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Congress Should Add Funding to Prevent 2018 Housing Voucher Cuts

By Douglas Rice and Lissette Flores

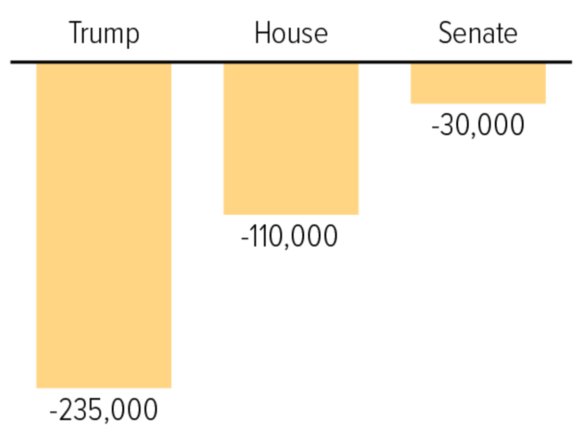
The Senate and House fiscal year 2018 funding bills for the Department of Housing and Urban Development (HUD) would cut the number of Housing Choice Vouchers (HCV) next year by 30,000 and 110,000, respectively, our analysis of updated program cost data finds, leaving many low-income seniors, people with disabilities, and families with children without needed help to afford housing.[1]

Both bills reject the Trump Administration's proposed severe housing aid cuts, and, to their credit, prioritize HUD's core rental assistance programs in a budget constrained by the tight Budget Control Act spending caps.[2] The Senate bill provides $45.5 billion for HUD programs, $1.9 billion over the 2017 level. Most of this additional funding is allocated to continue aid for vulnerable households that currently use housing vouchers or other HUD-administered rental assistance. The House bill freezes HUD program funding at the 2017 level, but shifts funding among programs to cover, at least in part, the rising cost of renewing rental assistance.[3]

FIGURE 1

Potential Housing Voucher Losses Under 2018 Budget Plans

Number of housing vouchers not renewed



Source: CBPP analysis of Department of Housing and Urban Development and other data

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But even the Senate bill's additional resources for housing vouchers would be insufficient. Due to rising rents and other factors, $19.64 billion will be needed to fully renew vouchers in 2018, our analysis finds — $270 million more than the Senate bill provides and $960 million over the House bill amount.[4] We estimate that the Senate bill would fail to renew 30,000 housing vouchers that families are using in 2017, and under the House bill, as many as 110,000 housing vouchers would be left unfunded in 2018. (See Figure 1.)

Both bills provide separate funds to expand modestly the number of housing vouchers available for homeless veterans, people with disabilities, and others. While important, these new vouchers would offset only a small number of the vouchers likely to be lost due to renewal funding shortfalls.

Substantial Funding Increase Needed to Prevent Voucher Cuts in 2018

Housing vouchers help 5.3 million people in 2.2 million households — the vast majority of which are seniors, people with disabilities, or families with children — afford decent housing in the private market. Housing vouchers reduce homelessness and housing insecurity, lift people out of poverty, and improve their quality of life — for instance, by reducing overcrowding and frequent, involuntary moves.[5] They also enable families to move to safer communities with access to quality schools and other opportunities. Rigorous research finds that children in poor families that use housing vouchers to live in safe, low-poverty neighborhoods are more likely to attend college, less likely to become single parents as young adults, and earn more than peers in families that do not.[6]

For these reasons, it is crucial that policymakers provide sufficient funding to renew vouchers every year. We estimate that $19.64 billion is likely needed in 2018 to renew vouchers and prevent a reduction in the number of families using housing vouchers. That's $1.3 billion (7 percent) more than Congress and the President provided for 2017.[7] Several factors are responsible for the increased cost of renewing vouchers:

- **Increased funds are needed to make up for the 2017 renewal funding shortfall.** For 2017, the full cost of renewing all vouchers in use was $18.9 billion, according to HUD, $565 million (3.1 percent) *more* than the $18.36 billion that Congress and the President provided.[8] In the face of this shortfall, some state and local housing agencies have been able to draw temporarily on funding reserves to continue assistance for families using vouchers, while others have been forced to reduce the number of households they assist. Our recommendation would enable agencies to restore any vouchers lost this year due to shortfalls, as well as to cover the full cost of renewing all vouchers still in use.
- **Rental costs are rising at a strong pace**. Private-market rental costs have risen 3.9 percent over the past year, according to the Consumer Price Index (CPI), and an annual average of 3.1 percent over the past five years.[9] Our estimate projects that per-voucher subsidies must rise 3.0 percent to cover rent inflation in 2018, after taking rising tenant incomes into account.[10]

  Subsidies must keep pace with rental costs in order for vouchers to be effective in making rental housing affordable to low-income families. Voucher holders typically contribute 30 percent of their income towards rent and utility costs. When rents increase and subsidies do not fill the gap, tenants may be forced to spend well over 30 percent of their income on housing costs, squeezing funds available to meet other basic needs and making it more difficult for them to cover the rent reliably.
- **More families are using housing vouchers**. Some 30,000 more vouchers must be renewed in 2018 than in 2017. These include several thousand new vouchers aimed at reducing veteran homelessness that HUD issued late in 2016, and 9,000 new tenant protection vouchers that HUD issued this year to provide safe and adequate housing to families displaced by public housing demolition or other assisted housing losses. Additionally, HUD issued nearly 18,000 new vouchers in 2016 to convert public housing under the Rental Assistance Demonstration;

these vouchers will be funded as renewals for the first time in 2018. In sum, these additional vouchers will increase renewal costs by 1.1 percent in 2018, we estimate.

HCV program cost growth has been modest in recent years, and would continue to be so under our recommended renewal funding level for 2018. HCV program funding fell 9 percent from 2010 to 2017, after adjusting for rent inflation, and it would remain well below the 2010 level in 2018 if Congress and the President fully fund renewals at the level we have recommended.[11]

House and Senate Bills Would Cut the Number of Families Receiving Rental Aid

President Trump's 2018 HUD budget proposed severe cuts in many housing programs, including housing vouchers and public housing.[12] It also included several rent policy proposals that would increase rental costs for even the poorest families that receive assistance.[13] The House and Senate HUD funding bills reject these draconian cuts, as well as the President's harmful rent policy proposals. Both bills also prioritize housing vouchers and other critical rental assistance programs. Yet the voucher funding increases that each bill provides are insufficient to cover expected renewal costs, risking the loss of tens of thousands of vouchers that are helping low-income families to pay the rent and make ends meet. (See Figure 1.)

The House bill provides $18.7 billion in renewal funding for the HCV program. This amount is $355 million higher than the 2017 level but $960 million, or about 5 percent, short of the amount that we estimate will be needed to prevent a reduction in the number of families receiving aid. At this level, the bill could fail to renew up to 110,000 vouchers that vulnerable people rely on to afford safe and stable homes. The House bill also includes separate funding for roughly 5,000 new vouchers for non-elderly people with disabilities. While important, these vouchers would offset only a small share of the vouchers lost as a result of the renewal funding shortfall.

The Senate bill is a large improvement over the House bill, providing $19.3 billion for voucher renewals. That's $1 billion more in voucher renewal funding than in 2017, and $660 million more than the House bill. The bill also includes separate funding for roughly 5,000 new vouchers for homeless veterans, 2,500 new vouchers for non-elderly people with disabilities, and about 2,500 new Family Unification Program vouchers to help keep families together. While the Senate bill has many strengths, it provides $270 million less than the $19.64 billion that we estimate will be needed to prevent voucher losses, and could result in the loss of assistance for as many as 30,000 families (or as many as 20,000 after considering the new vouchers for homeless veterans and others that the bill would fund separately).

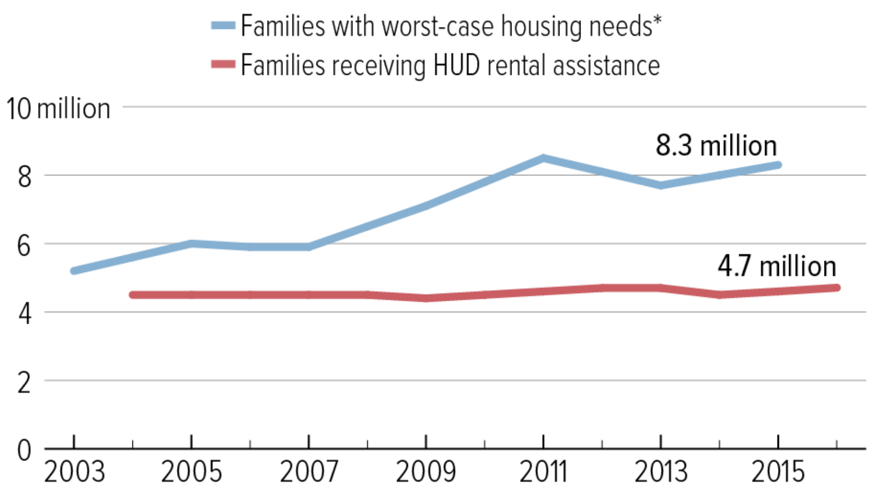
The House bill also cuts funding for voucher program administration by $100 million below the current level, which now covers just 77 percent of the amount agencies are eligible to receive under the HUD cost formula. Agencies use administrative fees to perform important tasks, such as inspecting units to ensure they are safe and sanitary and verifying tenant incomes so that the program is not overpaying or underpaying subsidies. When administrative fees are underfunded, agencies must delay inspections, which delays voucher turnover. Inadequate administrative funding also means that agencies lack the resources they need to reach out to landlords and facilitate opportunities for families using vouchers. The Senate bill would increase fee funding by $75 million to $1.73 billion, an improvement over the 2017 level but still far below what's needed to administer the program effectively, according to a recent rigorous HUD-sponsored study.[14]

Voucher Cuts Worsen Hardships for Vulnerable People and Make It More Difficult for Children to Succeed

Housing vouchers (and other types of federal rental assistance) play an essential role in helping low-income families to pay the rent and make ends meet. Due to funding constraints, however, 3 in 4 eligible families do not receive rental assistance.[15] Indeed, most housing agencies have closed their waiting lists because the number of households seeking assistance far exceeds the supply of vouchers; families who do get on a waitlist must often wait several years before they receive a voucher. And the number of households in need of assistance remains at near-record high levels: according to HUD's latest report, 8.3 million very low-income households had "worst-case housing needs" in 2015, an increase of 60 percent over 2003 and close to the record-high level of 8.5 million in 2011.[16]

FIGURE 2

Federal Rental Assistance Has Not Kept Pace with Growing Need



*"Worst-case housing needs" = renters with incomes below half of the local median who receive no housing assistance and pay more than half of their income for rent and utilities and/or live in severely substandard housing. Data on worst-case housing needs only available through 2015; data on number of assisted families not available for 2003. Rental assistance includes all Department of Housing and Urban Development programs with subsidies tied to tenant income except Housing Opportunities for People with AIDS/HIV and McKinney-Vento permanent housing.

Source: HUD's 2015 and 2017 Worst Case Needs reports and Picture of Subsidized Households data

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(See Figure 2; under HUD's definition, a renter has "worst-case housing needs" if its household income is less than 50 percent of the local area median, it either pays more than half its income for rental costs or lives in severely substandard housing, and it receives no rent aid.)

If policymakers fail to provide adequate voucher renewal funding, the number of families, seniors, and people with disabilities receiving aid will fall in 2018, leaving more to struggle to pay the rent and make ends meet and increasing their risks of homelessness and other hardships. To avert this outcome, Congress should increase HCV funding in the final 2018 funding bill.

Appendix

For reference, the table below shows proposed 2018 funding levels for major HUD programs under the Trump budget and House and Senate HUD funding bills.

TABLE 1

Major HUD Program Funding in Millions

	2017	Trump 2018	House 2018	Senate 2018
Housing Vouchers				
Total	$20,292	19,318	$20,487	$21,368
Renewals	$18,355	$17,584	$18,710	$19,370
Administration	$1,650	$1,550	$1,550	$1,725
Tenant Protection	$110	$60	$60	$75
Veterans (VASH)	$47	$7	$7	$45
Family Unification	$10	$0	$0	$20
People with Disabilities	$120	$107	$150	$130
Section 8 Project-Based	$10,816	$10,751	$11,082	$11,507
Public Housing	$6,342	$4,528	$6,250	$6,445
Homeless Assistance	$2,383	$2,250	$2,383	$2,456
Section 202 Housing for Elderly	$502	$510	$573	$573
Section 811 Housing for People with Disabilities	$146	$121	$147	$147
Housing Opportunities for People with HIV/AIDS	$356	$330	$356	$330
Community Development Block Grant	$3,000	$0	$2,900	$3,000
HOME Investments Partnership	$950	$0	$850	$950

Source: CBPP analysis

[1] H.R. 3353 and S. 1655. Both the House and Senate appropriations committees passed their respective bills in July. The full House approved its bill as part of a "megabus" package in September, but the Senate has not yet voted on its bill. Congress intends to finalize 2018 funding legislation by early December.

[2] Douglas Rice, "Trump Budget Would Increase Homelessness and Hardship in Every State, End Federal Role in Community Development," Center on Budget and Policy Priorities, May 23, 2017, https://www.cbpp.org/blog/trump-budget-would-increase-homelessness-and-hardship-in-every-state-end-federal-role-in. For more on the Budget Control Act caps, see David Reich and Chloe Cho, "Unmet Needs and the Squeeze on Appropriations," Center on Budget and Policy Priorities, May 19, 2017, https://www.cbpp.org/research/federal-budget/unmet-needs-and-the-squeeze-on-appropriations.

[3] Both bills provide adequate renewal funding for Section 8 Project-Based Rental Assistance, Homeless Assistance Grants, Section 202 elderly housing, and Section 811 housing for people with disabilities. Both bills continue the severe underfunding of public housing, however, although the Senate bill does provide $100 million in additional funds for public housing operations, relative to 2017. The appendix table shows proposed funding levels for HUD's major housing assistance programs.

[4] The amount of $19.64 billion is for renewals only; total voucher funding includes additional amounts for administrative expenses, tenant protection vouchers, and other program components. Consistent with our renewal eligibility estimate, we recommend at least $21.56 billion for vouchers overall. As explained below, this amount includes funds to reverse any reduction in the number of assisted households caused by the 2017 renewal funding shortfall.

[5] Will Fischer, "Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children," Center on Budget and Policy Priorities, October 7, 2015, https://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term.

[6] Raj Chetty, Nathaniel Hendren, and Lawrence Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Project," *American Economic Review,* 106 (4), 2016.

[7] This is $280 million less than the $19.92 billion that we estimated would be needed earlier this year (for instance, see Douglas Rice, "Trump Budget Would Increase Homelessness and Hardship in Every State, End Federal Role in Community Development," May 23, 2017, https://www.cbpp.org/blog/trump-budget-would-increase-homelessness-and-hardship-in-every-state-end-federal-role-in). Our updated estimate is lower largely for two reasons. First, based on our review of recent HUD program data, we assume that tenant incomes will rise somewhat faster, which will reduce the amount of subsidy required in 2018. Second, we expect fewer new tenant protection and VASH vouchers to require renewal in 2018 than we had assumed earlier, based on updated information about the size and timing of these awards in 2017.

[8] In implementing the 2017 renewal funding provisions, HUD announced that the appropriation would cover 97 percent of agencies' renewal eligibility. (For most agencies, this means that the renewal funding received for 2017 will cover only 97 percent of their actual 2016 voucher leasing and costs, adjusted for inflation and other factors.) U.S. Department of Housing and Urban Development, "Implementation of the Federal Fiscal Year (FFY) 2017 Funding Provisions for the Housing Choice Voucher Program, PIH2017-10," June 28, 2017, https://www.hud.gov/sites/documents/PIH2017-10.PDF.

[9] These figures are a weighted combination of the CPIs for residential rents (85 percent) and household fuels and utilities (15 percent), through June 2017. Average per-voucher subsidy costs have risen at a slightly higher rate of 4.2 percent over the past 12 months.

[10] The Social Security trustees project that the 2018 Social Security Cost of Living Adjustment will be 2.2 percent; about half of voucher households are seniors or people with disabilities living on Social Security or other fixed income sources. Over the past two years, the incomes of non-elderly, non-disabled voucher households have risen 4.4 percent per year, on average, and our estimate assumes this trend will continue in 2018. Overall, we thus estimate that voucher households' incomes will rise 3.3 percent, on average. If rents rise 3.1 percent, and voucher household incomes rise 3.3 percent, then voucher subsidies must rise 3.0 percent in 2018 to sustain current levels of affordability. (For instance, suppose a tenant contributes $300 towards a monthly rent of $900, and the resulting voucher subsidy is $600. In the next year, if the tenant's contribution rises 3.3 percent to $310, and the rent rises 3.1 percent to $928, then the voucher subsidy rises 3 percent to $618.)

[11] Douglas Rice, "Budget Caps, Not Rent Aid, Forcing HUD Budget Cuts," Center on Budget and Policy Priorities, October 30, 2017, https://www.cbpp.org/research/housing/budget-caps-not-rent-aid-forcing-hud-budget-cuts.

[12] Douglas Rice, "Trump Budget Would Increase Homelessness and Hardship in Every State, End Federal Role in Community Development," Center on Budget and Policy Priorities, May 23, 2017, https://www.cbpp.org/blog/trump-budget-would-increase-homelessness-and-hardship-in-every-state-end-federal-role-in.

[13] Will Fischer, "Trump Public Housing Cuts Would Hurt Vulnerable Seniors and Families," Center on Budget and Policy Priorities, May 25, 2017, https://www.cbpp.org/blog/trump-public-housing-cuts-would-hurt-vulnerable-seniors-and-families.

[14] Abt Associates, "Housing Choice Voucher Program Administrative Fee Study: Final Report," August 2015, https://www.huduser.gov/publications/pdf/AdminFeeStudy_2015.pdf.

[15] See interactive graphic, "Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance," Center on Budget and Policy Priorities, https://www.cbpp.org/three-out-of-four-low-income-at-risk-renters-do-not-receive-federal-rental-assistance.

[16] Department of Housing and Urban Development, "Worst Case Housing Needs: 2017 Report to Congress," August 2017, https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf.