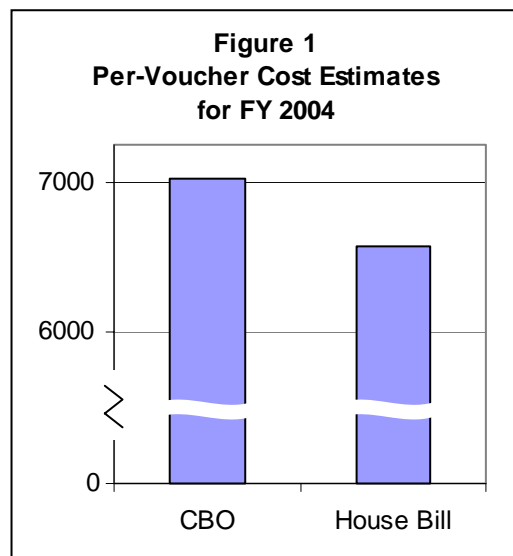


NEW CBO ESTIMATE CONFIRMS SHORTFALL IN HOUSING VOUCHER FUNDING

by Barbara Sard and Will Fischer

As part of its budget projections released this week, the Congressional Budget Office has revised its estimate of the likely cost of housing vouchers in fiscal year 2004. The new CBO estimate reinforces evidence from other sources indicating that the funding level the House provided for the voucher program in H.R. 2861, the fiscal year 2004 appropriations bill passed on July 25, 2003, is inadequate to fund all vouchers likely to be in use when the fiscal year begins.

- CBO estimates that the average per-voucher cost in fiscal year 2004 will be \$7,028. This is well above the estimate of \$6,575 that the House Appropriations Committee used to set the funding level it approved for the voucher program. Average costs per voucher, which depend on local market rents and other variables, are a critical factor in determining the funding needs of the housing voucher program. The lower estimate on which the Committee relied was based on data that are now out-of-date.¹ (See Figure 1.)



- If the CBO estimate proves correct, at an average per-voucher cost of \$7,028, the level of appropriations in the House bill would leave unfunded 108,000 vouchers likely to be in use at the start of the fiscal year.²
- CBO also revised its estimate of the total expenditures (or “outlays”) for the voucher program in fiscal year 2004. *The revised estimate indicates that renewing all vouchers likely to be in use in fiscal year 2004 would cost over \$900 million more than the House bill provides.*³

There are only two ways that the funding shortfall in the House bill 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 and direct that sufficient amounts of such funds be used to cover the vouchers that would otherwise be left unfunded. Failure to take one or both of these steps is likely to result in 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.

Conclusion

The new CBO estimate of average costs per voucher of \$7,028 in fiscal year 2004 suggests that the estimate of \$6,871, which the Center on Budget and Policy Priorities earlier derived from data that HUD collected from housing agencies on voucher costs in the six months ending January 2003, may well have been too low.⁴ CBO's new estimate underscores the conclusion that the funding level in the House bill will almost certainly be insufficient to meet the needs of the housing voucher program in fiscal year 2004. If the Administration and Congress do not address this shortfall by providing more funds for the voucher program or identifying additional funds already available at HUD, tens of thousands of low-income families — primarily elderly and disabled people and working families — will be deprived of needed housing assistance.

¹ The Appropriations Committee appears to have relied on data for housing agencies' 2002 fiscal years. See Barbara Sard and Will Fischer, "House *Funding Level Would Lead to More Than 60,000 Fewer Families Receiving Housing Voucher Assistance*, Center on Budget and Policy Priorities, available on the internet at <<http://www.cbpp.org/8-13-03hous.htm>>, at note 8.

² At CBO's revised per-voucher cost of \$7,028 in fiscal year 2004, the House bill would fund 1,903,102 vouchers. (The House bill provides \$13.375 billion for the renewal of housing vouchers in fiscal year 2004. See the Center paper cited above, at note 2.) According to HUD, 2,106,233 authorized vouchers expire in fiscal year 2004, of which 96 percent, or about 2,020,000, are expected to be in use on average during fiscal year 2004. (CBO, as well, estimates that 96 percent of vouchers will be used in 2004.) Based on data that HUD collected in April from nearly all public housing agencies concerning the number of vouchers leased each month in the period from August 2002 to January 2003, the Center estimated that 2,011,000 vouchers will be in use at the *start* of the fiscal year in October 2003 and need renewal funding. 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.cbpp.org/7-22-03hous.htm>>. Using CBO's revised per-voucher cost estimate, the House bill would leave unfunded 108,000 of the vouchers expected to be in use at the start of the year.

³ CBO now estimates that expenditures, or outlays, in fiscal year 2004 under the Housing Certificate Fund — which includes project-based Section 8 subsidies as well as vouchers — will total \$22.043 billion. (The Office of Management and Budget, as part of its Mid-Session Review, issued its own revised estimate last month of total expenditures in fiscal year 2004 for the Housing Certificate Fund. OMB's estimate is \$132 million *higher* than CBO's estimate.)

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.

⁴ See the Center papers cited in notes 1 and 2.