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HOUSE FUNDING LEVEL WOULD LEAD TO MORE THAN 60,000 FEWER FAMILIES RECEIVING HOUSING VOUCHER ASSISTANCE

Amendment Passed on House Floor Provides \$150 Million Beyond Level Approved by Appropriations Committee, but Eliminates Only Part of Shortfall

by Barbara Sard and Will Fischer

On July 25, 2003, the House of Representatives approved H.R. 2861, the appropriations bill that funds the Department of Housing and Urban Development (HUD), the Department of Veterans Affairs, and certain other agencies in fiscal year 2004. The bill would provide \$835 million for the renewal of existing “Section 8” housing vouchers in fiscal year 2004 beyond the amount that would be available under the Administration’s budget. Of this \$835 million increment, \$685 million was made available by the House Appropriations Committee, and \$150 million was added by an amendment the full House approved. Despite these increments, the funding level in the House bill falls short of what is needed to renew funding for all housing vouchers expected to be in use when the fiscal year starts in October, according to a Center on Budget and Policy Priorities analysis of data collected by HUD in April 2003 from state and local housing agencies that administer nearly all federal housing vouchers.

- **About 63,000 vouchers in use by families will lose funding.** Analysis of the HUD data shows that if the House funding level is enacted and no additional resources become available from other sources, approximately 63,000 vouchers expected to be in use serving low-income families at the start of the fiscal year will not be funded.¹ While less harmful than the loss of 184,000 vouchers under the Administration’s budget, this would still constitute an unprecedented reduction in assistance under the voucher program. Never before in the program’s three-decade history has Congress failed to provide sufficient funds to renew all vouchers in use.
- **Congressional Budget Office (CBO) estimate confirms cost data demonstrating shortfall.** The shortfall in the House bill stems in large part from the estimate the House Appropriations Committee used that per-voucher costs will average \$6,575 in fiscal year 2004 (including administrative fees). This estimate, based on data from periods that largely precede the period covered by the HUD data collected in April 2003, is low. Analysis of the more recent HUD data indicates that per-voucher costs will average \$6,871 in fiscal year 2004. Moreover, the shortfall estimate based on the April HUD data is itself conservative and could be too low. On August 26, 2003, the Congressional Budget Office (CBO) released a new estimate that is even higher. CBO now estimates that the average cost per voucher in fiscal year 2004 will be \$7,028.

- **New Administration outlay estimate suggests funding gap could be even larger.** A new budget estimate released by the Office of Management and Budget (OMB) in July 2003 as part of OMB's "Mid-Session Review" appears to project that voucher expenditures (or "outlays") in fiscal year 2004 will be about *\$500 million higher* than the amount our analysis of the April HUD data indicates will be needed to fund all vouchers in use at the start of the fiscal year. If the OMB estimate is accurate, the number of vouchers in use left unfunded under the House bill would be well above 63,000.

There are only two ways that this shortfall can be addressed. The Administration and Congress can agree to provide more funds for the voucher program or they can identify additional funds already available at HUD from prior year appropriations or other sources that can be used to cover the vouchers that would otherwise be left unfunded.

House Bill Would Increase Amount of Funding Available to Renew Existing Vouchers Beyond Level Requested By Administration

The House bill would appropriate \$13.38 billion for the renewal of existing housing vouchers.² This represents an increase of approximately \$835 million above the amount that would be available under the Administration's budget request. The increase in funding for voucher renewals in the House bill was accomplished by:

- reducing the reliance of 2004 voucher funding on the availability of unspent funds from previous years;
- shifting \$185 million away from other items in the voucher account; and
- shifting \$150 million away from the "Working Capital Fund," an account used to fund information technology systems at HUD.

The first two changes were included in the version of the bill that the House Appropriations Committee approved, while the third was added by amendment on the House floor. Each of these three actions would help to address some of the shortfall in the President's request, although the actions could have some downsides.

The largest portion of the increase — approximately \$500 million — was accomplished by reducing the reliance of voucher funding in fiscal year 2004 on the availability of unspent funds from previous years. The Administration's budget request identified \$1.07 billion in unspent funds from fiscal year 2002 and previous years that it indicated would be available in fiscal year 2004, and it relied on these "carryover" funds to help fund the voucher program in 2004. After the budget was submitted, however, Congress rescinded \$500 million of these unspent funds as part of the fiscal year 2003 appropriations act (based on Congressional assumptions at that time that the funds would not be needed). Consequently, only \$570 million of the unspent funds identified by the Administration remain available for use in fiscal year 2004. (The actual amount of prior year funds carried over to fiscal year 2004 could be higher or

lower than \$570 million, but neither HUD nor OMB has provided specific information since the submission of the budget concerning the amount of carryover funds expected to be available.)³

The House bill would increase the appropriation of new funds for the voucher program by \$1.07 billion above the Administration's request (not counting the \$150 million shifted from the working capital fund on the House floor). In effect, the House bill directly appropriates the amount the Administration had simply assumed would be available from carryover funds.⁴ The House bill also adds a rescission of \$1.07 billion in unspent funds (technically "unobligated funds") from fiscal year 2003 or prior years; this rescission could be drawn from unused funds in the voucher program or any other HUD program. This approach provides certainty that the \$1.07 billion, provided through an increase in the appropriation level, will be available to renew housing vouchers in fiscal year 2004. If, as the calculations in this analysis assume, the amount of carryover funds available would otherwise have been equal to the Administration's budget estimate minus the amount rescinded earlier this year, then the House bill would provide \$500 million more for fiscal year 2004 voucher renewals than the Administration's budget request would provide (since \$500 million of the Administration's original request disappeared when the \$500 million rescission was enacted earlier this year).

Prior-year voucher funds could be used to meet the \$1.07 billion rescission target under the House bill. Depending on the amount of recaptured and other carryover funds that are available, some or all of the rescission likely would be met in this manner. It is unlikely, however, that this rescission would have a harmful effect on the current operation of the voucher program. It would not be lawful under the House bill for HUD to meet the rescission by withholding funds needed to meet its commitments under the voucher program during fiscal year 2003.

The House Committee bill also added \$185 million for voucher renewals by setting the funding levels for four other activities under the voucher account some \$185 million below the level the Administration requested, and transferring these funds for use in renewing existing vouchers. The House bill:

- eliminated new "incremental" vouchers (the President had requested 5,500 such vouchers);
- reduced funding for "tenant protection" vouchers for families that lose housing assistance under other federal housing programs;
- reduced funding for the Family Self-Sufficiency program (an asset development and employment services program for housing assistance recipients); and
- eliminated capacity-building grants to enable state governments to prepare for the conversion of the housing voucher program to a block grant, as proposed in the Administration's budget.

With the exception of the state capacity-building grants, each of these reductions could have a negative impact on low-income families. It is likely, however, that the overall harm from

these reductions would be significantly less severe than the harm that would result from allowing a greater number of existing vouchers to be left unfunded, as would occur if the \$185 million were not transferred.

Finally, the full House voted 217 to 208 to approve an amendment adding \$150 million to the funding level for renewing existing housing vouchers beyond the level the Appropriations Committee approved. The House achieved this increase by reducing the funding level for the HUD Working Capital Fund by \$150 million below the level in the bill the Appropriations Committee reported.⁵ The working capital fund provides funds for improvements to HUD's information technology systems. It is not clear what the specific effects of reducing funding for the working capital fund would be. This reduction, however, would not harm low-income families to the degree that a shortfall in voucher funding would.

House Funding Level Falls Approximately \$430 Million Short of Amount Needed to Avoid Cutting Assistance

Despite these increments, the funding level in the House bill is still significantly below the level required to fund all vouchers likely to be in use at the beginning of fiscal year 2004. The annual funding needs of the voucher program depend on two factors: the average cost per voucher and the proportion of vouchers that are in use (sometimes referred to as the utilization rate). Each of these factors depends on local economic and housing market conditions and thus cannot be predicted with precision. As a result, timely data on voucher costs and utilization is critical to estimating the funding needs of the voucher program.

Analysis Using Recent HUD Data Shows Voucher Program Costs Will Exceed Amount that House Bill Provides

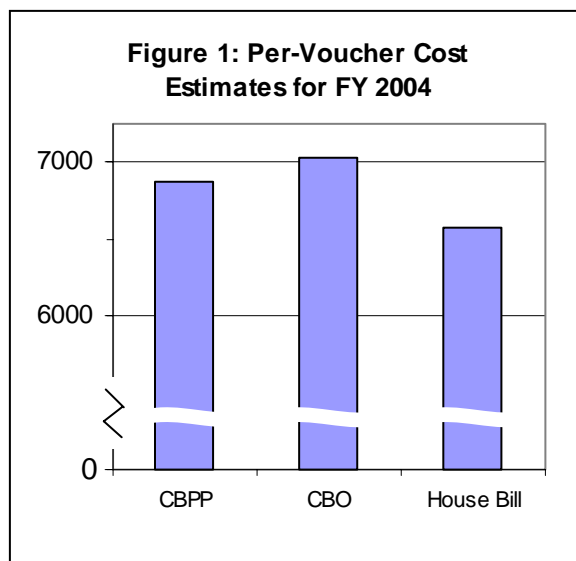
In April 2003, HUD required state and local housing agencies that administer the voucher program to report data on both voucher costs and utilization for the six-month period from August 2002 to January 2003.⁶ These are the same data that HUD uses to determine the amount of funding to be distributed from the federal Treasury to housing agencies to administer their voucher programs. Analysis of the April HUD data shows that the funding level requested in the Administration's budget, which relied on older cost and utilization data that were available at the time the budget was submitted, would fall approximately \$1.26 billion short of the amount needed to support the vouchers likely to be in use when fiscal year 2004 begins in October 2003. As a result, the number of families receiving voucher assistance on average during fiscal year 2004 would need to be reduced by approximately 184,000.

The April HUD data were recently made available to Congressional staff. The House Appropriations Committee did not use these data, however, in determining the funding level it approved for the voucher program. As a result, the assumptions regarding fiscal year 2004 costs and utilization used by the committee in developing the House bill differ from estimates based on the April HUD data.⁷

Most significantly, the Appropriations Committee relied on an estimate of the average per-voucher cost in fiscal year 2004 of \$6,565, which is well below the \$6,871 estimate that results from the analysis of the April HUD data. The primary reason for this difference is that the committee developed its estimate using data that, while somewhat more recent than the data used in the Administration's budget request, are significantly less up-to-date than the April HUD data. The report accompanying the House bill indicates that the committee's estimate of per-voucher costs in fiscal year 2004 relied on cost data from fiscal year-end statements from state and local housing agencies. Unlike the April HUD data, these statements are audited and are therefore likely to be more precise. In part because of the auditing process, however, agencies' year-end statements do not become available for a considerable period of time after the end of the fiscal year they cover. A large majority of the data relied upon by the committee dates from periods that precede the period covered by the April HUD data. It appears the committee used some data from as early as April 2001, 16 months before the first month covered by the April HUD data.⁸

The Appropriations Committee report accompanying the House bill states that these older data were adjusted for inflation. Such an adjustment is unlikely to project changes in voucher costs accurately, however, because voucher costs are driven in part by economic conditions, policy decisions, and other factors that are not reflected in inflation indices. For example:

- When unemployment rises, the average income of voucher holders tends to decline, causing voucher costs to increase (since vouchers generally cover the difference between rental costs and 30 percent of a tenant's income).
- Congress, HUD, and local housing agencies implemented a series of policy reforms in recent years with the goal of making it easier for families to use vouchers and to reduce the number of authorized vouchers left unused. Some of these reforms increased the amount of rent that a voucher is permitted to cover, and as a result raised per-voucher costs.
- The rents paid by families with vouchers are driven by trends in rental costs for housing units at the lower end of the rent scale. Inflation indices, by contrast,



include costs for higher-rent units, whose costs may change at different rates from the costs of lower-rent units.

The April HUD data show that voucher costs rose by 2.0 percent from the first three months covered by the data to the second three months covered by the data. By comparison, the Consumer Price Index (CPI) rose by 0.5 percent during this period, the housing component of the CPI rose by 0.6 percent, and the residential rent component of the CPI rose by 0.8 percent. The committee report did not indicate what inflation index it used to adjust its voucher cost estimate, but regardless of what index it used, an estimate of fiscal year 2004 costs based on the older data the committee relied upon will tend to be less accurate than a projection using the more recent April HUD data.⁹

The data the committee used are likely to be somewhat more precise in describing per-voucher costs for the period they cover. But because they are significantly out of date, these data are less reliable for estimating per-voucher costs and utilization in fiscal year 2004 than the April HUD data. Indeed, as shown in Figure 1 above, the Congressional Budget Office in its Summer 2003 baseline estimated that per-voucher costs in fiscal year 2004 will average \$7,028. This estimate is somewhat higher than the estimate produced by the analysis of the April HUD data that these costs will average \$6,871.

In large part because the funding level for renewal of existing vouchers in the House bill was developed using these older data on average voucher costs, the bill eliminates only part of the shortfall in voucher funding for fiscal year 2004 that likely would occur under the funding level in the Administration's budget request. The funding level in the House bill includes \$150 million in addition to the amount the Appropriations Committee approved (and therefore beyond the amount calculated with the out-of-date information described above). While helpful, this higher amount still is insufficient to eliminate the shortfall. The House bill provides (including funds in a "central fund") about \$433 million less than the amount that analysis of the April HUD data on utilization and costs per voucher indicates will be needed to fund all vouchers in use at the beginning of fiscal year 2004. (See Table 1 for details regarding the number of vouchers that would be funded under the budget request and the House bill. The box on page 8 examines two sources of reserve funds available to state and local housing agencies, explaining why these funds are not adequate to overcome the funding shortfall in the House bill.)

*OMB Outlay Estimate Supports Conclusion that Funding
Level in House Bill is Inadequate*

In July 2003, OMB released an updated estimate of expenditures for the Section 8 program (which includes the housing voucher program) as part of its mid-session budget review. This estimate appears to indicate that expenditures (or "outlays") under the voucher program in 2004 will be more than \$500 million above the amount that our analysis of the April HUD data indicates will be required to fund renewal of vouchers likely to be in use at the start of fiscal year 2004.¹⁰

Table 1
Fiscal Year 2004 Voucher Funding in House Bill and Administration's
Budget Request¹¹

	Cost Per Voucher in FY 2004	Funding Available for Voucher Renewals	Number of Renewal Vouchers Funded	Number of Renewal Vouchers Not Funded ¹²	Number of Vouchers <i>in Use</i> in October 2003 Not Funded ¹³	Percent of Authorized Vouchers Funded	Shortfall if FY 2004 Utilization Is at its Expected Level in October 2003 ¹⁴
Analysis of Administration request based on Administration assumptions regarding costs and availability of carryover funds	\$6,468	\$13.05 billion	2,017,000	89,000	0	95.8%	
Analysis of Administration request using costs estimates based on April HUD data and reflecting rescission enacted in February 2003	\$6,871	\$12.55 billion ¹⁵	1,826,000	280,000	184,000	86.7%	\$1.26 billion
Analysis of House bill using cost assumptions in Committee report	\$6,565 ¹⁶	\$13.38 billion ¹⁷	2,037,000	69,000	0	96.7%	
Analysis of House bill using cost estimates based on April HUD data	\$6,871	\$13.38 billion	1,947,000	159,000	63,000	92.4%	\$433 million
Analysis of House bill using CBO cost estimate	\$7,028	\$13.38 billion	1,903,102	203,131	108,000	90.4%	\$925 million ¹⁸

The outlay estimate from the mid-session review indicates that OMB is making one or both of the following assumptions:

- Per-voucher costs in fiscal year 2004 will be even higher than indicated by the analysis of the April HUD data and well above the amount the House Appropriations Committee assumed.
- The average number of vouchers in use during fiscal year 2004 will be higher than the number that our analysis of the April HUD data indicates will be in use at the start of the fiscal year.

In either case, the amount of additional resources required by the voucher program beyond the funding level in the House bill would substantially exceed \$433 million.

OMB's outlay estimate includes only spending that can be supported by available funds, so the estimate implies that the Administration believes additional funds will be available to the voucher program in fiscal year 2004 from prior-year appropriations or other sources. The Administration has not provided any specific information, however, regarding the source or quantity of added funding that could be available. Moreover, there is no requirement under the House bill that funds from other sources be used to fund voucher renewals if such funds are not rescinded and reappropriated for this purpose.

House Bill Would Leave Unfunded About 63,000 Vouchers Likely to Be in Use

As a result of the \$433 million shortfall in the funding level the House bill provides, approximately 63,000 vouchers likely to be in use at the beginning of the fiscal year will be left unfunded.¹⁹ Most households with vouchers — seven out of ten according to the most recent available HUD data — are either working families with children or elderly or disabled households. If the average fiscal year 2004 reduction of 63,000 vouchers in use under the House bill were applied proportionately across all types of households, the average number of households assisted during fiscal year 2004 would fall below the number assisted in October 2003 by the following amounts:

- 19,000 fewer working families would be assisted;
- 14,000 fewer disabled households would be served;
- 11,000 fewer elderly households would be served; and
- 19,000 fewer households that are not elderly or disabled and whose income is not derived primarily from earnings — including unemployed households — would be served.²⁰

For a list of the reductions that would be required in each state under the House bill, see table 2.

Many housing agencies would not immediately impose their share of the 63,000-voucher reduction that would result from the funding level in the House bill. Some families leave the

program each year as their incomes rise, they die, or for other reasons, and housing agencies likely would try to meet their share of the cut that would be required by using such turnover to gradually reduce the number of families served. Agencies that do not impose the full reduction at the beginning of the year, however, will have to reduce the number of families served by a greater number later in the year in order to achieve the reduction in the *average* number of families served over the full year that would be necessitated by the level of funding in the House bill. If the overall reduction is imposed gradually with the number of families with vouchers declining steadily over the course of the fiscal year, the number of such families would have to be 126,000 lower by the end of the fiscal year than when the fiscal year began. (The 63,000 figure represents the *average* amount by which the number of families assisted over the course of the fiscal year will fall below the number assisted at the start of the year.)

Can Housing Agency Reserves Be Relied on to Prevent Cuts in Voucher Assistance?

The Appropriations Committee report accompanying H.R. 2861 states that two sources of funds would be available to the voucher program in fiscal year 2004 beyond the funding appropriated in the bill: \$1 billion from “program reserves”; and \$721 million from “administrative fee reserves.” It is unlikely that funds from these sources would adequately address the shortfall identified in this analysis.

Congress requires HUD to provide each state and local housing agency at the beginning of its fiscal year with a program reserve that contains an amount of funding equal to one month of the agency’s voucher costs. This reserve is intended to enable the agency to cover funding needs that HUD did not anticipate, such as cost increases resulting from rent increases in the local housing market and initial costs for authorized vouchers that are newly put to use.

It also is not clear whether the \$1 billion in added funds cited in the committee report actually will be available from program reserve accounts in fiscal year 2004. The estimate in the committee report appears to assume that all program reserves used during fiscal year 2003 will be replenished either with \$100 million included in the voucher program’s central fund for this purpose or with prior year funds. In light of the large increases in voucher program costs demonstrated by the April HUD data and a large rescission of funds from prior years that was enacted as part of the 2003 appropriations act, however, there is a strong possibility that substantially more than \$100 million in program reserve funds will be used during fiscal year 2003, and that few funds from prior years consequently will be available to replenish these reserves. If this occurs, HUD could draw additional funds from the 2004 voucher appropriation to replenish reserves or it could fail to replenish depleted program reserves. In either case, the amount of added funding available from program reserves to reduce the shortfall in fiscal year 2004 would be reduced — perhaps substantially — below the amount the House Appropriations Committee estimated.

In addition, while some funds from program reserves should be available to cover voucher renewal costs for fiscal year 2004, many housing agencies are likely to be reluctant to use these funds to prevent reductions in the number of families receiving voucher assistance. Much of the projected reduction in assistance would occur through attrition — that is, by not reissuing vouchers turned in by families leaving the program. If, in fiscal year 2004, Congress and the Administration break the longstanding federal commitment to fund all housing vouchers in use, state and local housing agencies will have little reason to believe that Congress will appropriate sufficient funds in the future to enable HUD to replenish any reserve funds that the housing agencies spend. A shortfall in funding in fiscal year 2004 also will signal housing agencies that they cannot count on receiving full funding for voucher renewals in future years. As a result, many agencies likely would be reluctant to spend the one-time resource represented by program reserves to reissue turnover vouchers, since doing so would create an ongoing need for funds to support those vouchers. Instead, agencies would be likely to use these funds primarily to avoid displacing current voucher holders and to conserve any reserve funds that remain to be used in response to future shortfalls. If most agencies respond in this way, reserve funds will have only a limited impact on the projected reductions in assistance.

Finally, it is uncertain that administrative fee reserves (which contain the portion of the voucher administrative fees earned by a housing agency that have not yet been spent) can be relied on to make up any part of the voucher renewal shortfall in fiscal year 2004. The fiscal year 2003 appropriations act contained new provisions that reduce the amount of new administrative fees provided to agencies with large fee reserves and therefore require such agencies to use reserve funds to cover current administrative expenses. These provisions will reduce the amount of funds in administrative fee reserves before they can be used to meet the cost of voucher renewals or administrative expenses in fiscal year 2004. (A lawsuit filed by a group of housing agencies may, if successful, prevent much of this reduction. It is likely, however, that if the lawsuit is successful, it will also prohibit HUD from requiring housing agencies to use the fee reserves to cover voucher program costs in fiscal year 2004. This outcome would mean that the \$721 million cited by the committee still could not be relied on to fund voucher renewals in fiscal year 2004.)

House Bill Would Prevent Use of Vouchers that Have Been Previously Authorized by Congress but Are Not in Use in October 2003

The House bill, like the Administration's budget request, provides for a central fund to cover unanticipated program costs and to enable state and local agencies to make fuller use of the number of vouchers they have been authorized to administer.²¹ Unless the funding level provided for the program is increased, however, all of the money in this central fund would be needed to support vouchers already in use at the beginning of fiscal year 2004 and, as a result, it would not be possible for state and local housing agencies to put to use vouchers that Congress has authorized but that are not in use in October 2003.

In recent years, Congress has repeatedly urged HUD and state and local housing agencies to increase the proportion of authorized vouchers that are in use, so that vouchers do not sit unused while families remain on waiting lists for assistance. The newly released HUD data show that the voucher utilization rate rose significantly during the period the data cover. This increase appears to have been caused in substantial part by the success of new policies put in place at the national, state, and local levels in recent years to raise the proportion of vouchers in use, as well as by a loosening of housing markets in some sections of the country that has made it easier for families to find housing where they can use their vouchers. It is likely that the trend toward higher utilization will continue in fiscal year 2004 if adequate funding is available. Moreover, HUD has the ability to put to use more of the vouchers that Congress has authorized by "reallocating" vouchers from agencies that have consistently failed to use them to agencies whose track record demonstrates they would be able to put the vouchers to use promptly.

As noted, without additional funding beyond the level in the House-passed bill, no further progress in raising utilization will be possible. Consequently, approximately 95,000 authorized vouchers that are not likely to be in use at the start of fiscal year 2004 but could be used to serve families if utilization continues to rise also would be defunded. These 95,000 vouchers are *in addition to* the 63,000 vouchers in use at the start of the fiscal year that also would have to be defunded. (For estimates of the number of authorized vouchers in each state that are not projected to be in use at the start of the fiscal year and that would be defunded under the House bill, see table 3.) Approximately \$326 million would be required to enable half of the 95,000 vouchers that are not likely to be in use at the start of fiscal year 2004 to be put to use serving families on average during the course of the fiscal year. In combination with the \$433 million needed to fund the 63,000 vouchers expected to be in use, this would amount to a total additional appropriation of about \$759 million above the level provided in the House bill.

Table 2
Projected State Level Reductions in Voucher Assistance
Under Funding Level in House Bill

State	Number of Vouchers Projected to Be in Use in October 2003	Estimated Reduction in Average Number of Households Assisted During Fiscal Year 2004 if House Bill Funding Level is Enacted				
		Total Reduction	Working Families	Elderly Households	Disabled Households	Other Households
Alabama	25,830	810	250	140	180	250
Alaska	3,780	120	40	20	30	40
Arizona	19,810	620	190	110	140	190
Arkansas	21,300	660	200	110	150	200
California	286,610	8,940	2,730	1,520	1,970	2,730
Colorado	26,510	830	250	140	180	250
Connecticut	28,500	890	270	150	200	270
Delaware	4,140	130	40	20	30	40
District of Columbia	8,930	280	90	50	60	90
Florida	83,990	2,620	800	450	580	800
Georgia	45,560	1,420	430	240	310	430
Hawaii	10,800	340	100	60	70	100
Idaho	6,440	200	60	30	40	60
Illinois	77,830	2,430	740	410	530	740
Indiana	34,610	1,080	330	180	240	330
Iowa	20,590	640	200	110	140	200
Kansas	10,570	330	100	60	70	100
Kentucky	29,810	930	280	160	200	280
Louisiana	34,090	1,060	320	180	230	320
Maine	11,780	370	110	60	80	110
Maryland	37,660	1,180	360	200	260	360
Massachusetts	68,630	2,140	650	360	470	650
Michigan	43,180	1,350	410	230	300	410
Minnesota	28,410	890	270	150	200	270
Mississippi	16,540	520	160	90	110	160
Missouri	38,560	1,200	370	200	260	370
Montana	5,420	170	50	30	40	50
Nebraska	10,620	330	100	60	70	100
Nevada	11,420	360	110	60	80	110
New Hampshire	8,910	280	80	50	60	80
New Jersey	62,340	1,940	590	330	430	590
New Mexico	13,300	410	130	70	90	130
New York	192,910	6,020	1,840	1,020	1,320	1,840
North Carolina	52,340	1,630	500	280	360	500
North Dakota	7,040	220	70	40	50	70
Ohio	81,280	2,540	770	430	560	770
Oklahoma	21,970	690	210	120	150	210
Oregon	30,640	960	290	160	210	290
Pennsylvania	76,900	2,400	730	410	530	730
Puerto Rico	26,060	810	250	140	180	250

Rhode Island	8,690	270	80	50	60	80
South Carolina	21,930	680	210	120	150	210
South Dakota	5,560	170	50	30	40	50
Tennessee	29,160	910	280	150	200	280
Texas	133,260	4,160	1,270	710	910	1,270
Utah	9,840	310	90	50	70	90
Vermont	5,940	190	60	30	40	60
Virginia	39,980	1,250	380	210	270	380
Washington	44,160	1,380	420	230	300	420
West Virginia	14,130	440	130	70	100	130
Wisconsin	27,030	840	260	140	190	260
Wyoming	2,180	70	20	10	10	20
Total	2,020,000	63,000	19,000	11,000	14,000	19,000

Note: Rows may not add across due to rounding. Projections assume that reductions in assistance would be distributed proportionately among states based on the number of vouchers in use in each state, and that reductions within states would be distributed based on the proportion of voucher holders in different demographic groups nationally. State totals do not add up to national totals because national totals include some vouchers that were missing from the recently released HUD data and therefore could not be assigned to any state, and because state totals include vouchers that have multi-year funding while the national totals do not. Estimates of reductions in each state are based on the number of expiring vouchers needing renewal that are likely to be in use in each state in October 2003.

Table 3
Projected Number of Vouchers Not in Use at Start of Fiscal Year
Left Unfunded in House Bill

State	Total Number of Authorized Vouchers	Number of Vouchers Projected to Be in Use in October 2003	Number of Vouchers in Use in October 2003 Left Unfunded	Number of Vouchers Not in Use in October 2003 Left Unfunded
Alabama	27,230	25,830	810	1,390
Alaska	4,080	3,780	120	300
Arizona	20,360	19,810	620	550
Arkansas	22,570	21,300	660	1,260
California	290,810	286,610	8,940	4,200
Colorado	27,410	26,510	830	890
Connecticut	30,690	28,500	890	2,190
Delaware	4,440	4,140	130	300
District of Columbia	9,170	8,930	280	240
Florida	86,650	83,990	2,620	2,660
Georgia	47,060	45,560	1,420	1,500
Hawaii	11,890	10,800	340	1,100
Idaho	6,440	6,440	200	10
Illinois	79,390	77,830	2,430	1,560
Indiana	36,530	34,610	1,080	1,920
Iowa	21,010	20,590	640	420
Kansas	10,880	10,570	330	310
Kentucky	30,180	29,810	930	370
Louisiana	35,450	34,090	1,060	1,360
Maine	11,970	11,780	370	190
Maryland	41,310	37,660	1,180	3,650
Massachusetts	70,320	68,630	2,140	1,690
Michigan	45,160	43,180	1,350	1,980
Minnesota	30,070	28,410	890	1,650
Mississippi	17,380	16,540	520	840
Missouri	39,530	38,560	1,200	960
Montana	5,540	5,420	170	120
Nebraska	11,140	10,620	330	530
Nevada	11,820	11,420	360	390
New Hampshire	9,090	8,910	280	170
New Jersey	64,130	62,340	1,940	1,790
New Mexico	13,600	13,300	410	300
New York	198,740	192,910	6,020	5,830
North Carolina	54,090	52,340	1,630	1,760
North Dakota	7,160	7,040	220	120
Ohio	84,320	81,280	2,540	3,050
Oklahoma	22,530	21,970	690	560
Oregon	31,190	30,640	960	550
Pennsylvania	79,910	76,900	2,400	3,010
Puerto Rico	28,480	26,060	810	2,410
Rhode Island	9,270	8,690	270	580

South Carolina	22,830	21,930	680	900
South Dakota	5,660	5,560	170	100
Tennessee	29,960	29,160	910	800
Texas	138,860	133,260	4,160	5,600
Utah	10,320	9,840	310	470
Vermont	6,080	5,940	190	140
Virginia	42,340	39,980	1,250	2,360
Washington	44,270	44,160	1,380	100
West Virginia	14,700	14,130	440	570
Wisconsin	28,020	27,030	840	990
Wyoming	2,180	2,180	70	0
Total	2,106,230	2,011,000	63,000	95,000

Note: Rows may not add across due to rounding. Estimates are based on the number of expiring vouchers needing renewal that are likely to be in use in the state in October 2003 and the remaining number of authorized vouchers in each state. Projections assume that reductions in assistance for vouchers in use would be distributed proportionately among states based on the number of vouchers in use in each state in October 2003. State totals do not add up to national totals because national totals include some vouchers that were missing from the recently released HUD data and therefore could not be assigned to any state, and because state totals include vouchers that have multi-year funding while the national totals do not. States differ in the ratio of vouchers in the two columns on the right due to the different rates of voucher utilization in each state.

¹ The version of the bill approved by the House Appropriations Committee would have left unfunded approximately 85,000 vouchers projected to be in use at the start of the fiscal year.

² The House bill provides \$11.725 billion for renewal of housing vouchers. It also provides \$568.5 million for a central fund that can be used to meet unanticipated increases in voucher costs, to pay for additional vouchers that agencies lease during the fiscal year, and to replenish agencies' one-month reserve accounts, as well as \$1.2 billion for administrative fees. We assume that \$100 million of the amount set aside for the central fund that the Administration's budget indicates would be required to replenish state and local housing agencies' "program reserve" accounts would be used for that purpose, and that \$20 million of the amount set aside for administrative fees is needed for the 34,530 tenant protection vouchers the bill would fund. The remaining amounts total \$13.375 billion available for the renewal of existing housing vouchers.

³ As discussed on page 6, outlay estimates released in July 2004 as part of OMB's mid-session review appear to imply that a substantial amount of funds from prior year appropriations will be available to support the voucher program in fiscal year 2004, but the Administration has provided no specific information on the source or quantity of these funds. The likely use of a portion of available carryover funds to support the greater-than-anticipated number of vouchers leased in fiscal year 2003 is discussed in a box on page 2 of our paper analyzing the likely shortfall in voucher funding in the Administration's budget request. See Sard and Fischer, "New HUD Data Show Families Will Likely Lose Housing Vouchers If Congress Approves President's Budget Request," Center on Budget and Policy Priorities, available on the internet at <<http://www.cbpp.org/7-11-03hous.htm>>.

⁴ The Administration's budget requested new budget authority of \$12.535 billion to support total new obligations for the voucher program of \$13.607 billion, and relied on \$1.072 billion in unobligated balances to make up the remainder. Of the total amount requested for the voucher program, \$13.05 billion was requested to renew existing housing vouchers, including administrative fees. (For an explanation of the amount requested by the President to renew expiring housing vouchers, see Barbara Sard and Will Fischer, "President's Budget Requests Insufficient Funding for Housing Vouchers in 2004," Center on Budget and Policy Priorities, revised April 24, 2003, available

on the internet at < <http://www.centeronbudget.org/3-27-03hous.pdf>>.)

⁵ The committee bill included \$305 million for the Working Capital Fund: \$240 million in direct appropriations and \$65 million in transfers from other program accounts. The amendment approved by the full House reduced the direct appropriation to \$90 million.

⁶ HUD compiled data from 2,449 of the approximately 2,550 local and state agencies that have voucher contracts with HUD. These agencies administer 1,942,000 of the approximately 2,066,000 vouchers awarded to local and state agencies as of January 2003 (including vouchers funded under multi-year contracts). An additional 94,955 vouchers are administered by 16 agencies that receive voucher funding under different rules, as part of the Moving to Work (MTW) demonstration. Using other data sources, we have been able to include these MTW vouchers in this analysis. For the approximately 29,000 authorized vouchers for which we have no data – only 1.4 percent of the total number of authorized vouchers – we applied the overall utilization and cost trends in the HUD data. For a description of our methodology, see “Estimating The Shortfall In Requested Voucher Funding For Fiscal Year 2004,” Center on Budget and Policy Priorities, July 21, 2003, available on the internet at <<http://www.centeronbudget.org/7-22-03hous.htm>>.

⁷ The House Committee bill and the Administration’s request both assume that the number of vouchers that will need renewal at the beginning of the fiscal year will be about 1,936,000 and that the maximum likely utilization rate that state and local agencies could achieve for the fiscal year *as a whole* will be 96 percent, resulting in an average of 2,016,000 to 2,017,000 vouchers in use over the course of the fiscal year. Both the committee bill and the budget request would fund this number of vouchers when their own cost assumptions are used. Because the funding level in the final House bill is somewhat higher than the level approved by the committee, the number of vouchers the bill would fund under the committee’s cost assumptions would be somewhat higher than the number the committee had assumed would be in use. (See Table 1.) The April HUD data indicate, however, that the utilization rate at the beginning of fiscal year 2004 will be 96.7 percent for the vouchers that were under contract to housing agencies at the time these data were collected. See Sard and Fischer, “New HUD Data Show Families Will Likely Lose Housing Vouchers If Congress Approves President’s Budget Request” Center on Budget and Policy Priorities, available on the internet at <http://www.cbpp.org/7-11-03hous.htm>, n. 4.

⁸ The Appropriations Committee appears to have relied on data for the housing agencies’ 2002 fiscal years. These fiscal years are staggered with year-end dates ranging from March 30, 2002 through December 30, 2002. For agencies administering more than half of all vouchers, the fiscal year-end statements relied on by the committee would have included data for some months in federal fiscal year 2001 and only three or six months of cost data for federal fiscal year 2002. Complete verified cost data for the 12 months of federal fiscal year 2002 will not be available until early in FY 2004. By September 2003, however, HUD should have available, in addition to audited fiscal-year-end statements for agencies with fiscal years ending March 30, 2003 or earlier, data submitted by *all* housing agencies concerning voucher leasing and costs for the months of February – July 2003.

⁹ One factor that has a strong influence on trends in voucher costs is the rate of change in the Fair Market Rents (FMRs) set by HUD, which limit the amount of rent that a voucher can cover. FMRs do not necessarily increase at rates similar to the rates of increase in the CPI indices cited in the text or in other indices that might be used to make inflation adjustments. This is the case in part because FMRs include utilities (which are not included in the CPI residential rent index) and are generally based on costs for housing units at the 40th percentile of market units. In addition, FMRs are calculated prior to the beginning of the fiscal year to which they apply based on projections of trends in housing costs, while CPI data are based on actual costs from the period they cover. (To estimate fiscal year 2004 costs based on data from 2001 and 2002, the committee would have needed to supplement retrospective data from the CPI or another inflation index with projections of the index into the future.)

FMRs rose by 6.3 percent nationally from fiscal year 2002 to fiscal year 2003. The 2.0 percent quarterly increase in actual voucher costs observed in the April HUD data is equivalent to an 8.2 percent increase on an annual basis. The increase in FMRs from 2002 to 2003 was unusually large. The proposed 2004 FMRs released by HUD in May 2003 are only 2.5 percent above the FMRs for 2003. (The method used to calculate these increases in FMRs is explained in “Estimating The Shortfall In Requested Voucher Funding For Fiscal Year 2004,” July 21,

2003, available on the internet at <<http://www.centeronbudget.org/7-22-03hou.htm>>.)

¹⁰ The mid-session review estimates that in fiscal year 2004, outlays under Section 8 — which is made up of the voucher program and a project-based housing assistance program with several components — will total \$22.2 billion. This represents an increase of \$1.7 billion above the outlay level of \$20.5 billion estimated in the Administration’s budget request released in February 2003. OMB’s Mid-Session documents do not contain a breakdown of the cost components of the Certificate Fund. CBO, in contrast, provides sufficient detail, in combination with Administration budget documents, to determine the components of its estimate. CBO estimates that outlays for the project-based Section 8 program will total about \$7.4 billion in fiscal year 2004. (See note 18 below.) If OMB’s estimate for project-based subsidies is the same as CBO’s estimate, then it appears that OMB’s outlay estimate for the Certificate Fund includes approximately \$14.8 billion in outlays under the voucher program. Approximately \$400 million of these outlays will likely be spent on vouchers under multi-year contracts that are not up for renewal and for other purposes other than voucher renewals, leaving about \$14.4 billion in outlays for voucher renewals. By comparison, the analysis of the April HUD data indicates that \$13.8 billion dollars will be required to fund renewal of vouchers likely to be in use at the start of fiscal year 2004.

¹¹ The analysis of the House bill in this table uses the funding level the full House approved. Under the lower funding level that was approved by the House Appropriations Committee, an analysis based on the April HUD data shows that: 1,926,000 vouchers would be funded; 180,000 authorized vouchers would be left unfunded; 85,000 vouchers *in use* would be left unfunded; 91.4 percent of authorized vouchers would be funded; and the shortfall (if the fiscal year 2004 utilization rate is equal to the projected October 2003 utilization rate) would be \$583 million.

¹² We use HUD’s estimate that funding for 2,106,233 authorized vouchers expires in fiscal year 2004.

¹³ This column uses our calculation that 2,020,000 vouchers will be in use in October 2003, of which 2,011,000 will require renewal funding. (The remainder have multi-year funding.) See “Estimating The Shortfall In Requested Voucher Funding For Fiscal Year 2004,” July 21, 2003, available on the internet at <<http://www.centeronbudget.org/7-22-03hou.htm>>.

¹⁴ The shortfall estimates are based on the estimate that 2,011,000 vouchers requiring renewal will be in use in October 2003.

¹⁵ See Sard and Fischer, “New HUD Data Show Families Will Likely Lose Housing Vouchers If Congress Approves President’s Budget Request,” available on the internet at <<http://www.cbpp.org/7-11-03hou.htm>>.)

¹⁶ The House report states that it assumes that the average voucher subsidy in fiscal year 2004 will be \$5,980. We calculated that the House Committee bill assumes an average administrative fee of \$585 per year if average voucher costs do not exceed \$5,980 and if all the vouchers for which the Committee provided appropriations are used. (The average fee provided would be slightly less under the final House bill — \$584 — as the amendment provided additional funding to renew more vouchers but did not alter the amount provided for administrative fees.) By comparison, the April HUD data show that from August 2002 through January 2003, the average annualized per voucher administrative fee was \$628. HUD was required to submit a report on the current administrative fee system to Congress on July 1, 2003. The information that should be provided in this report is needed to evaluate the potential impact on the voucher program’s operation of the administrative fee level set in the House bill.

¹⁷ See endnote 2.

¹⁸ CBO now estimates that outlays in fiscal year 2004 under the Housing Certificate Fund will total \$22.043 billion, \$132 million less than OMB recently estimated. (See note 10 above.) CBO provides sufficient detail, in combination with Administration budget documents, to determine the components of its estimate. Approximately \$7.38 billion of Certificate Fund outlays are likely to be for project-based subsidies and administration of HUD’s Section 8 contracts with private owners. Of the remaining \$14.66 billion of estimated expenditures attributable to the voucher program, about \$360 million will likely be spent on vouchers under multi-year contracts that are not up for renewal and for purposes other than voucher renewals, leaving approximately \$14.3 billion in outlays for

voucher renewals. This level of outlays is \$925 million more than the \$13.375 billion the House bill provides for the renewal of housing vouchers in fiscal year 2004.

¹⁹ If the new, higher CBO estimate of costs per voucher proves correct, the shortfall would be much larger: at an average cost per voucher of \$7,028, the appropriations level in the House bill would leave unfunded 108,000 vouchers that are likely to be in use at the start of the fiscal year. See note 18 above.

²⁰ For the sources of these demographic proportions, see endnote 9 of “Estimating The Shortfall In Requested Voucher Funding For Fiscal Year 2004.” See endnote 6 above..

²¹ The House bill also would authorize HUD to tap the central fund to replenish agencies’ reserve accounts at the start of their fiscal years. The Administration’s request included \$100 million for this purpose in the funds set aside for initial voucher renewals.