CENTER ON BUDGET AND POLICY PRIORITIES

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ADMINISTRATION HOUSING PROPOSAL WOULD RADICALLY ALTER VOUCHER PROGRAM AND PUBLIC HOUSING AND COULD LEAD TO DEEP FUNDING CUTS

The full report can be viewed at http://www.cbpp.org/5-9-05hous.htm

The Administration is proposing fundamental changes to two of the nation's leading low-income housing programs which would sharply reduce Congressional oversight and set the stage for future funding cuts that could seriously harm low-income families. The two programs affected by the changes, the housing voucher program and public housing, help more than 3 million low-income households.

The Administration's plan was recently introduced in Congress as the State and Local Housing Flexibility Act, S. 771 and H.R. 1999. It has three parts:

1. **Replacing housing vouchers with a block grant that eliminates most federal protections for low-income families.** Under the current voucher program, federal funding is tied to changes in the number of vouchers and actual voucher costs. When more vouchers have been used or costs have fluctuated (due to trends in rents and incomes), the state and local housing agencies that administer the program traditionally have received sufficient funding to cover the actual costs and continue helping the families with vouchers.

   Under a block grant, in contrast, agencies would receive a fixed amount of funding, regardless of changes in voucher costs or the number of vouchers in use. *State and local agencies, not the federal government, would have to cope with any funding shortfall.*

   Block-granting also would eliminate many of the basic rules Congress has put in place to ensure that the voucher program serves its core purpose of helping poor families afford decent housing. If funding shortfalls emerge under a block grant, many housing agencies would have little choice but to assist fewer households or to use the new "flexibility" given them by the elimination of these rules to cut costs in ways that harm families.

   Under current rules, for example, 75 percent of the families that enter the voucher program must have "extremely low" incomes (up to about the poverty line). *Under a block grant, agencies would not have to admit any poor families*, and many housing agencies would likely respond to a cut in program funding by focusing their assistance on families

Background on Affected Programs

The *Housing Choice Voucher program:*

- Provides vouchers that cover part of the cost of renting housing in the private market.
- Assists almost 2 million low-income households.

The *public housing* program*:*

- Funds the operation of rental units owned and run by housing agencies.
- Assists about 1.2 million low-income households.

The vast majority of households served by each program are working families, the elderly, or people with disabilities.

that are somewhat better off, since they require smaller subsidies. In this way, an agency could serve the same number of families for less money, but at the cost of diverting assistance away from the very people the voucher program was created to benefit.

Moreover, block-granting the voucher program would *make future funding shortfalls more likely* by obscuring the link between the program's funding level and the number of families assisted. In the last two years, Congress has rejected the Administration's proposed cuts in voucher funding in part because of publicity regarding the number of families who could lose assistance. Under a block grant, the human impact of cuts in voucher funding would be much less clear, since housing agencies rather than Congress would be responsible for implementing the cuts. (The Administration is not proposing a cut in voucher funding for 2006, but its budget documents show sharp cuts in later years to funding for the budget category that includes the voucher program.)

2. **Eliminating limits on rent burdens for families with vouchers and residents of public housing.** To ensure that these families have enough income left over for food and other basic needs after their rent is paid, federal rules limit the required contribution for rent and utilities to 30 percent of family income. The Administration is proposing to do away with this rule and allow agencies to set rents for the voucher program and the public housing program at any level.

   That could lead to *significant rent hikes* if funding is cut for one or both of these programs, as would be likely under the Administration's budget plans. If the 30-percent limit is eliminated and federal funding is cut, housing agencies would be under pressure to save money by shifting costs to tenants in the form of higher rents.

   In some cases, families may be unable to afford housing under the new, higher rents. These families could be forced to "double up" with other families or even become homeless.

3. **Granting HUD sweeping power to waive virtually all of the rules governing vouchers and public housing.** HUD could waive these rules with *no* input from Congress and *no* advance input from the community. Among other things, this could result in federal housing funds being used in ways that Congress never intended.

   For example, HUD could allow housing agencies to take funds Congress appropriated for vouchers and use them instead for the upkeep of public housing projects. Funding is extremely tight for both programs, but housing agencies may well decide to put their obligation to maintain the housing they own in decent condition ahead of providing vouchers to needy families. Shifting funds from vouchers to public housing would reverse the several-decade-long trend away from publicly owned housing and toward a market-based housing policy exemplified by the voucher program.

Any of these proposals would allow fundamental, damaging changes to the voucher program and the public housing program. Even if Congress rejected the first two proposals but approved the third, it would provide HUD with a "back-door" means by which it could make many of the changes contained in the first two proposals.