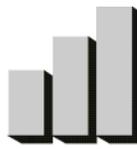


NEWS RELEASE



CENTER ON BUDGET AND POLICY PRIORITIES

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HOUSING ASSISTANCE TO BE ELIMINATED FOR 184,000 HOUSEHOLDS UNDER ADMINISTRATION'S BUDGET REQUEST

With Congress about to set funding levels for federal housing programs for fiscal year 2004, a Center analysis of newly released data from the Department of Housing and Urban Development (HUD) finds that the Administration's budget request for the nation's largest low-income housing program is insufficient and would cause the number of households assisted to drop by approximately 184,000.

Moreover, a much larger number of households could be affected, depending on how housing agencies choose to deal with the funding insufficiency. Housing agencies that do not impose their full share of the 184,000 voucher reduction at the start of the fiscal year will have to eliminate funding for even more vouchers later in the year to achieve the required savings. If all housing agencies cut back on their number of vouchers at an even rate throughout the year, approximately 368,000 fewer households would be assisted at the end of the year than at the beginning.

The Administration's request is \$1.26 billion below what is needed to maintain the current level of assistance, the Center estimates. The Administration request was developed last fall based on data available at that time.

Most of the households affected by the reduction in assistance would be working families, the elderly, and the disabled, who together make up about 70 percent of those served by the program.

Many households will be unable to afford housing without assistance. "Some families could face eviction or, in some cases, homelessness. Some elderly or disabled individuals might not be able to continue to live independently," stated Barbara Sard, the report's lead author.

Program Helps Pay Monthly Rental Costs

Known as the housing voucher program or "Section 8," the program provides families with vouchers that cover part of the cost of renting modestly priced apartments in the private market.

At no point in the voucher program's three-decade history has Congress reduced the number of households served. Due to funding limitations, the program serves only a modest fraction of those eligible for it. The long waiting lists for voucher assistance that now exist across the country would grow longer if HUD is forced to cut back on the program.

New HUD Data Show Budget Request Underestimated Program Costs

Newly issued HUD data show that the Administration's budget request for the voucher program rests on assumptions on average voucher costs and rates of voucher use that have now proven to be much too low. Largely as a result, the budget request is more than \$1 billion below what is needed simply to maintain current levels of assistance. The insufficiency of the Administration request also reflects the fact that \$500 million in program funding from previous years that the Administration had counted upon being available in 2004 when it developed its budget request was rescinded in late February after the budget was submitted, based on Congressional assumptions at that time that the funds would not be needed.

The increase in average voucher costs shown in the new HUD data partly reflects rising rents in the private market and the loss of income for many voucher holders due to the economic downturn. Since voucher-holders pay 30 percent of income for rent, with the voucher covering the remaining rental costs, declines in families' incomes cause voucher costs to rise.

The increase in rates of voucher use shown in the new HUD data partly reflects reforms by the federal government and housing agencies to help families find suitable housing they can rent with their vouchers. For reasons such as a shortage of affordable housing and the reluctance of some landlords to accept vouchers, not all families issued vouchers are able to find housing with them in the time period allowed. Thanks in part to recent reforms, the share of families that succeed in finding housing they can rent with their vouchers has been rising significantly. This has made the program more effective but also has caused earlier estimates of program costs to be too low.

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs. It is supported primarily by foundation grants.

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