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Substantial Funding Boost Needed to Renew Housing Vouchers in 2017 Freeze Would Leave Vouchers for More Than 100,000 Families Unfunded

By Douglas Rice

If policymakers fail to provide a substantial funding boost to renew housing vouchers in 2017, most housing agencies will be forced to cut the number of low-income households they assist at a time when large and growing numbers are struggling to afford rent.

Rents are rising strongly — over 3 percent per year — while the 2017 cost-of-living adjustments for seniors and people with disabilities with fixed incomes, who make up about half of the households using vouchers, will be just 0.3 percent. Because of these factors, as well as policymakers' actions to restore vouchers lost under sequestration, the cost of renewing all housing vouchers in 2017 has risen to \$18.86 billion, we estimate, well above the amounts that the House and Senate appropriations committees have approved in their respective 2017 Transportation-Housing and Urban Development (HUD) bills.

Under the bill that the Senate approved last May, for example, housing vouchers for at least 25,000 low-income households would be left unfunded in 2017, and the shortfall would be even deeper under the House bill. Under a “continuing resolution” that extends the current one and freezes voucher funding for the entire year at the 2016 level, vouchers for more than 100,000 families would be unfunded, a loss of assistance that would be greater than that caused by the across-the-board 2013 sequestration cuts. (Estimates of the impact in each state are in Table 1.)

Late last year Congress approved a temporary resolution to continue to fund most federal programs at 2016 levels through April 28. In nine of the past ten years — that is, every year except for 2013, when the sequestration cuts were implemented — Congress has provided adequate housing voucher renewal funding. When Congress wraps up the fiscal year 2017 budget in coming weeks, providing sufficient funding to renew all housing vouchers that families are using this year should be a high priority. This funding is essential to sustain state and community efforts to address the growing rental affordability crisis.

TABLE 1

Impact of Fiscal Year 2017 Funding Proposals on the Number of Households Using Housing Vouchers, by State

State	Number of households using housing vouchers, 2016	Number of housing vouchers cut under Senate bill, 2017	Number of housing vouchers cut under continuing resolution for 2017*
AK	4,857	-58	-238
AL	30,407	-365	-1,490
AR	20,903	-251	-1,024
AZ	21,287	-255	-1,043
CA	303,285	-3,639	-14,861
CO	29,956	-359	-1,468
CT	36,197	-434	-1,774
DC	11,598	-139	-568
DE	4,528	-54	-222
FL	100,057	-1,201	-4,903
GA	54,734	-657	-2,682
HI	9,719	-117	-476
IA	20,332	-244	-996
ID	6,754	-81	-331
IL	90,760	-1,089	-4,447
IN	35,340	-424	-1,732
KS	11,404	-137	-559
KY	30,598	-367	-1,499
LA	47,816	-574	-2,343
MA	83,498	-1,002	-4,091
MD	46,813	-562	-2,294
ME	11,818	-142	-579
MI	55,477	-666	-2,718
MN	31,298	-376	-1,534
MO	39,914	-479	-1,956
MS	25,070	-301	-1,228
MT	5,557	-67	-272
NC	57,384	-689	-2,812
ND	6,588	-79	-323
NE	11,433	-137	-560
NH	9,506	-114	-466
NJ	66,826	-802	-3,274
NM	12,165	-146	-596
NV	14,742	-177	-722
NY	225,123	-2,701	-11,031
OH	91,914	-1,103	-4,504
OK	23,895	-287	-1,171

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State	Number of households using housing vouchers, 2016	Number of housing vouchers cut under Senate bill, 2017	Number of housing vouchers cut under continuing resolution for 2017*
OR	33,808	-406	-1,657
PA	77,706	-932	-3,808
RI	9,320	-112	-457
SC	25,026	-300	-1,226
SD	5,330	-64	-261
TN	35,040	-420	-1,717
TX	147,145	-1,766	-7,210
UT	10,939	-131	-536
VA	45,853	-550	-2,247
VT	6,352	-76	-311
WA	52,104	-625	-2,553
WI	26,778	-321	-1,312
WV	13,914	-167	-682
WY	2,533	-30	-124
Total	2,214,735	-26,577	-108,522

*Presumes that continuing resolution funds housing vouchers at 2016 funding level.

Note: These estimates assume that \$280 million of renewal funding eligibility will be met with resources from agencies' funding reserves. Totals include estimates for Guam, the Mariana Islands, Puerto Rico, and the Virgin Islands.

Source: CBPP analysis of Department of Housing and Urban Development Voucher Management System data.

Number of Families Using Vouchers Has Recovered to Pre-Sequestration Level

The 2011 Budget Control Act (BCA) required arbitrary, across-the-board sequestration cuts in most discretionary programs in March 2013, including a \$938 million reduction for Housing Choice Vouchers.¹ This forced state and local housing agencies to cut the number of families using vouchers by more than 80,000, which undercut communities' efforts to address homelessness and the growing problem of housing instability due to rising rents.²

¹ 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>. For more on housing vouchers, see "Policy Basics: The Housing Choice Voucher Program," Center on Budget and Policy Priorities, September 29, 2015, <http://www.cbpp.org/research/housing/policy-basics-the-housing-choice-voucher-program>.

² This is a net figure: agencies cut the number of families using vouchers by more than 90,000, but these reductions were offset in part by the issuance of some 10,000 new vouchers for homeless veterans, funding for which was protected from sequestration. "Chart Book: Cuts in Federal Assistance Have Exacerbated Families' Struggles to Afford Housing," Center on Budget and Policy Priorities, April 12, 2016, <http://www.cbpp.org/research/housing/chart-book-cuts-in-federal-assistance-have-exacerbated-families-struggles-to-afford>.

Over the past two years, however, state and local agencies have restored nearly 60,000 Housing Choice Vouchers into use with funds that federal policymakers made available for fiscal years 2014-2016.³ These gains, combined with the 20,000 new vouchers that policymakers funded and housing agencies awarded to homeless veterans through the expanded Housing and Urban Development–Veterans Affairs Supportive Housing (VASH) program, have reversed most of the effects of the 2013 sequestration cuts (see Figure 1).

FIGURE 1

Housing Agencies Have Reversed Sequestration Cuts in Housing Vouchers

Number of families using housing vouchers



Note: Figures exclude an estimated 58,000 new “tenant protection” vouchers issued to families since December 2012 because the tenants’ existing federally-assisted housing, such as public housing units, had been demolished or otherwise eliminated. The replacement support did not represent a net gain in families assisted. Sequestration refers to the across-the-board funding cuts that were implemented in March 2013 in accord with the Budget Control Act of 2011.

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

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The restoration of housing vouchers has been welcome news in communities across the country where large numbers of low-income families are struggling to afford rent, and homelessness remains a persistent problem. A record-setting surge in the number of renter households has driven strong growth in rents over the past decade, while household incomes have failed to keep pace.⁴ The growing gap between rents and incomes has squeezed poorer families the hardest. From 2001 to 2013, the number of unassisted renter households with very low incomes (incomes no greater than 50 percent of the area median income) that either pay more than half their income for rent or live in

³ Agencies restored 58,000 vouchers from June 2014 to September 2016. This figure excludes new tenant protection and VASH vouchers leased during the period. A series of agreements to provide relief from the BCA’s sequestration-level spending caps enabled policymakers to increase funding for vouchers during these years.

⁴ Joint Center for Housing Studies of Harvard University, *America’s Rental Housing: Expanding Options for Diverse and Growing Demand*, President and Fellows of Harvard College, 2015; and Alicia Mazzara, “Gap Between Rents and Renter Incomes Grew in 2015,” Center on Budget and Policy Priorities, November 1, 2016, <http://www.cbpp.org/blog/gap-between-rents-and-renter-incomes-grew-in-2015>.

severely substandard housing — known as households with “worst-case needs” — increased a stunning 54 percent, from 5 million households in 2001 to 7.7 million households in 2013, including 1.5 million senior households and 2.8 million families with children.⁵

High housing costs are also a primary cause of homelessness and housing instability, which affects large numbers of individuals and families. For example, some 1.36 million school-aged children — an all-time high — lacked a home of their own in the 2013-2014 school year, Education Department data show.⁶ Research studies link homelessness with increased likelihood of cognitive and mental health problems, physical health problems such as asthma, physical assaults, accidental injuries, and poor school performance.⁷

A recent HUD study adds to the evidence that housing vouchers are the most effective tool for families to escape the hardships of homelessness and raise their children in safe, stable homes. The study found that homeless families with children assigned to receive vouchers experienced much less homelessness and housing instability over the subsequent 36 months than other homeless families. Parents were also a third less likely to experience domestic violence, and households were 20 percent less likely to have a difficult time affording food for their children. The study also found that housing vouchers reduced children’s risk of either being placed in foster care or having to live temporarily with other family members (see Figure 2).⁸

⁵ Barry L. Steffen *et al.*, “Worst Case Housing Needs: 2015 Report to Congress,” Office of Policy Development and Research, U.S. Department of Housing and Urban Development, April 2015, https://www.huduser.gov/portal/publications/affhsg/wc_HsgNeeds15.html.

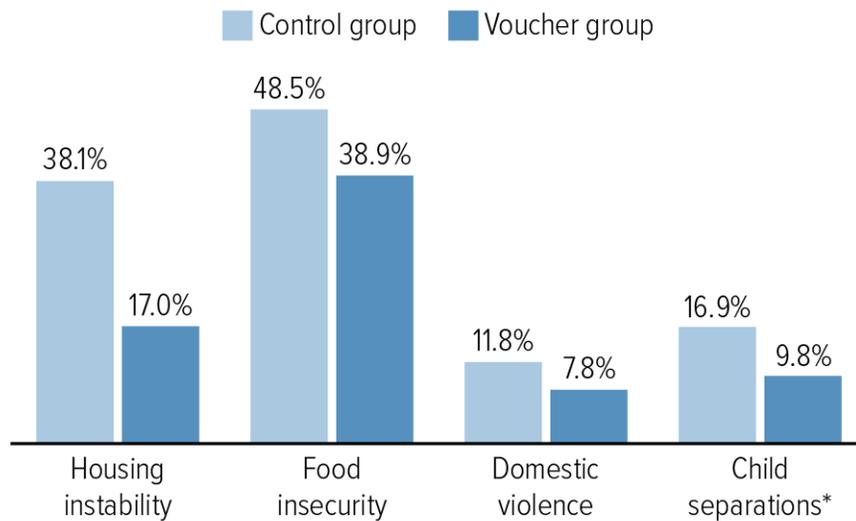
⁶ National Center for Homeless Education, “Federal Data Summary, School Years 2011-12 to 2013-14,” UNC Greensboro, November 2015, <http://nche.ed.gov/downloads/data-comp-1112-1314.pdf>. These are the most recent data available.

⁷ 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>.

⁸ Under the study, families living in homeless shelters were randomly assigned to receive one of three interventions — housing vouchers, rapid rehousing assistance, or transitional housing — or were assigned to a control group. See Daniel Gubits *et al.*, “Family Options Study: 3-Year Impacts of Housing and Services Interventions for Homeless Families,” Department of Housing and Urban Development, October 2016, https://www.huduser.gov/portal/family_options_study.html. See also Ehren Dohler, “Major Study: Housing Vouchers Provide Haven for Homeless Families,” Center on Budget and Policy Priorities, November 4, 2016, <http://www.cbpp.org/blog/major-study-housing-vouchers-provide-haven-for-homeless-families>. The outcomes regarding family separations were identified 20 months after the beginning of the study, and detailed in the interim study report published in July 2015.

FIGURE 2

Vouchers Reduce Hardship for Homeless Families



Note: The control group consisted of homeless families that were not offered vouchers or other assistance under the study.

*These data are the results reported 20 months into the HUD Family Options Study. All the other chart data are from the completed 3 year study.

Food insecurity = Someone in the household had inadequate access to food at some point during the year.

Housing instability = Family reported spending at least one night homeless or doubled up in the past 6 months or stayed in an emergency shelter in the past year.

Source: Gubits *et al.*, "Family Options Study 3-Year Impacts of Housing and Services Interventions for Homeless Families," Department of Housing and Urban Development

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When combined with appropriate supportive services, housing vouchers also play a key role in addressing repeated or long-term homelessness among people with mental illness and other disabilities.⁹ The restoration of housing vouchers has aided many communities' efforts to address such homelessness. In Los Angeles, for example, civic leaders from the public and private sectors joined together in 2009 to formulate a plan to reduce and eventually eliminate veterans' and chronic homelessness. Local housing agencies committed hundreds of federally funded housing vouchers to the effort, but were forced to suspend those commitments in the wake of sequestration.¹⁰ As housing vouchers were restored, agencies have been able to meet their commitments, and the city and county are making strides in addressing the problem.

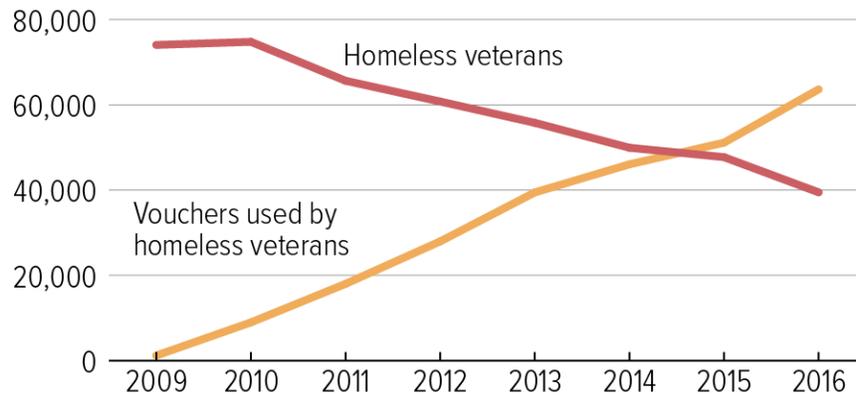
⁹ Ehren Dohler *et al.*, "Supportive Housing Helps Vulnerable People Live and Thrive in the Community," Center on Budget and Policy Priorities, May 31, 2016, <http://www.cbpp.org/research/housing/supportive-housing-helps-vulnerable-people-live-and-thrive-in-the-community>.

¹⁰ See the Home for Good Action Plan, <http://homeforgoodla.org/actionplan.html>, and "Federal sequester hits home for many of L.A.'s poor," *Los Angeles Daily News*, March 21, 2016, <http://www.dailynews.com/government-and-politics/20130321/federal-sequester-hits-home-for-many-of-las-poor>.

Nationally, Congress' expansion of the VASH voucher program has also driven an impressive reduction in veterans' homelessness (see Figure 3).¹¹

FIGURE 3

Homelessness Among Veterans Fell As Targeted Voucher Program Expanded



Note: Voucher figures are for Veterans Affairs Supportive Housing (VASH) vouchers and are based on monthly data from January of each year.

Source: Department of Housing and Urban Development Homelessness Point-in-Time Counts and HUD Voucher Management System

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\$18.9 Billion to Renew Vouchers in 2017 Due to Higher Rent, More Eligibility

Policymakers' actions to restore housing vouchers, as well as the growing gap between tenant incomes and rental costs, will increase the amount of funding state and local housing agencies need just to maintain the existing number of vouchers to a level well above the amounts included in the 2017 House and Senate Transportation-HUD funding bills. Policymakers must provide sufficient funding to meet this need, or they will risk a repeat of the voucher cuts that followed sequestration.

We estimate that \$18.86 billion will be required to fully renew vouchers in 2017, which is \$1.18 billion over the 2016 level and \$500 million above the 2017 Senate bill level (which is slightly higher than the House bill amount).¹² Three factors are primarily responsible for the increased cost of renewing housing vouchers:

- **More families are using vouchers.** Housing agencies restored some 60,000 housing vouchers over the past two years, as explained above, including some 27,000 over the past year. In addition, the number of formerly homeless veterans using housing vouchers under

¹¹ Ehren Dohler, "Veterans' Homelessness Cut in Half Since 2010," Center on Budget and Policy Priorities, November 8, 2016, <http://www.cbpp.org/blog/veterans-homelessness-cut-in-half-since-2010>.

¹² Policymakers may be able to provide somewhat less than \$18.86 billion in new funding if they tap federal reserves, as explained later.

the HUD-VASH program has increased by about 12,000 over the past year, and HUD has issued an estimated 16,000 new tenant protection vouchers.¹³ Overall, more than 55,000 additional housing vouchers will require renewal funding in 2017, an increase of 2.7 percent from 2016.

- **Rental costs continue to rise at a strong pace.** Over the past three years, rental costs have risen an average of 3.1 percent per year, according to the Consumer Price Index, and there are no signs that this trend will moderate in 2017.¹⁴ Families use housing vouchers to rent available units in the private market, which is one reason that the program is cost-effective. But program costs must keep pace with market rent trends (as well as tenant incomes, as explained below), in order for vouchers to succeed in making housing affordable to families.
- **Tenant income growth will not keep pace with rental costs.** Typically, families pay 30 percent of their income towards rent, while voucher subsidies fill the gap between the family's payment and the rent, within limits that the housing agency sets based on HUD-determined standards for modest rents. About half of voucher households are seniors or people with disabilities, most of whom live on fixed incomes such as Social Security or Supplemental Security Income (SSI). For 2017, the cost-of-living adjustment for Social Security and SSI will be 0.3 percent, well below the rate at which rental costs are rising. When household incomes fail to keep pace with rental costs, voucher subsidies must grow to fill the gap. For instance, if seniors' incomes grow 0.3 percent, while rental costs grow 3.1 percent, then the voucher subsidy must rise 4.5 percent, if seniors are to continue to pay an affordable rent (that is, a rent that does not exceed 30 percent of income).¹⁵

With rental costs rising by 3.1 percent and fixed incomes remaining virtually flat, per-voucher subsidies will rise by 3.9 percent in 2017, we estimate.¹⁶ When combined with the 2.7 percent increase in the number of households using vouchers (see first bullet above), the total cost of renewing vouchers will therefore grow by 6.6 percent (\$1.18 billion) in 2017. While a sizeable increase relative to 2016, voucher renewal funding eligibility of \$18.86 billion in 2017 would still be less than renewal funding in 2010, after adjusting for rent and utilities inflation.¹⁷

¹³ Source is CBPP analysis of HUD Voucher Management System data, except for the tenant protection voucher figure, which is a rough estimate based on annual allocations over the past several years. (HUD has not yet issued a notice of the tenant protection awards for fiscal year 2016.) Tenant protection vouchers are issued to replace assistance for households that were living in federally assisted public and private housing that has been demolished or otherwise removed from service.

¹⁴ This figure represents a composite of the CPIs for residential rents, and fuels and utilities.

¹⁵ Social Security Administration news release, <https://www.ssa.gov/news/cola/>. Roughly, the voucher subsidy equals the rent minus the tenant payment (which equals 30 percent of tenant income). For example, if the rent is \$900 per month and the tenant's income is \$1,000 per month, then the tenant pays \$300 (that is, 30 percent of income), and the voucher subsidy is \$600 (= \$900 - \$300). If the rent increases 3.1 percent to \$928, while the tenant's income increases 0.3 percent to \$1,003, then the voucher subsidy grows to \$627 (= \$928 - \$301), an increase of 4.5 percent over the prior year subsidy of \$600.

¹⁶ For non-elderly, non-disabled households using vouchers, incomes rose 3.3 percent per year from 2012 to 2015, about the same as for American households in the bottom income quintile overall. CBPP's estimate assumes that this trend will continue in 2017. Sources are CBPP analysis of HUD program data, and historical income tables available on the U.S. Census website, <http://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-households.html>.

¹⁷ A composite of the CPI for residential rents and fuels/utilities for the first nine months of 2016 is 16.7 percent above the 2010 level, and will likely rise by roughly 3 additional percentage points in 2017, to nearly 20 percent above 2010. In comparison, voucher renewal funding eligibility of \$18.86 billion in 2017 is 15.6 percent above the 2010 level.

By our estimates there is some possibility that fully funding voucher renewals will cost somewhat less than \$18.86 billion. The House and Senate Transportation-HUD bills authorize HUD to reduce renewal funding eligibility for agencies that have excess reserves of unspent funding from prior years. After accounting for increased voucher costs this year, we estimate that approximately \$280 million in excess reserves may be available at the beginning of 2017. If this is correct — and the actual amount of excess reserves could be significantly lower or somewhat higher — it would imply that \$18.6 billion would be sufficient to renew all vouchers, about \$220 million above the Senate bill level.

Inadequate Renewal Funding Risks Deep Cuts in Housing Vouchers

In December, Congress approved a temporary resolution to continue to fund most federal programs at 2016 levels through April 28. When Congress wraps up the fiscal year 2017 budget in coming weeks, it must provide sufficient funding to renew all housing vouchers that families are using, or risk cutting the number of households receiving assistance. Such cuts would exacerbate hardship at a time when growing numbers of families are struggling to pay the rent and make ends meet.

Under the Senate bill level of \$18.36 billion, housing vouchers that at least 25,000 seniors, families with children, and others are using would be left unfunded in 2017 (and the cuts would be larger under the lower funding level in the House bill). Much deeper cuts would occur under the proposal that some members of Congress have advanced to continue the funding freeze for most programs through all of fiscal year 2017. Under a freeze, housing vouchers currently used by more than 100,000 families would be left unfunded in 2017.¹⁸ Such cuts would be even greater than those following sequestration in 2013.¹⁹

Indeed, it is likely that state and local housing agencies have already begun to implement cuts under the existing temporary funding freeze. On December 16, HUD notified agencies that, beginning in January, they would receive 5 percent less funding than they need to support all of the housing vouchers that families are using. Faced with immediate shortfalls and uncertainty about whether policymakers will provide adequate renewal funding when they finalize 2017 funding later this year, many agencies have likely stopped reissuing vouchers to families on the waiting list when other families exit the program, thereby reducing the number of families receiving assistance. While such reductions could be quickly reversed if policymakers include adequate renewal funding in the final law, they will deepen rapidly if policymakers fail to do so.

¹⁸ These figures assume that \$280 million in excess reserves is available for a renewal funding offset in 2017. If no excess reserves are available, some 60,000 vouchers used by families would be left unfunded next year under the Senate bill, and 140,000 vouchers would be unfunded under a full-year continuing resolution.

¹⁹ Agencies could attempt to mitigate cuts in the number of families assisted by failing to adjust voucher subsidies next year to keep pace with rising rents, thereby forcing many vulnerable voucher tenants to scrape together much higher rent payments. Following the 2013 sequestration cuts, however, housing agencies absorbed the lion's share of the cuts by reducing the number of families using vouchers, even as some also took actions to impose sharp rent increases on voucher tenants. This experience suggests that efforts to increase tenants' rent burdens would not significantly mitigate the loss of housing vouchers if policymakers fail to provide adequate renewal funding.