,000 families with children (some of whom have income of slightly more than \$2 per person per day) would face rent increases under the proposal.

² See <http://financialservices.house.gov/UploadedFiles/BILLS-112hr-PIH-AHAdd.pdf>.

Families that receive federal rental assistance are generally required to pay 30 percent of their income for rent. Local housing agencies may require families in the public housing and housing voucher programs to pay a minimum rent of \$50 per month, however, if 30 percent of their income is *less* than that amount. For very poor households who live in project-based section 8 rental units, HUD has established a minimum rent of \$25.³ The minimum rent generally affects only the most impoverished recipients, including many who would be at high risk of homelessness in the absence of rental assistance.

The proposal would also force the more than 1,000 local housing agencies that have elected to set minimum rents *below* the current \$50-a-month limit to raise their rents. A housing agency that has set a minimum rent of \$25 a month for destitute families would be forced to triple the rent it requires such families to pay. A 2010 HUD-sponsored study found that 26 percent of local housing agencies surveyed set minimum rents below the \$50 limit.⁴ A mandatory \$75 minimum rental charge would force those agencies to raise rents on close to 100,000 families.

Table 1: Households Facing Rent Increase if Minimum Rent Set at \$75, By Program					
	Housing Choice Vouchers	Public Housing	Project-based Section 8	Supportive Housing for Elderly and Disabled ⁵	Total
National	208,674	139,070	169,226	3,168	520,138

Source: CBPP analysis of HUD 2010 administrative data. The analysis excludes households served by agencies participating in the Moving to Work demonstration, under which the minimum rent can be set at \$75 or more.

³ For the roughly 34,000 households assisted by the Section 8 Moderate Rehabilitation programs, which include a 1980s-era program that assists about 20,000 households, primarily families with children, and a current program that provides single-room-occupancy units for formerly homeless individuals, the minimum rent may be up to \$50 and is determined by the public housing agency that administers the rental assistance contract. The data for these households are included in the project-based section 8 category in Table 1 and Appendix I.

⁴ Abt Associates et al, *Study of Rents and Rent Flexibility*, prepared for HUD Office of Public and Indian Housing, May 26, 2010, http://www.huduser.org/publications/pdf/Rent%20Study_Final%20Report_05-26-10.pdf.

⁵ Currently, a minimum rent applies only to programs under the U.S. Housing Act. HUD's budget proposes to amend the laws that govern several other smaller programs to make them subject to the same policy. Of the approximately 140,000 households assisted by the Supportive Housing Programs for the Elderly (Section 202) and Disabled (Section 811), HUD data indicate that about 3,000 could face higher rents under the new policy. All owners of these properties would be required to implement a hardship exemption policy. HUD also proposes to apply the minimum rent policy to households assisted under the Rent Supplement and Rental Assistance programs, small programs that together assist about 20,000 households. HUD data indicate that 775 of these households may face a rent increase under the proposal.

Proposal Would Mostly Affect Families with Children

Two-thirds of the households the proposal would affect are families with children. These families include 725,000 children.

The recent National Poverty Center study on the doubling of extreme poverty among American families found that the increase occurred disproportionately among families affected by sharp reductions since the mid-1990s in the cash assistance benefits provided by the Temporary Assistance for Needy Families (TANF) program. The basic cash assistance levels that TANF programs provide have fallen 25 percent in real dollars since 1996 in the typical (or median) state; in the majority of states, these benefits now fail to lift families with children who have no other income even to 30 percent of the poverty line. Moreover, the share of poor families with children who receive *any* cash assistance through TANF has plummeted. In 1996, for every 100 families with children living in poverty, 68 received cash assistance through the Aid to Families with Dependent Children program, TANF's predecessor. By 2010, only 27 such families received TANF cash assistance for every 100 in poverty.⁶

As a result, the number of families with children that receive *neither earnings nor* cash assistance (or receive only miniscule amounts) has sharply increased.⁷ This is the principal reason for the finding that the number of families with children living on less than \$2 per person per day has doubled since the mid-1990s. These are among the families that now would be required to pay \$75 a month in rent despite their lack of income.

Moreover, these problems would be aggravated by two factors. First, due to the sharp decrease in the share of poor families with children that receive any TANF benefits, more than five of every six of the very-poor families with children that would face increased rental charges receive *no TANF cash aid* at all. Second, among the families facing higher rents that *do* rely primarily on income from TANF, *nearly half* (44 percent) live in one of the 10 states with the lowest TANF benefits. In these states, TANF benefits for a mother and two children with no other income equal only between 11 percent and 18 percent of the poverty line, leaving these families in difficult straits.⁸ (Appendix II includes state TANF benefit levels.)

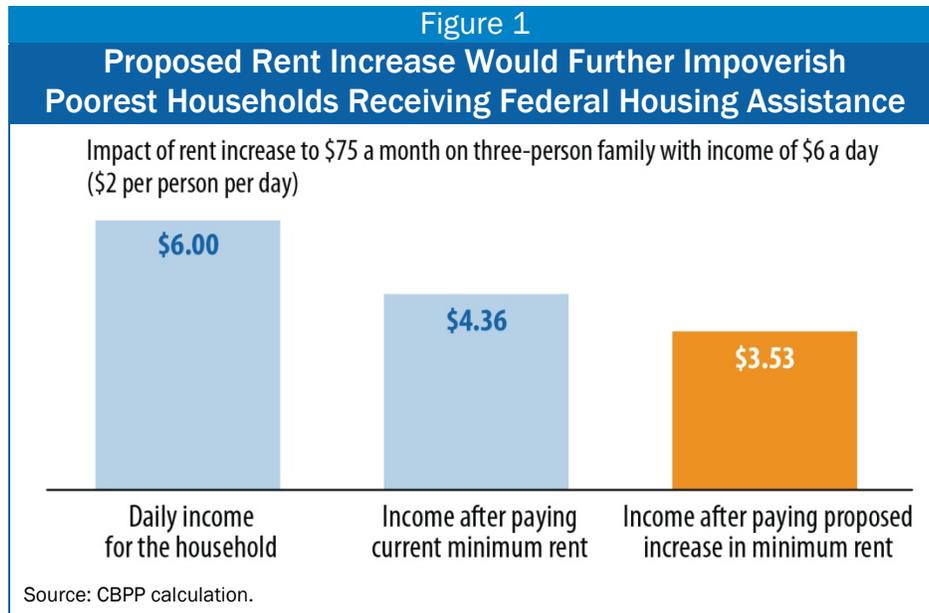
Most of the families that would face these rent increases have pre-school children, who likely are even more vulnerable than older children to the effects of reductions in disposable family income as a result of rent increases. Consistent findings from welfare-to-work programs and other anti-poverty experiments suggest that "income plays a causal role in boosting younger children's achievement" in preschool and elementary school. Contrary to claims by some policymakers that children's well-being

⁶ Danilo Trisi and LaDonna Pavetti, "TANF Weakening as a Safety Net for Poor Families," Center on Budget and Policy Priorities, March 13, 2012, <http://www.cbpp.org/files/3-13-12tanf.pdf>; Ife Finch and Liz Schott, "TANF Benefits Fell Further in 2011 and Are Worth Much Less Than in 1996 in Most States," Center on Budget and Policy Priorities, November 21, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3625>.

⁷ Pamela J. Loprest and Austin Nichols, "Dynamics of Being Disconnected from Work and TANF," Urban Institute, May 2011, <http://www.urban.org/publications/412393.html>.

⁸ These states are Alabama, Arizona, Arkansas, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Texas. See Ife Finch and Liz Schott, "TANF Benefits Fell Further in 2011 and Are Worth Much Less Than in 1996 in Most States," Center on Budget and Policy Priorities, November 21, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3625>.

depends more on how much their parents work than how much they earn, leading poverty researchers Greg Duncan and Katherine Magnuson have found that boosting the incomes of poor families had a significant impact on children’s educational performance whether or not these programs increased the number of hours that the parents worked.⁹



About a quarter of the affected households — some 130,000 people — are non-disabled adults under age 62 who are not raising children. Many of these are formerly homeless individuals who would be at risk of becoming homeless again. Some have very low earnings, and only 13 percent receive any cash income from public assistance. (Nearly all of the remaining households in this group live in states that provide no cash income support for childless adults who do not qualify as disabled or otherwise unemployable.¹⁰ See Appendix II.)

Most elderly or disabled households have sufficient income — typically from SSI or Social Security benefits — that they already pay rent above the proposed \$75 minimum. Nevertheless, about 47,000 elderly or disabled households would face rent increases, because their rent (set at 30 percent of their adjusted income) is less than \$75. Some of these individuals may be able to qualify for an exemption from the minimum rent (see below) because they are awaiting a disability determination to qualify for SSI or Social Security benefits.¹¹ But others are not yet eligible for those benefits because they are between 62 and 65 and don’t qualify as disabled. (Federal law defines “elderly” for housing-program purposes as age 62 or older.)

⁹ Greg J. Duncan and Katherine Magnuson, “The Long Reach of Early Childhood Poverty,” *Pathways*, Winter 2011, http://www.stanford.edu/group/scspi/media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf.

¹⁰ Only 12 states allow non-disabled individuals without other income to receive General Assistance. Liz Schott and Clare Cho, “General Assistance Programs: Safety Net Weakening Despite Increased Need,” Center on Budget and Policy Priorities, December 19, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3603>.

¹¹ Individuals waiting for an eligibility determination under a federal, state or local assistance program may qualify for an exemption from minimum rent based on financial hardship. 24 C.F.R. 5.630(b)(1)(i). Lengthy waiting periods occur primarily among individuals applying for assistance based on disability.

The proposal would disproportionately affect minority families. Fully *three-fourths* of all households at risk of a rent increase under a \$75 minimum rent policy are Black, Native American, Asian/Pacific Islander, or Hispanic. By comparison, 63 percent of all households assisted by HUD low-income rental assistance programs are members of a racial or ethnic minority group.¹²

Hardship Exemptions Ineffective at Protecting Those Most Vulnerable to Rent Increase

Federal law includes a “hardship” exemption that, in theory, could protect many of the neediest households from unaffordable rental increases. But the hardship exemption functions poorly. The criteria for these exemptions are vague, few affected tenants appear to be aware that such exemptions are even possible, and agencies and owners rarely grant them.

A 2010 HUD-sponsored study found that among agencies that had adopted minimum rents, 82 percent reported granting exemptions to *fewer than 1 percent* of the very-poor families subject to the minimum rent, and only 5 percent of agencies said they had exempted more than 10 percent of affected families. In total, about 4 percent of households potentially subject to the current minimum rent policy of up to \$50 for families with vouchers and residents of public housing and \$25 for families in privately-owned assisted housing — or about 14,000 of 373,000 families — received a hardship exemption, despite these families’ deep poverty.

HUD has not assessed the level of hardship experienced by families that pay the minimum rent, but the data strongly suggest that many families at risk of homelessness or other serious hardship do not receive exemptions. Exemptions generally are available only to families that apply for them; if a housing agency does not take effective action to make sure families are cognizant of the exemption policy, or if the affected households — many of which include people with mental and physical disabilities or very low education levels — do not understand that an exemption may be available or do not manage to apply for it, then families that meet the criteria for a hardship exemption will not receive one.

In addition, some of the most destitute households — such as people who experience repeated bouts of homelessness — may not qualify for an exemption, which typically requires a showing of a *change in circumstances*.¹³ Furthermore, families that receive exemptions because of temporary hardships must pay the accumulated rent arrears when their situation improves, even if they still are very poor— or else face eviction.

¹² Of the more than 520,000 households facing a rent increase, 52.4 percent are Black non-Hispanic, 20.5 percent are Hispanic, and 3.3 percent are “other” minorities.

¹³ Families that would be evicted due to inability to pay the minimum rent ought to qualify for an exemption, but HUD policies do not require agencies or owners to establish procedures to ensure that families behind on payment of the minimum rent are flagged to avoid eviction actions against them. See 24 C.F.R. § 5.630.

Rationale for Minimum Rent Increase Unsound

The Administration has provided two reasons for its proposed mandatory \$75 minimum rent: taking inflation in recent years into account and generating savings. Neither rationale withstands scrutiny.

In his testimony and briefings about the budget, HUD Secretary Shaun Donovan stated that the increase to \$75 in the minimum rent would adjust the \$50 level set in 1998 for inflation since then, though he acknowledged that saving costs in this way was a difficult choice. It is true that *rents* have gone up since the late 1990s. But the incomes of extremely poor families generally do *not* rise with inflation in rents or prices generally. As noted, basic cash assistance levels under TANF have fallen 25 percent in real dollars since 1996 in the typical state; they continue to fall further with each passing year. In 2011, 48 states either froze benefits or cut them in *nominal* terms.¹⁴

Indeed, the above-noted finding that the number of U.S. families living on less than \$2 per person per day has more than doubled since the mid-1990s — roughly the same period that the \$50 minimum rent policy has been in place — demonstrates the lack of connection between general inflation and the appropriate level of a minimum rent.¹⁵

HUD estimates that its minimum rent proposal would reduce program costs by slightly more than \$150 million in 2013, with the savings divided roughly equally among the three large rental assistance programs. Yet HUD's estimates of the cost savings for the housing voucher and public housing programs are based on the implausible assumption that housing agencies would impose the minimum rent at the beginning of 2013 for every family now paying a lesser amount (except those currently receiving a hardship exemption), rather than implement the change on a rolling basis at families' annual recertifications.¹⁶ Even if Congress were to approve the policy, it would likely not enact the change before late 2012, which would make it extremely burdensome for housing agencies (and disruptive for assisted households) to implement the policy by January 1, 2013. This is particularly true for the approximately 1,000 local housing agencies that currently set minimum rents *below* the current maximum limit of \$50 per month. Many of these agencies would find it impossible to adequately review requests for a hardship exemption prior to the January 1 deadline.

Moreover, the savings estimate of \$150 million assumes no increase in the number of families receiving a hardship exemption despite the substantial rent increases the proposal would impose on hundreds of thousands of very poor families. Particularly if Congress strengthens the hardship policy so that fewer households fall through the cracks — as it should, whether or not it raises the minimum

¹⁴ See Ife Finch and Liz Schott, "TANF Benefits Fell Further in 2011 and Are Worth Much Less Than in 1996 in Most States," Center on Budget and Policy Priorities, November 21, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3625>.

¹⁵ H. Luke Shaefer and Kathryn Edin, "Extreme Poverty in the United States, 1996 to 2011," National Poverty Center Policy Brief #28, February 2012, http://npc.umich.edu/publications/policy_briefs/brief28/policybrief28.pdf.

¹⁶ That HUD's estimates are based on this assumption was confirmed by HUD staff during a stakeholder call on February 22. In the case of Section 8 PBRA, HUD apparently assumed that the policy would be phased in during 2013.

rent —more than the current 4 percent of households would likely receive exemptions from the higher rent. For example, in the project-based Section 8 program, where 3.6 percent of households subject to the minimum rent receive hardship exemptions and where the majority of households affected by a rent increase would see their rent *triple* from \$25 to \$75, it is reasonable to expect that more families would receive an exemption.

If the minimum rent increase is imposed at families' regular annual recertification in 2013, and more households receive hardship exemptions, the savings from the proposal would likely be less than half as large as the Administration's estimate. Policymakers can find much better ways to secure \$75 million or so in savings to help comply with the \$501 billion statutory cap on non-defense appropriations for fiscal year 2013 than by making some of the poorest American families and children still more destitute, an approach that would abrogate a core principle of the Bowles-Simpson commission report that deficit reduction be done in ways that do not increase poverty and hardship.¹⁷

¹⁷ As fiscal commission co-chairs Erskine Bowles and Alan Simpson stated in their report, deficit reduction should not increase the extent or depth of poverty. See Alan Simpson and Erskine Bowles, "Our advice to the debt supercommittee: Go big, be bold, be smart," *Washington Post*, September 30, 2011, http://www.washingtonpost.com/opinions/our-advice-to-the-debt-supercommittee-go-big-be-bold-be-smart/2011/09/30/gIQAPzjBBL_story.html.

Appendix I:

**Number of Households Facing Rent Increase If Minimum Rent Is Set at \$75,
by State and Program**

	Housing Choice Vouchers	Public Housing	Project-based Section 8	Supportive Housing for Elderly and Disabled	Total Number of Households at Risk
National	208,674	139,070	169,226	3,168	520,138
Alabama	5,508	6,801	3,273	31	15,613
Alaska*	*	0	114	*	114
Arizona	3,755	1,266	1,074	109	6,204
Arkansas	2,697	1,855	1,764	26	6,342
California*	9,879	1,329	4,128	311	15,647
Colorado	4,131	1,034	2,959	34	8,158
Connecticut*	2,818	849	1,328	*	4,995
Delaware*	405	220	527	17	1,169
District of Columbia*	*	0	1,360	16	1,376
Florida	9,784	4,031	8,111	166	22,092
Georgia*	8,896	5,185	6,439	25	20,545
Hawaii	560	294	80	*	934
Idaho	807	76	528	*	1,411
Illinois*	5,763	4,931	8,806	102	19,602
Indiana	7,169	3,344	6,648	63	17,224
Iowa	2,017	227	1,037	12	3,293
Kansas*	1,125	948	1,144	12	3,229
Kentucky*	3,604	2,791	5,286	31	11,712
Louisiana	5,527	1,921	2,837	58	10,343
Maine	691	163	285	*	1,139
Maryland*	2,515	824	2,375	207	5,921
Massachusetts*	2,042	926	2,087	45	5,100
Michigan	5,909	2,212	5,541	35	13,697
Minnesota*	2,024	1,456	2,867	56	6,403
Mississippi	3,211	1,363	4,333	22	8,929
Missouri	7,752	2,749	4,609	109	15,219
Montana	748	313	550	*	1,611

Appendix I cont'd:

**Number of Households Facing Rent Increase If Minimum Rent Is Set at \$75,
by State and Program**

	Housing Choice Vouchers	Public Housing	Project-based Section 8	Supportive Housing for Elderly and Disabled	Total Number of Households at Risk
Nebraska*	947	735	578	25	2,285
Nevada	1,934	670	577	*	3,181
New Hampshire*	434	130	195	*	759
New Jersey	3,084	1,726	3,181	169	8,160
New Mexico	1,122	389	570	28	2,109
New York	4,827	2,171	3,821	87	10,906
North Carolina*	7,170	7,940	5,004	71	20,185
North Dakota	882	192	477	*	1,551
Ohio*	15,697	10,196	15,814	240	41,947
Oklahoma	4,493	2,769	4,025	60	11,347
Oregon*	2,129	253	1,193	46	3,621
Pennsylvania*	4,188	3,564	4,966	83	12,801
Rhode Island	816	702	974	27	2,519
South Carolina	3,977	3,177	5,472	42	12,668
South Dakota	948	145	879	*	1,972
Tennessee	6,667	8,219	8,439	74	23,399
Texas*	19,612	7,528	11,206	189	38,535
Utah	1,396	254	850	*	2,500
Vermont	189	32	82	*	303
Virginia	5,339	3,961	5,749	49	15,098
Washington*	1,101	165	820	52	2,138
West Virginia	2,561	920	1,591	30	5,102
Wisconsin	2,064	690	2,559	27	5,340
Wyoming	254	69	322	*	645
Guam	842	215	15	0	1,072
Mariana Islands	156	0	59	0	215
Puerto Rico	16,345	34,636	9,150	286	60,417
Virgin Islands	154	514	465	31	1,164

Source: CBPP analysis of 2010 HUD administrative data. States marked with an asterisk have one or more agencies participating in the Moving to Work demonstration. We excluded families served by MTW agencies from these estimates because those agencies have broad authority to raise minimum rents under current law. Asterisks for state-level program data mean that 10 or fewer households are affected. National totals include all affected households.

Appendix II: State Safety Net Programs and Share of HUD-Assisted Households Facing Rent Increase Under \$75 Mandatory Minimum Rent				
State	TANF Monthly Benefit, Family of 3	TANF Benefit as Percentage of Federal Poverty Line	General Assistance Benefit for Single Employable Adult	Share of Assisted Households Facing Rent Increase
Alabama	\$215	13.9%	None	18.88%
Alaska	\$923	47.8%	\$120	6.75%
Arizona	\$278	18.0%	None	16.78%
Arkansas	\$204	13.2%	None	13.51%
California	\$638	41.3%	\$221	4.02%
Colorado	\$462	29.9%	None	14.49%
Connecticut	\$674	43.6%	None	7.37%
Delaware	\$338	21.9%	None	11.15%
District of Columbia	\$428	27.7%	None	12.53%
Florida	\$303	19.6%	None	12.74%
Georgia	\$280	18.1%	None	19.17%
Hawaii	\$610	34.3%	None	5.22%
Idaho	\$309	20.0%	None	12.07%
Illinois	\$432	28.0%	None	14.11%
Indiana	\$288	18.7%	Need-based	21.40%
Iowa	\$426	27.6%	\$430 (for one month only)	8.78%
Kansas	\$429	27.8%	None	10.54%
Kentucky	\$262	17.0%	None	19.29%
Louisiana	\$240	15.5%	None	13.09%
Maine	\$485	31.4%	Varies by locality	4.48%
Maryland	\$574	37.2%	None	9.50%
Massachusetts	\$618	40.0%	None	3.51%
Michigan	\$492	31.9%	None	10.49%
Minnesota	\$532	34.5%	None	8.85%
Mississippi	\$170	11.0%	None	17.40%
Missouri	\$292	18.9%	None	18.42%
Montana	\$504	32.6%	None	13.38%
Nebraska	\$364	23.6%	Varies by county	10.65%

Appendix II cont'd:

State Safety Net Programs and Share of HUD-Assisted Households Facing Rent Increase Under \$75 Mandatory Minimum Rent

State	TANF Monthly Benefit, Family of 3	TANF Benefit as Percentage of Federal Poverty Line	General Assistance Benefit for Single Employable Adult	Share of Assisted Households Facing Rent Increase
Nevada	\$383	24.8%	Varies by county	15.61%
New Hampshire	\$675	43.7%	Need-based	3.86%
New Jersey	\$424	27.5%	\$140	5.63%
New Mexico	\$380	24.6%	None	9.62%
New York	\$798	48.8%	Varies by county (\$381 in NYC)	2.02%
North Carolina	\$272	17.6%	None	18.39%
North Dakota	\$477	30.9%	None	13.51%
Ohio	\$434	28.1%	None	20.07%
Oklahoma	\$292	18.9%	None	22.33%
Oregon	\$506	32.8%	None	9.06%
Pennsylvania	\$421	27.3%	None	7.95%
Rhode Island	\$554	35.9%	None	7.15%
South Carolina	\$216	14.0%	None	21.25%
South Dakota	\$555	35.9%	Varies by county	16.17%
Tennessee	\$185	12.0%	None	23.55%
Texas	\$260	16.8%	None	16.44%
Utah	\$498	32.3%	None	14.30%
Vermont	\$665	41.4%	None	2.58%
Virginia	\$389	25.2%	Varies by county (\$220 in Fairfax)	16.34%
Washington	\$478	31.0%	None	4.33%
West Virginia	\$340	22.0%	None	16.22%
Wisconsin	\$673	43.6%	None	7.56%
Wyoming	\$577	37.4%	None	12.89%

Sources: TANF benefit and percentage of poverty levels are from Ife Finch and Liz Schott, "TANF Benefits Fell Further in 2011 and Are Worth Much Less Than in 1996 in Most States," Center on Budget and Policy Priorities, November 21, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3625>. General Assistance data are from Liz Schott and Clare Cho, "General Assistance Programs: Safety Net Weakening Despite Increased Need," Center on Budget and Policy Priorities, December 19, 2011, <http://www.cbpp.org/cms/index.cfm?fa=view&id=3603>. Percentages are calculated by CBPP from HUD 2010 administrative data.