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# Funding Bill and Carryover Funding Should Enable Agencies to Issue More Housing Vouchers in 2019

By Douglas Rice

The fiscal year 2019 appropriations law that President Trump signed on February 15 provides $22.6 billion for Housing Choice Vouchers (HCVs), including $20.3 billion to renew vouchers that low-income families are now using — the latter a $713 million (3.6 percent) increase over 2018 in nominal terms. CBPP estimates this will be sufficient to renew all vouchers that families were using in 2018. Of the remaining HCV funding, roughly $170 million will be used for new housing vouchers to help some 19,000 low-income people with disabilities, homeless veterans, and families with children afford a decent, stable place to live.

The bill creates an innovative new mobility demonstration that will enable housing agencies to provide robust support for low-income families with children seeking to use their vouchers to move to neighborhoods with quality schools and other opportunities.[1] This demonstration project will foster innovation in the HCV program, developing best practices for maximizing families' housing choices in the program.

And, following eight consecutive years in which agencies received far less administrative funding than they qualified for under the Department of Housing and Urban Development's (HUD) formula, the bill modestly increases the administrative funding agencies use to verify family eligibility, inspect units to ensure they meet basic health and safety standards, and perform other mission-critical functions.

Agencies should use their available funds aggressively to assist more families in 2019. Even as the need for assistance continued to far outstrip its availability, the number of families with vouchers fell by an estimated 50,000 from March 2017 to September 2018, due in part to Congress' repeated delays in completing annual appropriations and a shortfall in renewal funding in 2017. We estimate that agencies, using their 2019 funds and unspent funds from prior years, could assist additional families in 2019 (not including the 19,000 new vouchers noted above) and reverse a substantial share of the recent losses.

[1] Alison Bell, "HUD Funding Bill Will Launch Housing Voucher Mobility Demonstration," February 15, 2019, https://www.cbpp.org/blog/hud-funding-bill-will-launch-housing-voucher-mobility-demonstration.

## Bill Increases Voucher Renewal and Administrative Funding

The fiscal year 2019 funding bill increases overall funding for HUD programs by $1.0 billion (1.9 percent) over the 2018 level, before adjusting for inflation. (Even with this increase, total HUD program funding remains 2.6 percent below the 2010 level, adjusted for inflation.[2]) Congress set aside nearly all of this increase to renew aid for families now receiving it under one of the three large rental assistance programs — the Housing Choice Voucher, Section 8 Project-Based Rental Assistance, and Public Housing programs — and to modestly expand Homeless Assistance Grants.[3]

For housing vouchers, the 2019 bill provides $22.6 billion; this includes $20.3 billion to renew vouchers now in use, a $713 million (3.6 percent) increase over 2018. CBPP estimates this will be sufficient to renew all vouchers that families were using in 2018, with adjustments for rent inflation and other factors.[4] Of the $20.3 billion in renewal funding, the bill sets aside $100 million for agencies that experience unforeseen spikes in voucher costs, have certain costs that the HUD renewal formula does not account for, and for other purposes.[5]

Renewing housing vouchers is a critical priority; the need for rental assistance far outstrips the supply (3 in 4 households eligible for federal rental assistance don't receive it)[6] and assisted families are highly vulnerable. Some 2.2 million low-income households use vouchers; about half are seniors or people with disabilities, and most of the others are working families with children. On average,

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[2] These figures are gross budget authority and do not reflect adjustments for receipts associated with HUD's mortgage insurance programs in 2018 and 2019. (The bill text is available here: https://www.congress.gov/116/bills/hjres31/BILLS-116hjres31enr.pdf.) The austere spending limits established under the Budget Control Act of 2011 (BCA) have forced cuts, even though Congress deserves credit for prioritizing HUD's rental assistance programs under the caps. For more on the BCA's impact, see "Policy Basics: Non-Defense Discretionary Programs," Center on Budget and Policy Priorities, updated November 14, 2018, https://www.cbpp.org/research/federal-budget/policy-basics-non-defense-discretionary-programs.

[3] For an overview of the bill's HUD funding provisions, see Alison Bell, "2019 Bill Largely Sustains 2018 HUD Funding Gains," February 15, 2019, https://www.cbpp.org/blog/2019-bill-largely-sustains-2018-hud-funding-gains.

[4] The bill specifies that renewal funding eligibility for most agencies (other than the 39 agencies participating in the Moving to Work demonstration) in 2019 will be based on their voucher usage and costs in 2018, adjusted for inflation and other factors. HUD has not yet released its renewal inflation factors for 2019, but they will likely average between 3 and 4 percent (they may be higher or lower in particular communities). We estimate that the 2019 renewal appropriation will cover about 99 percent of agencies' renewal funding eligibility under the formula. HUD will be able to increase agencies' renewal allocations to 100 percent (or nearly 100 percent) of their eligibility by implementing a "reserve offset." The 2019 funding bill authorizes HUD to reduce renewal funding allocations for agencies with "excess" reserve balances — in effect, to compel them to use part of their reserves for voucher renewals — in order to free up funds that HUD can use to raise allocations at other agencies up to their full eligibility level. See below for more discussion of agencies' reserve balances.

[5] Specifically, the bill authorizes HUD to adjust renewal allocations for agencies that (1) experienced increased costs due to "unforeseen circumstances" or portability, (2) have project-based voucher commitments for vouchers that are not yet leased, (3) have increased costs associated with vouchers under the HUD-Veterans Affairs Supportive Housing (VASH) program, or (4) are at risk of having to terminate vouchers due to a funding shortfall.

[6] "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.

these households have incomes of about $14,000, well below the poverty line, and most would struggle to keep up with the rent and avoid eviction or homelessness without rental aid.

The bill also provides $1.89 billion for agencies' administrative costs, a 7 percent nominal increase over 2018. Agencies received only 80 percent of the administrative funds for which they were eligible under the HUD formula in 2018, the eighth consecutive year of deep shortfalls. Agencies use these funds to verify families' income and eligibility, inspect housing units to ensure they meet basic health and safety standards, and provide informational briefings and other support for families seeking housing they can rent with their vouchers. The higher 2019 appropriation should reduce shortfalls at many agencies.

## Agencies Should Use Available Funds Aggressively to Assist More Families

For many years, Congress has made it a priority to provide adequate renewal funding for housing vouchers, yet repeated delays in completing annual appropriations and a funding shortfall in 2017 funding have recently taken a toll on the program.

When policymakers delay final funding decisions well beyond the October 1 start of the fiscal year — as they did in fiscal years 2017 and 2018, when the final bills weren't signed into law until the following May and March, respectively — housing agencies must make difficult decisions about how many vouchers to renew in the face of rising rents and uncertainty about their final program budgets. Many react cautiously by reissuing fewer vouchers when families leave the program, thereby reducing the number of households they assist.

Such reactions are understandable but ultimately self-defeating, as cutting the number of vouchers in use immediately reduces agencies' eligibility for administrative funding and reduces their eligibility for voucher renewal funding the next year.[7] Holding rather than reissuing vouchers also hurts vulnerable families by extending their already long wait for assistance.

In addition, the fiscal year 2017 funding bill gave agencies 3 percent less funding than they needed to renew all vouchers in use because voucher renewal costs rose more sharply than Congress anticipated, due in part to rising rents. Many agencies spent program reserves to renew vouchers that families were using. Some agencies also responded by deepening the cuts they had already begun making in the number of households assisted due to the delay in finalizing the 2017 bill. (And many continued these reductions in 2018 due to the delay in finalizing appropriations in that year.)

Overall, the number of households assisted fell by an estimated 50,000 from March 2017 to September 2018 as a result of the funding shortfall in 2017 and decisions by agencies to slow voucher reissuance in both 2017 and 2018.[8] (See Figure 1.)

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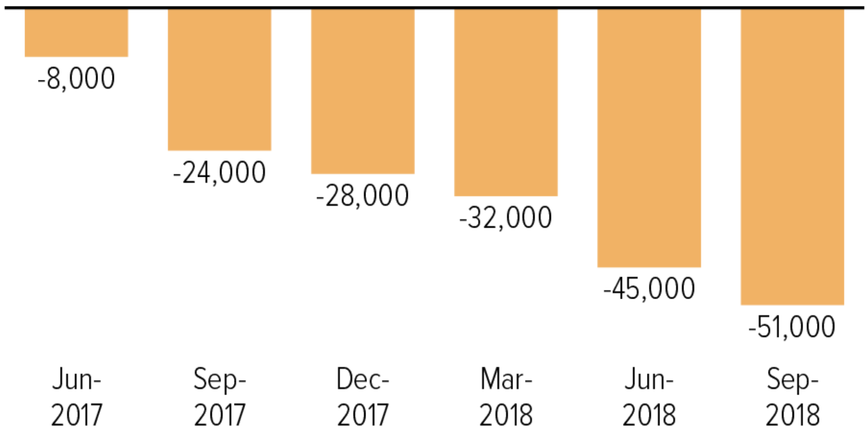
[7] This is because agencies' renewal and administrative funding eligibility are determined in part by the number of households they assist.

[8] Overall, the total number of households using housing vouchers fell by 18,000 from March 2017 to September 2018. But approximately 20,000 new Rental Assistance Demonstration (RAD) vouchers and 14,000 new tenant protection vouchers were funded separately and leased during this period. These vouchers appear as additional "vouchers leased" in HUD's Voucher Management System data, but they do not represent net new units of assistance because they are

FIGURE 1

**Funding Delays, Shortfalls Contributed to Loss of 50,000 Housing Vouchers**

Decline in number of families using Housing Choice Vouchers relative to March 2017




Note: Final funding for 2017 and 2018 wasn't approved until several months into each of those years, and 2017 funding was insufficient to renew all vouchers in use. Figures exclude new tenant-protection or Rental Assistance Demonstration vouchers leased during the period shown.

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

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Fortunately, agencies can help reverse the losses by using funds aggressively in 2019. Well-managed agencies maintain modest balances of unspent voucher assistance funds to cover unanticipated program costs, such as rent spikes. When they experience shortfalls — as they did in 2017 — they can spend their reserves to help fill the gap. Yet agency reserve balances, in the aggregate, *rose* during 2018, because agencies were assisting fewer households overall, as some agencies were slow to adjust to the more adequate funding they received that year.

Fluctuations in reserve balances are not uncommon: in 2013, agencies spent funding reserves to renew vouchers following the across-the-board sequestration cuts; in 2014 and 2015, agencies replenished their reserves even as they began to restore vouchers they'd cut earlier; and in 2016, they continued to restore vouchers by spending down excess reserves that had built up in the prior two years. While such volatility in agencies' expenditure of funds is not uncommon, agencies typically spend all of the voucher assistance funds that Congress provides over the long term.[9] This year should be a period when housing agencies spend down their excess reserves and increase the number of families being served.

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issued to preserve or replace public or other assisted housing. Subtracting out these additions, HUD data show a steeper loss of more than 50,000 housing vouchers as of September 2018.

[9] Douglas Rice, "Housing Vouchers Helping as Many as Funding Allows, Despite Challenges in Some Communities," Center on Budget and Policy Priorities, forthcoming.

As of the end of 2018, agencies had $1.3 billion in program reserves, we estimate, more than $500 million of which are "excess" reserves — that is, are above the amounts that are reasonable to set aside to cover unanticipated costs.[10] These excess reserves are not evenly distributed, but more than half of housing agencies had excess reserves. If those with excess reserves spend them in 2019, they can assist enough additional families to reverse a substantial share of the 50,000 household decline that the program has experienced since early 2017.[11]

Housing vouchers are highly effective at helping people afford decent, stable housing and significantly reduce poverty, overcrowding, homelessness, and other hardships. Yet, as noted, only a small fraction of the millions of low-income renters who struggle with the high cost of housing receive assistance.[12] Given this, agencies should take prudent steps to more fully utilize available resources, bring down excess reserves, and help more people access affordable housing. This would be a win-win for housing agencies: by helping more families, housing agencies would also increase their eligibility for administrative funding, as well as renewal funding next year.

## Bill Also Creates Innovative Mobility Demonstration and Expands Vouchers for Homeless Vets, People with Disabilities, Families with Children

A particular bright spot in the 2019 funding bill is the provision enacting the bipartisan Housing Choice Voucher Mobility Demonstration. The bill sets aside $25 million, including $20 million to enable housing agencies to provide robust support services — such as enhanced landlord outreach and housing search assistance, financial coaching, and post-move counseling — to help interested families with children move to neighborhoods with quality schools and other opportunities. It also provides $5 million for new housing vouchers for approximately 500 families participating in the demonstration. Separately, Congress added $3 million for research to identify effective mobility strategies. This promising demonstration, built on recent compelling evidence that growing up in a high-opportunity area can significantly improve children's long-term health and chances of success, could mark an important step towards making the voucher program more effective.

The 2019 bill also includes funding to expand housing vouchers for vulnerable people in several specific categories: approximately $105 million for about 12,000 new vouchers for non-elderly

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[10] In estimating excess reserves, we followed the methodology that HUD used in implementing a small reserve offset in 2018. Specifically, HUD deemed to be "excess" any reserve balance that exceeded 4, 6, or 12 percent of an agency's annual funding, depending on whether the agency is large, medium, or small, respectively. In calculating the amount of excess reserves, we also made adjustments for a potential modest reserve offset in 2019, and other factors. The estimates exclude the 39 agencies participating in the Moving to Work (MTW) demonstration; while many have high reserve balances and could assist additional households, they are authorized under MTW to use these funds for purposes other than issuing vouchers.

[11] For updated data on each agency's voucher funds utilization, see "Housing Choice Voucher Utilization Data," https://www.cbpp.org/research/national-and-state-housing-data-fact-sheets#table1. For further explanation of agencies' incentives to improve voucher utilization, as well as an explanation of how to use the data above, see Douglas Rice, "Housing Vouchers Helping as Many as Funding Allows, Despite Challenges in Some Communities," Center on Budget and Policy Priorities, forthcoming.

[12] 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.

people with disabilities, $40 million for an estimated 4,500 new vouchers for homeless veterans under the HUD-VASH program, and $20 million for some 2,000 new vouchers to provide stability to youth exiting foster care and families working with child welfare agencies to keep their families together. Altogether, the bill funds 19,000 new vouchers (including the mobility vouchers cited above), building on the 2018 appropriation of more than 50,000 new vouchers, the largest expansion in more than a decade.