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PROPOSALS TO CUT DOMESTIC PROGRAMS THREATEN LOSS OF HOUSING ASSISTANCE FOR THOUSANDS OF LOW-INCOME FAMILIES

Current House and Senate Bills Would Fully Fund Vouchers

By David Lara and Douglas Rice

Summary

The full House of Representatives and the Senate Committee on Appropriations have approved bills that would provide adequate funding in 2011 to renew all Housing Choice ("Section 8") vouchers used by low-income families this year, according to Center analysis. If final appropriations legislation were to fund the voucher program at the midpoint between the House and Senate bills, it would provide $19.3 billion for housing vouchers, including $17 billion for voucher renewals.

However, several proposals to reduce overall funding for nondefense discretionary programs in the final appropriations bills for fiscal year 2011 threaten cuts in voucher funding that could cause tens of thousands of low-income families to lose rental assistance. These threats are real under each of the plausible scenarios in which Congress may complete final funding legislation for the year:

- If Congress approves an omnibus spending bill before the end of December, overall funding for discretionary programs is likely to be reduced to, or even somewhat below, the level proposed by Senators Sessions and McCaskill earlier this year.[1] If the reductions were imposed uniformly across nondefense discretionary programs, funding for HUD programs would be cut by $800 million below the midpoint of the House and Senate bills, including a cut of nearly $300 million for housing voucher renewals. This would eliminate funding for housing vouchers used by 38,000 low-income families. (A state-by-state breakdown of cuts is in the appendix.)

- If Congress is unable to reach agreement on an omnibus appropriations bill, it could approve a resolution to continue to fund federal agencies at 2010 levels through the remainder of the fiscal year ending on September 30, 2011. Under such a "continuing resolution," cuts to HUD programs, including the voucher program, would likely be deeper than under an omnibus —

[1] An "omnibus" bill would include all of the unfinished appropriations bills for 2011, including Transportation-HUD. The figures in this analysis assume compliance with the separate caps on defense and nondefense funding proposed by Senators Sessions and McCaskill. However, if overall funding for the omnibus is held to the total proposed by Sessions and McCaskill, but defense funding is below what they proposed, then the reduction in nondefense funding would be smaller. For information on the Sessions-McCaskill proposal, see James R. Horney, "Sessions-McCaskill Proposal to Establish Discretionary Funding Limits Would Impose Steep Cuts on Domestic Programs," Center on Budget and Policy Priorities, May 25, 2010, http://www.cbpp.org/cms/index.cfm?fa=view&id=3195.

housing vouchers for 100,000 low-income families would not be funded — but not nearly as deep as they could be if Congress delays final decisions until early next year (see below).

- Finally, Congress could leave final decisions to the next Congress by approving a temporary resolution to fund federal agencies at 2010 levels through early next year. Under this scenario, the new House would almost certainly make major changes to most funding bills, and likely would use as a starting point the September proposal by House Speaker-elect John Boehner to cut overall funding for nondefense discretionary programs by $101 billion, or 21 percent, below fiscal year 2010 funding levels adjusted for inflation.[2] If such a deep cut were imposed uniformly across programs, the HUD budget in the House and Senate bills would be slashed by nearly $10 billion, and funding for voucher renewals would be cut by $3.6 billion. This would result in the elimination of housing vouchers for approximately *475,000* low-income families in 2011, a loss of assistance that would be unprecedented in the history of federal housing policy.

While some state and local housing agencies are able to mitigate the impact of *modest* funding shortfalls on low-income families by drawing down funding reserves to renew vouchers, many agencies have few reserves. Moreover, the funding shortfalls that would exist under the scenarios described above would be far from modest, unless Congress exempted the voucher program from the deep cuts in nondefense programs.

If Congress does not protect the voucher program from cuts, then even under the most favorable of the scenarios described above — an omnibus appropriations bill at the Sessions-McCaskill level — many local housing agencies would be forced to terminate rental assistance for thousands of families, reduce further the number of families they assist through program attrition, and take actions that raise rents sharply on low-income tenants. Under the worst-case scenario — delaying a final HUD funding bill until next year and imposing a 21 percent cut — it would be impossible for agencies to avoid terminating rental assistance for hundreds of thousands of low-income families.

The full renewal of housing vouchers in 2011 is critical to preventing homelessness and other hardships, particularly at a time of high unemployment and weak wage growth. More than 2 million low-income families — nearly all of which include people who are children or elderly or who have disabilities — use vouchers to rent modest housing in the private market. Monthly housing costs for these families would typically *double* or *triple* if their vouchers were terminated, placing many at risk of losing their homes. Moreover, only a fraction of eligible low-income families currently receive assistance due to funding limitations — and the need for assistance is rising sharply. Since 2007, when the economy began to weaken, the number of poor families struggling to pay severely unaffordable rental housing costs has increased by 800,000, or 17 percent, while the number of homeless children living in temporary shelters has increased by 12 percent, to 325,000, in 2009. Two to three times as many were homeless in 2009 if one also includes children living in temporary hotels or motels, doubled up with other families, or on the street.[3]

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[2] For more on the Boehner proposal, see James R. Horney and Robert Greenstein, "Boehner Proposal Would Cut Non-Security Discretionary Programs 21 Percent, The Deepest Such Cut in Recent U.S. History," Center on Budget and Policy Priorities, September 15, 2010, http://www.cbpp.org/cms/index.cfm?fa=view&id=3286.

[3] Housing costs are unaffordable under federal guidelines if they exceed 30 percent of household income. The figures cited here refer to households with housing costs equal to at least half their income. See footnote 14 for data sources.

Cuts in housing vouchers would also diminish a helpful source of economic demand that contributes to growth in local economies. Housing vouchers free up budgetary resources for low-income families that they are likely to spend quickly on food and other necessities. In this respect, housing vouchers are similar to food stamps and unemployment insurance, which the Congressional Budget Office and other economic experts have identified as among the most effective tools to spur demand and boost the economy when it is weak. In addition, housing vouchers reduce vacancies and provide reliable rental income for thousands of low- and moderate-income property owners who rent to voucher tenants. This helps owners to maintain their properties in good condition at a time when foreclosures and high vacancy rates are contributing to blight in many neighborhoods.

House and Senate HUD Bills Would Fully Renew Housing Vouchers in 2011

The House of Representatives and the Senate Committee on Appropriations have approved separate bills to fund programs administered by the U.S. Department of Housing and Urban Development (HUD) for fiscal year 2011. The bills are frugal: both are *below* the 2010 funding level, adjusted for inflation. If the final bill were funded at the midpoint between the two bills, total discretionary funding would be reduced, in real terms, by $453 million, or 0.7 percent, below the real 2010 funding level.

Table 1

Housing Voucher Funding in the House and Senate Bills for 2011 (in millions)

	House	Senate	Midpoint
Housing Vouchers, total	$19,296	$19,396	$19,346
Voucher renewals	$16,980	$17,065	$17,023
Administrative fees	$1,851	$1,851	$1,851
Incremental vouchers	$160	$175	$168
Other	$305	$305	$305

Source: H.R. 5850, S. 3644. "Other" includes funding for tenant protection vouchers when federally-subsidized housing is demolished or lost, renewal of Section 811 rental assistance for people with disabilities, and the Disaster Housing Assistance Program. Figures do not include funding for the Transformation Initiative.

The two bills' proposed funding levels for the Housing Choice Voucher Program are shown in the table. If the final bill were to fund the program at the midpoint between the House and Senate bills, it would provide $19.3 billion for housing vouchers, including $17 billion for voucher renewals.[4] This amount would likely be adequate to renew all vouchers that low-income families used in 2010, according to the Center's analysis of voucher program cost data.[5]

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[4] The House and Senate bills are H.R. 5850 and S. 3644. The figures cited exclude amounts provided in the Housing Choice Voucher Program account in each bill for the Administration's Transformation Initiative.

[5] Put another way, the renewal funding amount is sufficient to provide housing agencies with 100 percent of the funds for which they will be eligible under the voucher renewal formula. This analysis is based on voucher cost data through June 2010; actual renewal eligibility could be somewhat higher or lower depending on cost trends in the second half of the year. In addition, our analysis assumes that the inflation factors used in the voucher renewal formula will average a

A great deal of uncertainty exists about when the final funding bill will be completed. Moreover, total funding for HUD programs in the final bill will likely be lower — perhaps considerably lower — than the amounts in the House and Senate bills. This could have deleterious impacts on low-income families now using housing vouchers, as discussed below.

Potential Cuts Threaten Loss of Vouchers for Tens of Thousands of Families

Several proposals have been introduced in Congress to make deep cuts in overall funding for non-defense programs below the levels in the bills approved by the House and Senate appropriations committees. In recent months, these proposals have gained momentum. They are nearly certain to affect final funding legislation for 2011, including the HUD bill, although the potential impact on any particular program remains difficult to gauge.

The process of finalizing funding legislation for 2011 is likely to proceed along one of the following three paths. In each of these scenarios, HUD funding would be reduced below the levels in the current House and Senate bills; the third scenario would almost certainly result in much deeper cuts than the first two options:

- **Omnibus spending bill could result in loss of funding for 38,000 vouchers.** If Congress approves an omnibus spending bill before the end of December, overall funding for discretionary programs is likely to be set at, or even somewhat below, the level proposed by Senators Sessions and McCaskill in an amendment offered to separate legislation in May. The Sessions-McCaskill proposal requires, in effect, that total funding for nondefense discretionary programs be reduced to 2.4 percent below the 2010 funding level, adjusted for inflation. If such reductions were imposed uniformly across programs, total funding for HUD programs would be reduced by $800 million below the midpoint of the House and Senate bills, including a cut of nearly $300 million for housing voucher renewals.[6] Such a cut would eliminate housing vouchers for approximately 38,000 low-income families.

- **Long-term funding resolution could result in greater loss of vouchers.** If Congress is unable to reach agreement on an omnibus, it could approve a resolution to fund federal agencies at 2010 levels through the remainder of the fiscal year ending on September 30, 2011.

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modest 0.3 percent in 2011, a figure derived from recent changes in the Consumer Price Indices for residential rents and utilities.

The voucher renewal policies of the House and Senate bills are nearly identical: renewal funding for most housing agencies would be based on the leasing and costs of authorized vouchers during calendar year 2010, with adjustments for inflation and additional costs associated with the first-time renewal of tenant protection and incremental vouchers. Of the renewal funding amount, each bill sets aside $150 million for funding adjustments for costs related to "unforeseen circumstances" or portability, project-based voucher commitments, deposits to Family Self Sufficiency escrow accounts, certain agencies that are in receivership and have approved fungibility plans, and to prevent the termination of assistance for families participating in the disaster voucher program.

[6] Specifically, these are the funding reductions that would be made if total funding for HUD discretionary programs was reduced to 2.4 percent below the CBO 2010 baseline level, and the reductions were distributed among programs in proportion to each program's share of total funding. The proposal does not *require* that the funding reductions be imposed uniformly among bills or programs.

Under such a "continuing resolution," cuts to HUD programs, including the voucher program, would likely be deeper than under an omnibus — but not nearly as deep as they are likely to be if Congress delays final decisions until early next year (see below). Funding voucher renewals at the 2010 level (with no adjustment for inflation) would eliminate funding for 100,000 housing vouchers now used by low-income families.[7]

- **Short-term funding resolution could result in loss of nearly *half a million* vouchers.** Congress could approve a continuing resolution to fund federal agencies at 2010 levels through early next year, leaving decisions about funding for the rest of the fiscal year to the next Congress. Under this scenario, the new House would almost certainly make substantial changes to most funding bills for 2011, and likely would use as a starting point the September proposal by House Speaker-elect John Boehner to cut overall funding for nondefense discretionary programs by $101 billion, or 21 percent, below fiscal year 2010 funding levels adjusted for inflation.

  If such a deep cut were imposed uniformly across programs, the HUD budget in the House and Senate bills would be slashed by nearly $10 billion, and funding for voucher renewals would be cut by $3.6 billion. This would result in the loss of housing vouchers for approximately *475,000* low-income families in fiscal year 2011. This would be the deepest reduction in housing assistance for vulnerable families in the nation's history. It would occur at a time when millions of low-income families are already experiencing considerable hardship as a result of persistently high rates of unemployment.

In each of the three scenarios, Congress could choose to protect Housing Choice vouchers (and other programs serving vulnerable individuals and families) from deep cuts — but to do so would likely require making even deeper cuts elsewhere. The deeper the overall funding reductions, moreover, the more difficult it will be to for programs serving low-income families to escape without substantial cuts.

While some state and local housing agencies would be able to mitigate the impact of modest funding shortfalls on low-income families by drawing down funding reserves to renew vouchers, many agencies have few or no reserves on which they can rely. As a result, budget shortfalls would compel many agencies, at a minimum, to cut the number of families they assist through attrition and to reduce voucher payment standards (an action that effectively raises the rents paid by low-income tenants using vouchers unless it is phased in slowly over time).

Furthermore, even under the most favorable of the scenarios examined here (an omnibus appropriations bill with overall funding set at the Sessions-McCaskill level), housing agencies would be forced to terminate assistance for thousands of low-income families, if Congress does not protect the voucher program from substantial reductions in funding below the House and Senate bill levels.

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[7] "Continuing resolutions" typically allow no inflation adjustments in program funding. We estimate that inflation in rents and utility costs will be modest in 2011, about 0.3 percent. Nevertheless, the cost of renewing all housing vouchers in 2011 will be significantly higher than in 2010 due to other factors, the most important of which are the following. Approximately 25,000 new "tenant protection" vouchers are issued to low-income families every year to replace other forms of rental assistance that have been lost, e.g., public housing that has been demolished. In recent years, Congress also has funded a substantial number of new vouchers for homeless veterans, people with disabilities, and other vulnerable populations, and a large share of these vouchers must be renewed for the first time in 2011.

Under the worst-case scenario — a 21 percent cut in voucher funding — the termination of voucher assistance for hundreds of thousands of low-income families would almost certainly be unavoidable.

Renewal of All Vouchers Critical to Preventing Homelessness and Other Hardships

The Housing Choice Voucher Program currently enables 2.1 million low-income families to rent modest apartments in the private market at an affordable cost.[8] The great majority of these households are poor, with incomes averaging about $12,500.[9] About one-third are headed by elderly people or people with disabilities, and half are families with children. Because housing vouchers are a flexible form of rental assistance and are effective at helping even poorer families to remain stably housed, they are an essential tool in community efforts to prevent and reduce homelessness.[10] Housing vouchers are also a cost-effective form of rental assistance.[11]

Monthly housing costs typically double or triple for low-income families that lose voucher assistance, making it extremely difficult for them to afford necessities such as food and medicine and to pay for the child care and transportation required to maintain a job. A significant share of these families are likely to lose their homes.[12]

Due to funding limitations, the voucher program currently serves only a fraction of the low-income families who are eligible for assistance, and the need for rental assistance is rising sharply:

- Some 5.6 million poor households — or about 60 percent of all poor renter households — paid at least *half* of their income for rent and utilities in 2009, according to the most recent Census data. That constitutes an increase of 800,000 households (17 percent) since 2007, prior to the beginning of the recession — and a 45 percent increase since 2003.[13]

- Homelessness is rising across the country, especially among families with children. According to HUD, 325,000 children lived at least part of 2009 in a homeless shelter, an increase of 12 percent since 2007. Separate data from the U.S. Department of Education show that two to three times as many children were homeless in 2009 if one also includes children living in

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[8] Participants in the voucher program generally pay 30 percent of their income for rent and basic utilities; the voucher covers the gap between this payment and the actual costs, within reasonable limits set by the local housing agency and HUD. For general information on the voucher program, see "Introduction to the Housing Voucher Program," Center on Budget and Policy Priorities, May 15, 2009, http://www.cbpp.org/cms/index.cfm?fa=view&id=2817.

[9] HUD Resident Characteristics Report, as of October 31, 2010.

[10] Jill Khadduri, "Housing Vouchers Are Critical for Ending Family Homelessness," National Alliance to End Homelessness, January 28, 2008.

[11] See Government Accountability Office (GAO), *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*, GAO-02-76.

[12] Data compiled by HUD, the Department of Education, and the Bureau of the Census suggest that, every year, roughly 1 in 10 people with incomes below the poverty line become homeless for at least part of the year, if one includes people living temporarily in motels or doubled up with other families, as well as those living in shelters or on the street.

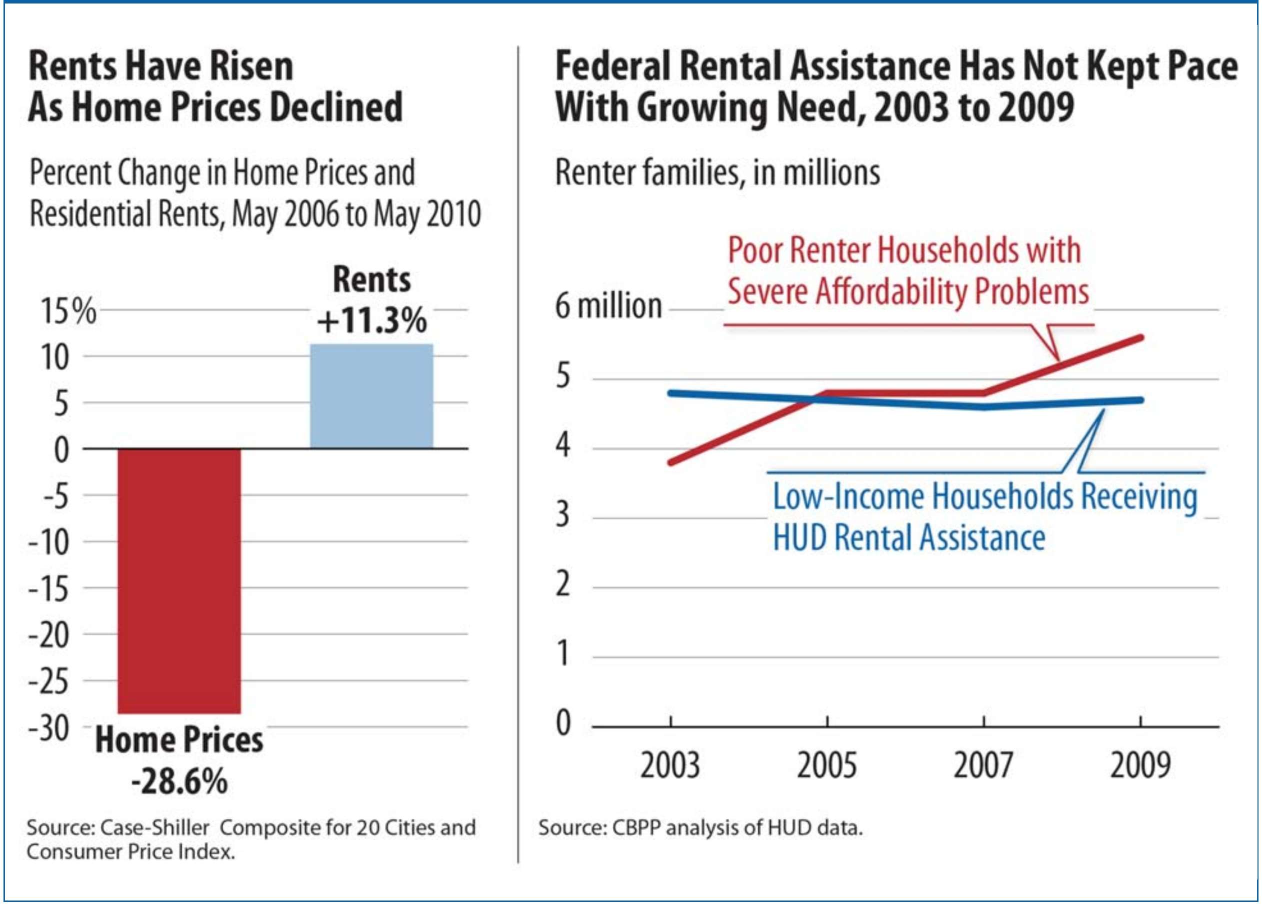
[13] Source is the 2007 and 2009 American Housing Survey, administered by the U.S. Bureau of the Census.

temporary hotels or motels, doubled-up with other families, or on the street.[14]

- Recent changes in the housing market have done little to ease cost burdens on low-income renters. While home prices have fallen by nearly 30 percent since the market peaked in 2006, residential rents have merely leveled off and are actually 11 percent *higher* than in 2006.

Figure 1

Affordability Problems Worsening for Poor Renters



History suggests that these problems are likely to worsen before they get better, as improvement in the unemployment and poverty rates typically lags economic recovery. In the last three recessions, the poverty rate did not begin to fall until a year after the annual unemployment rate began to decline.[15] The most recent Blue-Chip estimates expect that the unemployment rate will remain above 9 percent through the fourth quarter of 2011.[16]

[14] Data are from the following sources: U.S. Bureau of the Census, *2009 American Housing Survey*; U.S. Department of Housing and Urban Development, *The 2009 Annual Homeless Assessment Report to Congress*; National Center for Homeless Education, *Education for Homeless Children and Youth Program Data Collection Summary*, June 2010.

[15] See Arloc Sherman, "Where Will Poverty Go from Here?," Off the Charts Blog, September 17, 2010, http://www.offthechartsblog.org/where-will-poverty-go-from-here/.

[16] Chad Stone and Hannah Shaw, "Emergency Unemployment Insurance Benefits Remain Critical for the Economy," Center on Budget and Policy Priorities, November 10, 2010, http://www.cbpp.org/cms/index.cfm?fa=view&id=3320.

In short, weak income growth is likely to continue among low-income households, sustaining and perhaps even widening the gap between tenants' incomes and housing costs. It is therefore critical that Congress fully renew housing vouchers to prevent reductions in the number of families receiving rental assistance in 2011.

Voucher Cuts Would Also Hurt Local Economies and Housing Markets

While the economy has begun to recover, its continuing weakness has led many economists to conclude that additional stimulus is needed to increase economic activity and reduce unemployment.[17] One of the most effective ways to boost demand and generate increased economic activity is to target financial assistance on low- and moderate-income households, since they are more likely to spend rather than to save any additional income they receive. This is why numerous experts, including the Congressional Budget Office and economist Mark Zandi of Moody's Economy.com, have concluded that expanding food stamp and unemployment benefits is, dollar for dollar, among the most effective ways to spur demand in the face of economic weakness.[18]

In much the same way, rental assistance — including assistance provided through the Housing Choice Voucher Program — provides considerable "bang for the buck" in producing jobs and stimulating economic growth during a downturn. Like food stamps, voucher assistance is targeted to the most hard-pressed families: three-quarters of new admissions to the voucher program must have extremely low incomes (below 30 percent of the area median income). When families use vouchers to rent housing, this frees up budgetary resources that the families will spend quickly on other essentials. The benefits of this increased spending then ripple through the economy.

Indeed, every additional $1 spent on rental assistance will likely generate between $1.50 and $2 in additional economic demand, on a par with the powerful effect of expanded food stamp and unemployment benefits.[19] In addition, housing vouchers reduce vacancies and provide reliable rental income for thousands of low- and moderate-income property owners who rent to voucher tenants. This helps owners to maintain their properties in good condition at a time when foreclosures and high vacancy rates are contributing to blight in many neighborhoods.[20]

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[17] Chad Stone and Hannah Shaw, "Emergency Unemployment Insurance Benefits Remain Critical for the Economy," Center on Budget and Policy Priorities, November 10, 2010, http://www.cbpp.org/cms/index.cfm?fa=view&id=3320.

[18] Mark M. Zandi, "Assessing the Macro Economic Impact of the Fiscal Stimulus 2008," January 2008; Congressional Budget Office, "Policies for Increasing Economic Growth and Employment in 2010 and 2011," January 2010, Table 1, p. 18.

[19] The economic multipliers cited here are consistent with Zandi (2008) and the President's Council of Economic Advisers, "Estimates of Job Creation from the American Recovery and Reinvestment Act of 2009," May 2009.

[20] For further explanation of the role that rental assistance can play in supporting local economies, including local housing markets, see Douglas Rice, "Options For Jobs Legislation: Providing $1 Billion To Prevent Homelessness," Center on Budget and Policy Priorities, December 15, 2009, http://www.cbpp.org/cms/index.cfm?fa=view&id=3032.

Appendix

Potential Cuts in Families Assisted with Housing Vouchers in 2011, by State

	Omnibus at Sessions-McCaskill Level	Continuing Resolution through FY 2011	Revised Funding Bills at Boehner Level
Alabama	516	1,385	6,346
Alaska	77	206	942
Arizona	365	979	4,486
Arkansas	380	1,021	4,678
California	5,370	14,418	66,060
Colorado	506	1,358	6,223
Connecticut	628	1,686	7,723
Delaware	74	200	916
District of Columbia	232	624	2,860
Florida	1,586	4,259	19,513
Georgia	1,068	2,868	13,139
Hawaii	165	442	2,024
Idaho	119	321	1,469
Illinois	1,652	4,437	20,327
Indiana	602	1,616	7,404
Iowa	377	1,012	4,637
Kansas	201	540	2,474
Kentucky	560	1,504	6,889
Louisiana	858	2,303	10,550
Maine	214	576	2,637
Maryland	736	1,977	9,059
Massachusetts	1,306	3,507	16,070
Michigan	912	2,450	11,223
Minnesota	531	1,427	6,536
Mississippi	387	1,038	4,756
Missouri	699	1,878	8,602
Montana	100	269	1,234
Nebraska	199	535	2,453
Nevada	234	628	2,879
New Hampshire	164	441	2,022
New Jersey	1,120	3,007	13,776
New Mexico	224	601	2,751
New York	3,967	10,652	48,804
North Carolina	1,001	2,689	12,319
North Dakota	125	334	1,532
Ohio	1,594	4,279	19,604

Appendix			
Potential Cuts in Families Assisted with Housing Vouchers in 2011, by State			
Oklahoma	421	1,130	5,178
Oregon	576	1,547	7,088
Pennsylvania	1,565	4,202	19,250
Rhode Island	149	401	1,837
South Carolina	419	1,125	5,156
South Dakota	96	257	1,175
Tennessee	588	1,579	7,236
Texas	2,624	7,045	32,277
Utah	184	495	2,266
Vermont	99	265	1,216
Virginia	768	2,061	9,442
Washington	935	2,511	11,504
West Virginia	246	661	3,028
Wisconsin	473	1,271	5,823
Wyoming	39	106	484
Territories	575	1,543	7,070
Total	**38,609**	**103,664**	**474,948**

Note: Figures are Center on Budget and Policy Priorities estimates derived from analysis of HUD data. For each funding reduction proposal, it was assumed that the reduction would be imposed uniformly across nondefense programs. For instance, the Sessions-McCaskill proposal would cap total funding for nondefense discretionary programs in fiscal year 2011 at $544 million, an amount that is 2.4 percent below the 2010 funding level, adjusted for inflation. Accordingly, our estimates assume that total funding for HUD discretionary programs would be set at 2.4 percent below the inflation-adjusted 2010 level, and that reductions in program funding would be made in proportion to each program's share of the total HUD budget. Similar procedures were used in analyzing the impact of the other two proposals. Using projected per-voucher costs for each agency in 2011, we then calculated the number of vouchers in each state that would not receive renewal funding in 2011 under each proposal. The figures assume that housing agencies address shortfalls by reducing the number of families they assist, rather than by taking other steps that may be available to them (most of which would also harm low-income families).