



CENTER ON BUDGET AND POLICY PRIORITIES

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HUD RESPONSE TO CENTER REPORT FAILS TO REFUTE FINDING THAT ADMINISTRATION'S BUDGET REQUEST WOULD RESULT IN LARGE REDUCTION IN NUMBER OF LOW-INCOME FAMILIES WITH HOUSING VOUCHERS

By Barbara Sard and Will Fischer

On July 11, 2003, the Center on Budget and Policy Priorities (CBPP) issued an analysis estimating that, if additional funds do not become available, the Administration's fiscal year 2004 budget request for the housing voucher program would result in a shortfall of \$1.26 billion dollars and fail to fund approximately 184,000 vouchers expected to be in use at the beginning of the fiscal year. Such a reduction would fall primarily on working families and elderly and disabled people, who together make up 70 percent of the population that the voucher program serves. On July 14, the Department of Housing and Urban Development issued a statement to reporters entitled "Housing and Urban Development Says Center's Report on Housing Choice Vouchers (Section 8) Funding Erroneous." The text of the statement in its entirety reads as follows:

The Center's report uses incomplete data to draw erroneous conclusions.

Over the past two years Housing and Urban Development has substantially increased funding for the Housing Choice Voucher Program to assist families in need. In fact, the Department's FY 2004 budget requests \$990 million more than is currently being funded for the program that houses more than 1.9 million families.

The Department remains committed to ensuring the Housing Choice Voucher program serves low-income families across America.

The statements in HUD's response are both misleading and essentially irrelevant to the central points and findings of the CBPP analysis. Moreover, HUD fails to provide any facts or analysis substantively contesting the CBPP analysis.

- **The CBPP analysis is based on HUD data that are the most complete and timely data available.** The CBPP analysis used data on the number of vouchers in use, and the average cost of these vouchers, that were collected by HUD itself in March and April 2003 from housing agencies across the country that administer nearly all federal housing vouchers. These are the same data that HUD uses to determine the amount of funding to be distributed from the federal treasury to housing agencies to administer their voucher programs. These data, which are the most recent HUD has made available, cover the period from August 2002 through January 2003. (HUD has since collected data on voucher use and costs for the period from February through April 2003, but HUD has neither provided these more recent data to Congress nor issued any analysis of their implications for the voucher program's funding needs.) By comparison, the Administration's budget request, submitted in February 2003 and

developed last fall, relied on the cost and utilization data available at that time, which are now quite outdated and are from as far back as fiscal year 2001.

- **The funding that would be made available to renew existing vouchers under the Administration's budget request would exceed the amount provided for this purpose in fiscal year 2003 by \$170 million — an increase of about 1.4 percent — rather than by the \$990 million claimed in the HUD statement.** This 1.4 percent increase is insufficient to cover increases in rental charges and in the proportion of vouchers Congress has authorized that actually are in use.

The \$990 million increase cited by HUD evidently compares the total of \$13.61 billion requested by the Administration for the voucher program account in fiscal year 2004 with the \$12.69 provided by Congress in fiscal year 2003. The use of this comparison in the HUD statement is misleading in several respects.

- The \$13.61 billion requested by the Administration includes \$500 million in program funding from previous years that the Administration counted upon being available in 2004 when it developed its budget request *but that was rescinded in late February, after the budget was submitted*, and thus is no longer available. (Congressional action to rescind these funds was based on assumptions at that time that the funds would not be needed.) It is possible that additional funds from previous fiscal years could become available, but the Administration has given no indication that this is likely to be the case.
- In addition, the Administration's budget included \$560 million requested for purposes *other than* renewal of existing vouchers, such as capacity building grants for states and new tenant protection vouchers for families that lose housing assistance under other HUD programs.
- When these funds are set to the side, the amount available to renew existing vouchers under the Administration's request would be \$12.55 billion, compared to \$12.38 billion provided for this purpose in fiscal year 2003. This is an increase of \$170 million, or 1.4 percent.
- **HUD's response does not indicate whether the Administration intends to seek funding for all vouchers in use and, if so, what amount of funding that requires.** The key question is *not* whether the level of funding in 2004 is higher than the level in 2003, but whether sufficient funding is provided to maintain the federal government's longstanding commitment to continue support for all vouchers in use. Both the number of vouchers in use and the average cost of these vouchers will be higher in fiscal year 2004 than in fiscal year 2003. HUD has not provided any analysis, based on more current data than the now-outdated data it used when developing its budget request last fall, that indicates how much funding will be needed in fiscal year 2004 to support vouchers in use, despite the fact that HUD and OMB now have data that are much more up-to-date than the data available at the time the 2004 budget was submitted.