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New Research Reinforces Case for Restoring Lost Housing Vouchers

By Douglas Rice

Two important new studies reinforce the already strong case for restoring the rest of the 100,000 Housing Choice Vouchers cut by the March 2013 sequestration and using a large share to reduce homelessness, as the President has proposed. Funding increases in 2014 and 2015 have enabled state and local housing agencies to restore roughly a third of the lost vouchers, but the need for housing assistance continues to grow, and the studies highlight vouchers' effectiveness in reducing homelessness and producing other short- and long-term gains for families. In the 2016 funding legislation that policymakers will negotiate over the next several weeks, they should include sufficient funding to renew all vouchers that families are using this year, provide an additional \$470 million to restore the remaining vouchers cut by sequestration, and target these vouchers to reduce homelessness and meet other urgent needs.

Studies Show Vouchers Reduce Homelessness, Improve Children's Well-Being and Long-Term Outcomes

One of the new studies, the Family Options Study, is the first rigorous, large-scale evaluation of alternative strategies to reduce homelessness among families with children. Nearly 2,300 families living in homeless shelters in 12 cities were randomly assigned one of several types of assistance, including vouchers.¹ Researchers are tracking a wide range of outcomes over 36 months and recently released interim results at 20 months.

The interim analysis found that vouchers sharply reduce homelessness and housing instability (a broader category that also includes living doubled up with friends and family) among families, and do so much more effectively than the other interventions. (See Figure 1.) In addition, the housing stability that vouchers provided appears to have had positive radiating effects on other aspects of family well-being.

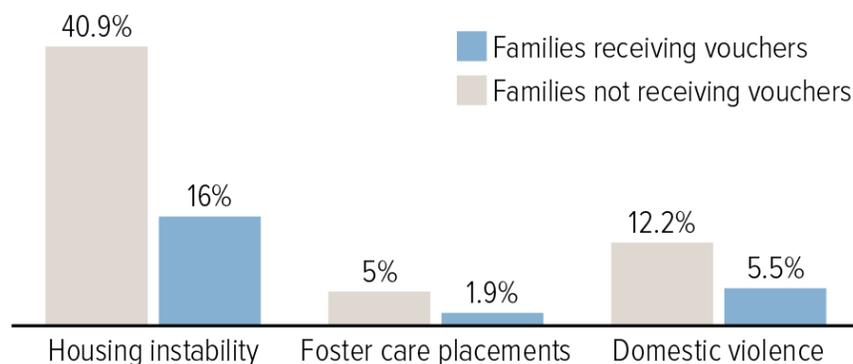
For instance, children in families receiving vouchers were less likely to miss school days or change schools — and less than half as likely to be placed into foster care (which can be triggered by parents' inability to afford suitable housing) — than families receiving no additional assistance.

¹ The other interventions were transitional housing and short-term rapid rehousing assistance. A fourth group received no additional assistance via the study.

Also, adults in families with vouchers had lower rates of psychological distress, drug and alcohol dependence, and domestic violence.² Vouchers were also cost-effective relative to the other interventions tested.³

FIGURE 1

Housing Vouchers Benefit Homeless Families with Children in Several Ways



Note: "Housing instability" = family spent at least one night homeless or doubled up in past six months. "Foster care placement" = family had at least one child placed into foster care in past six months.

Source: Gubits *et al.*, "Family Options Study," Department of Housing and Urban Development

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These interim results reinforce the impressive results from the earlier Housing Voucher Evaluation, which compared families with children who were randomly assigned vouchers to those who did not receive vouchers. It found that vouchers reduced homelessness by three-quarters and housing instability by close to 80 percent.⁴

The second new, ground-breaking study highlights the long-term benefits to low-income children whose families use vouchers to move to better neighborhoods. A group of Harvard economists led by Raj Chetty reanalyzed data from the five-city Moving to Opportunity (MTO) Demonstration (an

² Daniel Gubits *et al.*, *Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families*, prepared for Department of Housing and Urban Development (HUD), July 2015, http://www.huduser.org/portal/sites/default/files/pdf/FamilyOptionsStudy_final.pdf. For more on this and other research on the effectiveness of vouchers, see 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, <http://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>.

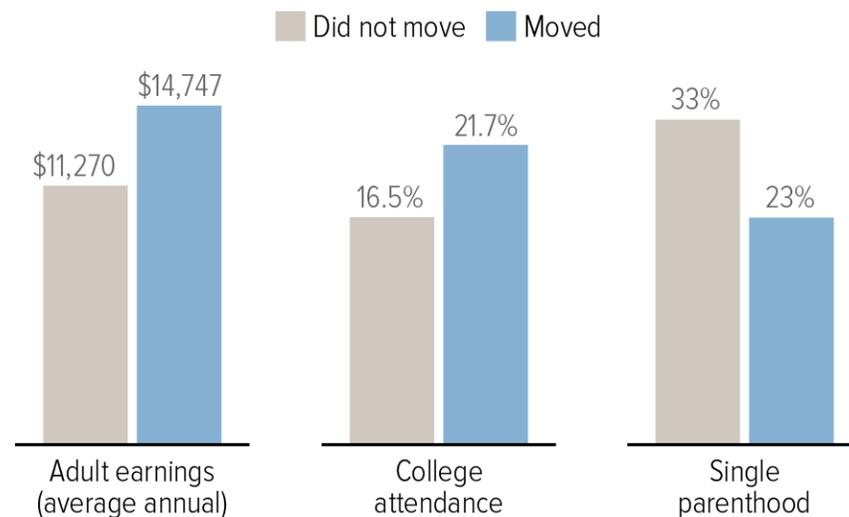
³ The total average 20-month cost of assisting families receiving housing vouchers was about the same as for the homeless families who received no additional assistance under the study (because the latter tended to remain in costly shelter facilities for longer durations), slightly higher than for families receiving rapid rehousing assistance, and somewhat lower than for families in transitional housing.

⁴ Michelle Wood, Jennifer Turnham, and Gregory Mills, "Housing Affordability and Family Well-Being: Results from the Housing Voucher Evaluation," *Housing Policy Debate*, Vol. 19, issue 2 (2008), pp. 367-412; Gregory Mills *et al.*, "Effects of Housing Vouchers on Welfare Families," prepared for HUD Office of Policy Development and Research, September 2006.

experimental study of poor families in public housing in distressed neighborhoods), some of whom received vouchers to move to low-poverty neighborhoods. Children whose families moved to low-poverty neighborhoods when they were young were more likely to attend college and less likely to become single parents as adults than control group families that did not receive an MTO voucher; they also earned significantly more as adults. (See Figure 2.)

FIGURE 2

Moving with Voucher to Lower-Poverty Neighborhoods While Young Children Improves Key Adult Outcomes



Note: Outcomes are for children up to age 13 at the time of random assignment under the Moving to Opportunity (MTO) demonstration. “Moved” refers to families that used MTO vouchers to relocate to neighborhoods where fewer than 10 percent of residents were poor. “Did not move” refers to control group families that did not receive MTO vouchers.

Source: Chetty *et al.*, “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment,” National Bureau of Economic Research, Working Paper #21156, May 2015.

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Sequestration Cuts Forced Large Voucher Losses

The 2011 Budget Control Act (BCA) required arbitrary, across-the-board sequestration cuts in most discretionary programs in March 2013, including a \$938 million cut for Housing Choice Vouchers.⁵ This forced state and local housing agencies to cut the number of families using vouchers. As of July 2014, agencies were assisting 100,000 fewer families than they had before sequestration.

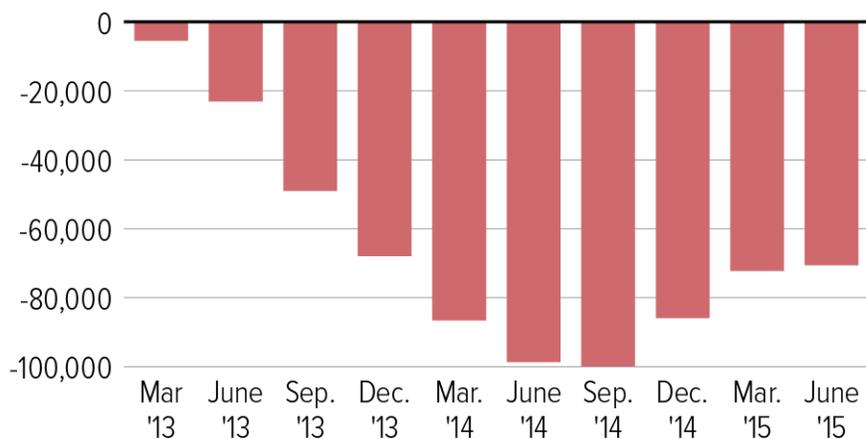
⁵ For more on sequestration, see David Reich, “Sequestration and Its Impact on Non-Defense Appropriations,” Center on Budget and Policy Priorities, February 19, 2015, <http://www.cbpp.org/research/federal-budget/sequestration-and-its-impact-on-non-defense-appropriations>.

The voucher cuts have come even as a growing number of low-income families struggle to pay the rent and homelessness remains a large and persistent problem. The number of low-income families paying more than half their income for rent has risen in every state but Delaware since 2007, as rent increases have outpaced income gains.⁶

FIGURE 3

Housing Agencies Have Restored One-Third of the 100,000 Vouchers Cut by Sequestration

Change in number of families using vouchers relative to December 2012



Note: Figures do not include an estimated 44,000 new "tenant protection" (TPV) and 26,000 veterans' supportive housing (VASH) vouchers issued to families since December 2012. TPVs replace assisted housing that has been demolished or otherwise eliminated, so they do not represent a net gain in families assisted; Congress excluded VASH from sequestration.

Source: Center analysis of Department of Housing and Urban Development data.

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While the nation has made progress in reducing homelessness among some groups — such as veterans — and in some communities, the problem remains serious. More than 1 million school-aged children were homeless or living temporarily with other families or in motels during the 2013 – 2014 school year, according to school reports, more than ever before.⁷ And Los Angeles, Portland (OR), and the State of Hawaii recently declared “emergencies” in response to dramatic increases in homelessness.⁸

⁶ Alicia Mazzara, “Rental Assistance Need Growing in Nearly Every State,” Center on Budget and Policy Priorities, May 11, 2015, <http://www.cbpp.org/blog/rental-assistance-need-growing-in-nearly-every-state>; and “New Census Data Show Rising Rents, Weak Income Growth,” September 18, 2015, <http://www.cbpp.org/blog/new-census-data-show-rising-rents-weak-income-growth>.

⁷ Ehren Dohler, “The Alarming Rise in Homeless Students,” Center on Budget and Policy Priorities, September 15, 2015, <http://www.cbpp.org/blog/the-alarming-rise-in-homeless-students>.

⁸ “Governor Ige Signs Emergency Proclamation to Address Homelessness Statewide,” October 16, 2015, <http://governor.hawaii.gov/newsroom/governors-office-news-release-governor-ige-signs-emergency-proclamation-to-address-homelessness-statewide/>; “Mayor Announces State of Emergency for Housing, Homeless,” September 23, 2015, <http://www.kgw.com/story/news/politics/2015/09/23/mayor-announces-state-emergency-housing->

To their credit, policymakers raised voucher funding in 2014 relative to the sequestration-depleted 2013 level and provided a more modest increase in 2015. These increases stemmed the cuts in the number of families assisted and enabled agencies to begin reissuing vouchers to families on their waiting lists. By June 2015, agencies had restored about 30,000 vouchers to families' use. Moreover, the number of "vouchers on the street" — that is, the number of new families with vouchers seeking rentals — remained high as of June, suggesting that agencies will restore an additional 10,000 – 15,000 vouchers to families from July to December of this year.⁹

What Is the Housing Choice Voucher Program?

More than 5 million people in more than 2 million low-income families use vouchers to help pay for housing that they find in the private market. About half of the households using vouchers are seniors or people with disabilities; most of the rest are working families with children. Voucher households have incomes of about \$13,100, on average, well below the poverty line.

Families with vouchers generally must contribute 30 percent of their income for rent and basic utilities. The voucher pays the rest of the rental costs up to a reasonable limit set by HUD and the local housing agency.

Vouchers sharply reduce homelessness and other hardships, lift more than 1 million people out of poverty, and give families an opportunity to move to safer, less poor neighborhoods. Studies link these effects to educational, developmental, and health benefits that can improve children's long-term prospects and reduce costs in other public programs.

For more information on the voucher program, See "Policy Basics: The Housing Choice Voucher Program," Center on Budget and Policy Priorities, updated September 29, 2015, <http://www.cbpp.org/research/housing/policy-basics-the-housing-choice-voucher-program> and Will Fischer, "Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children," Center on Budget and Policy Priorities, updated October 7, 2015, <http://www.cbpp.org/research/housing/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term>.

Renewing All Vouchers in Use and Restoring Vouchers Lost to Sequestration Should Be High Priorities for 2016 Funding Legislation

Policymakers should make it a priority in the 2016 omnibus appropriations bill to include sufficient funds to renew all vouchers in use. More specifically, because many agencies will likely continue restoring vouchers in the second half of 2015, policymakers should provide enough renewal funding to cover all vouchers that families are using at the *end of the calendar year*, as well as sufficient funding to restore the remaining vouchers cut under sequestration, as explained below.

Approximately \$18.05 billion will be required to fully renew all vouchers in use at the end of 2015, according to CBPP analysis of program cost data. This is about \$100 million less than the House-passed funding bill provided, and about \$65 million more than the Senate Appropriations

[homeless/72685832/](http://www.latimes.com/local/lanow/la-me-ln-homeless-funding-proposals-los-angeles-20150921-story.html); "L.A. to declare 'state of emergency' on homelessness, commit \$100 million," September 22, 2015, <http://www.latimes.com/local/lanow/la-me-ln-homeless-funding-proposals-los-angeles-20150921-story.html>.

⁹ Continuing an increase that began in mid-2014, about 70,000 vouchers were "on the street" during the first six months of 2015 — about 25,000 more than in the typical month before sequestration.

Committee included in its bill.¹⁰ If policymakers fail to provide sufficient funds to renew the vouchers in use at the end of this year, many agencies will have no choice but to assist fewer families, thereby reversing recent progress in restoring vouchers to families' use.

Congress also should allocate \$470 million to fully restore the remaining 60,000 housing vouchers cut under sequestration and direct that these vouchers be used to reduce homelessness and meet other urgent needs, similar to what the President proposed in his 2016 budget.¹¹ The recent budget agreement effectively makes \$33 billion above the sequestration level available for non-defense discretionary programs in fiscal year 2016. Providing adequate funding to restore the vouchers lost to sequestration would require less than 1.5 percent of these funds and would be an important use of a very small portion of the funds.

The President's 2016 budget included sufficient funds to fully reverse the voucher sequestration cuts and proposed to target restoration vouchers on several groups with particularly urgent needs for assistance:¹²

- **Homeless families, including veterans, tribal families, and victims of domestic and dating violence.** This proposal builds on the successful strategy used in the Veterans Supportive Housing Program (VASH) that the Departments of Veterans Affairs (VA) and Housing and Urban Development (HUD) administer jointly: since 2008, Congress has funded approximately 76,000 vouchers for homeless veterans who also receive mental health treatment and other services from the VA. The number of homeless veterans fell by 33 percent between 2010 and 2014, and the nation is on track to virtually eliminate veterans' homelessness by the end of 2015, according to HUD.¹³ Providing funding for these restoration vouchers would give housing agencies a strong incentive to strengthen and expand their efforts to address homelessness.¹⁴

¹⁰ Both bills likely include enough funding to cover agencies' eligibility under the base renewal formula, under which eligibility for most agencies will be determined by their average voucher leasing and costs during *calendar year 2015*. However, agencies that restore additional vouchers in the second half of 2015 may be unable to sustain those vouchers in 2016 if the renewal funding they receive is limited to the amounts for which they are eligible under the base formula. This is why additional funds above the Senate bill level will be needed. Our estimate is based on agency-reported cost data through June 2015, and includes an inflation adjustment of 2.3 percent, which is consistent with the recent rent and utility cost trends in the private market.

¹¹ On the budget agreement, see Robert Greenstein, "Greenstein: Budget Deal, Though Imperfect, Represents Significant Accomplishment and Merits Support," Center on Budget and Policy Priorities, October 27, 2015, <http://www.cbpp.org/press/statements/greenstein-budget-deal-though-imperfect-represents-significant-accomplishment-and>.

¹² The President's budget included \$512 million to restore 67,000 vouchers. Our analysis of the latest program data indicates that 60,000 vouchers would have to be restored in 2016 to fully reverse the sequestration cuts, and that this would cost \$470 million.

¹³ With the additional 20,000 VASH vouchers that Congress funded in 2014 and 2015, the Administration argues, communities will have sufficient capacity to eliminate homelessness among veterans who are eligible for VASH. The President's targeted voucher proposal recognizes that some homeless veterans are unable to use VASH — for instance, because their service discharge status makes them ineligible for it or because they are in communities where VASH vouchers are not available. These veterans would be eligible for restoration vouchers.

¹⁴ A recent HUD-sponsored survey found that only one in four housing agencies have implemented policies to ease homeless people's access to rental assistance. Encouraging agencies to expand their efforts to reduce homelessness is essential to making progress in meeting the homelessness reduction targets the U.S. Interagency Council on

- **Victims of domestic and dating violence living in assisted housing.** Congress amended the Violence Against Women Act in 2013 (VAWA) to require HUD to establish policies and procedures under which victims of domestic violence, dating violence, sexual assault, or stalking who live in assisted housing may receive a transfer to another assisted unit or a voucher to enable them to move to a safe location. Because alternative assisted units in a safe location will not always be available, vouchers are essential to ensuring the safe relocation of some families who request transfers.
- **Family Unification Program (FUP).** This program provides vouchers to families that are at imminent risk of having their children placed in foster care, or are experiencing a delay in having their children returned to them from such placements, primarily because they cannot afford adequate housing. Youth who are “aging out” of foster care are also eligible for FUP vouchers; a significant share of such youth experience homelessness, and a much larger share struggle to maintain stable housing. Research suggests that FUP reduces youth and family homelessness as well as the risk of foster care placement.¹⁵ Moreover, the cost of foster care far exceeds the cost of FUP rental assistance. Congress has funded approximately 46,000 FUP vouchers since the program’s initiation in the early 1990s but has funded no additional such vouchers since fiscal year 2010.¹⁶

The 2016 HUD funding bill approved by the Senate Appropriations Committee takes a modest step towards restoring vouchers. It includes \$75 million for approximately 10,000 new vouchers for homeless veterans (VASH) and \$20 million for roughly 2,600 new FUP vouchers. The House-passed HUD funding bill includes no funding to restore vouchers, although the report that the Appropriations Committee issued in conjunction with the bill expresses clear support for the President’s proposed policy of issuing additional targeted vouchers, particularly vouchers for families participating in FUP, homeless veterans, and families seeking emergency transfers as authorized by the Violence Against Women Act.

Expanding on the Senate bill’s funding provisions for VASH and FUP, policymakers should fully restore housing vouchers in the final 2016 funding bill by including \$470 million for housing vouchers targeted on the three categories of vulnerable people identified in the President’s proposal: (1) homeless families, including veterans (particularly those who are unable to use VASH vouchers), tribal families, and victims of domestic and dating violence; (2) victims of domestic violence living in assisted housing, as necessary to implement the emergency transfer provisions of VAWA; and (3) youth and families eligible for the Family Unification Program.¹⁷

Homelessness has set. HUD Office of Policy Development and Research, “Study of PHAs’ Efforts to Serve People Experiencing Homelessness,” January 2014.

¹⁵ Patrick J. Fowler and Dina Chavira, “Family Unification Program: Housing Services for Homeless Child Welfare–Involved Families,” *Housing Policy Debate*, Vol. 24, No. 4 (2014), pp. 802–814.

¹⁶ National Center for Housing and Child Welfare, http://www.nchcw.org/uploads/7/5/3/3/7533556/fup_cumulative_list.pdf.

¹⁷ Our proposal diverges from the President’s request in one major respect. The President’s budget proposed to target only 30,000 of the 67,000 restoration vouchers on the three categories of vulnerable people described above. In contrast, we recommend targeting *all* of the restoration vouchers on these vulnerable groups. The Administration’s argument notwithstanding (see footnote 13), Congress could reasonably choose to set aside \$75 million of the \$470 million for new VASH vouchers, as the Senate bill does. In addition to restoring housing vouchers, policymakers should meet the President’s request for Homeless Assistance Grant program funding to create more than 25,000 new units of supportive housing for chronically homeless individuals, an investment that the Administration deems essential to

Additional Administrative Funds Also Needed

While policymakers' first priority should be to restore voucher assistance to low-income families in need, they should also provide more adequate funding for program administration. The 2,200 state and local housing agencies that administer vouchers perform tasks that are essential to the program's effectiveness, such as inspecting housing units where voucher subsidies are used to make sure they are in safe and sanitary condition, and verifying tenants' incomes to ensure the accuracy of subsidy payments and guard against fraud. They also help homeless and other families to locate suitable housing, which can be challenging in many local markets.

Yet agencies receive only about 81 percent of the administrative funding for which they are eligible under the HUD fee formula, and 2015 is the *fifth consecutive year* that policymakers have substantially underfunded voucher program administration. Moreover, HUD recently released an exhaustive study of a large, representative sample of high-performing agencies confirming that agencies' actual program-related costs far exceed their federal funding.¹⁸

Persistently inadequate funding hinders agencies' ability to reissue vouchers quickly to needy families on their waiting lists when other families leave the program, to help families locate suitable housing in neighborhoods that best meet their needs, to respond to complaints about unsafe or unsanitary housing conditions, and to prevent subsidy overpayments.

The President's budget includes a \$490 million increase in administrative funding, giving agencies approximately 90 percent of the funding for which they are eligible, HUD estimates. The Senate bill includes a more modest \$90 million increase, while the House bill would provide no additional funds for agencies in 2016. We recommend that policymakers meet the President's request in the 2016 funding bill.

achieving the important goal of eliminating chronic homelessness by the year 2017. Policymakers also should consider accepting the Senate bill provision for \$40 million for pilot programs to investigate strategies for reducing youth homelessness.

¹⁸ HUD Office of Policy Development and Research, *Housing Choice Voucher Program Administrative Fee Study*, April 2015.