

II. Rental Assistance Is Effective But Serves Only a Fraction of Eligible Households

For many decades the private market has failed to supply enough rental housing that is affordable to low-income families. Federal rental assistance helps fill the gap between what the private market provides and what low-income families can afford to pay. Low-income families receiving rental assistance contribute roughly 30 percent of their income for housing (rent plus basic utilities); rental assistance makes up the difference between this contribution and the family’s actual costs, within reasonable limits set by the federal government.

There are three major federal rental assistance programs — the Housing Choice (“Section 8”) Voucher Program, public housing, and the Section 8 project-based rental assistance program — as well as a handful of smaller programs, such as the Section 521 rural rental assistance program administered by the Department of Agriculture. Under existing funding levels, these programs can assist approximately 4.8 million low-income families, or only about *one of four* eligible households.¹⁹ Most communities have long waiting lists for assistance.

**FIGURE 5:
How Many Families Use Federal Rental Assistance?**

Program	Number of Units	Families with Children	Elderly	People with Disabilities	Other Households
Housing Choice Voucher	2,015,000	54%	17%	19%	9%
Public Housing	1,161,000	41%	29%	16%	14%
Project-Based Section 8	1,275,000	33%	49%	17%	1%
Other Programs	443,000	NA	NA	NA	NA
Total	4,893,000	NA	NA	NA	NA

Source: CBPP and Urban Institute analyses of HUD data. “Number of Units” includes unoccupied units, except for Housing Choice Vouchers. Households with children that are headed by persons who are elderly or have disabilities are included under the “Families with Children” category.

For the families struggling to pay high housing costs, rental assistance provides both immediate and long-term benefits. There is strong evidence that rental assistance:

- **Alleviates poverty.** Nearly two of three otherwise-poor households that receive rental assistance are lifted out of poverty by that assistance, according to Center estimates.²⁰ In 2005,

¹⁹ See Appendices A and B for national and state-by-state data on major federal rental assistance programs and the people they serve, as well as references on data sources. The figure includes units funded under the Section 8 tenant-based and project-based rental assistance, public housing, Section 202, Section 811, Rent Supplement, and Section 521 Rental Assistance programs, including units vacant or unused at any given time; for Section 8 tenant-based rental assistance, only leased units were counted. According to HUD’s analysis of the 2005 American Housing Survey, 12.4 million low-income renter households paid housing costs that were unaffordable and received no housing assistance from any source. We assume that all such households were eligible for federal rental assistance. If the federal government funds 4.8 million units of affordable housing, and a small percentage of these units are unoccupied at any given time, then only about one-quarter of the need is being met.

²⁰ The Census data used for simulating the poverty-reducing effects of housing assistance are from the March 2006 Current Population Survey. This analysis does not use the government’s official measure of poverty, as housing

rental assistance lifted an estimated 4 million people, including 1.6 million children, out of poverty.²¹

- **Frees up financial resources that poor families can use for other basic needs**, such as food, child care, transportation, and medical care.
- **Improves housing stability and reduces the risk of homelessness.** A rigorous study found that Housing Choice vouchers dramatically reduced the incidence of homelessness among families with children and sharply reduced the frequency with which families were compelled to move.²² Other studies have demonstrated that the great majority of previously homeless individuals and families that receive rental assistance remain stably housed.²³

Housing assistance can benefit low-income people in other ways, as well. For those who are elderly or have disabilities, it can help them retain their independence and avoid (or delay) entering institutional care facilities, which would be much more costly. Some research also suggests that housing programs, when integrated with well-designed work supports, can help families to increase their employment and earnings.²⁴

Low-Income Housing Programs Are Small and Shrinking Share of Federal Budget

Federal low-income housing programs are not entitlements. Spending on these programs totaled \$40.7 billion in 2008, or 1.4 percent of all federal expenditures.²⁵ Between 1995 and 2008, spending on low-income housing assistance rose by 0.5 percent per year in inflation-adjusted terms, on average — yet shrank by more than 20 percent both as a share of all non-defense discretionary spending and as a share of the Gross Domestic Product (GDP).²⁶ (See Figure 1 above.)

assistance is not counted as income under the official measure. Instead, the analysis uses an alternative poverty measure that follows the recommendations of the National Academy of Sciences (NAS). This measure considers income after taxes and also counts as income the value of certain government non-cash benefits, such as food stamps and housing assistance. The measure also incorporates a modified poverty threshold, as recommended by NAS. The Census data are adjusted to correct for the underreporting of TANF, SSI, and food stamp benefits using data from the Urban Institute's TRIM model.

²¹ The actual number of people lifted out of poverty by housing assistance may be somewhat higher than this. The stated figures were calculated using a model that assumes that 4.3 million households received housing assistance. This appears to be lower than the actual number of households receiving housing assistance, according to independent data sources from HUD and USDA.

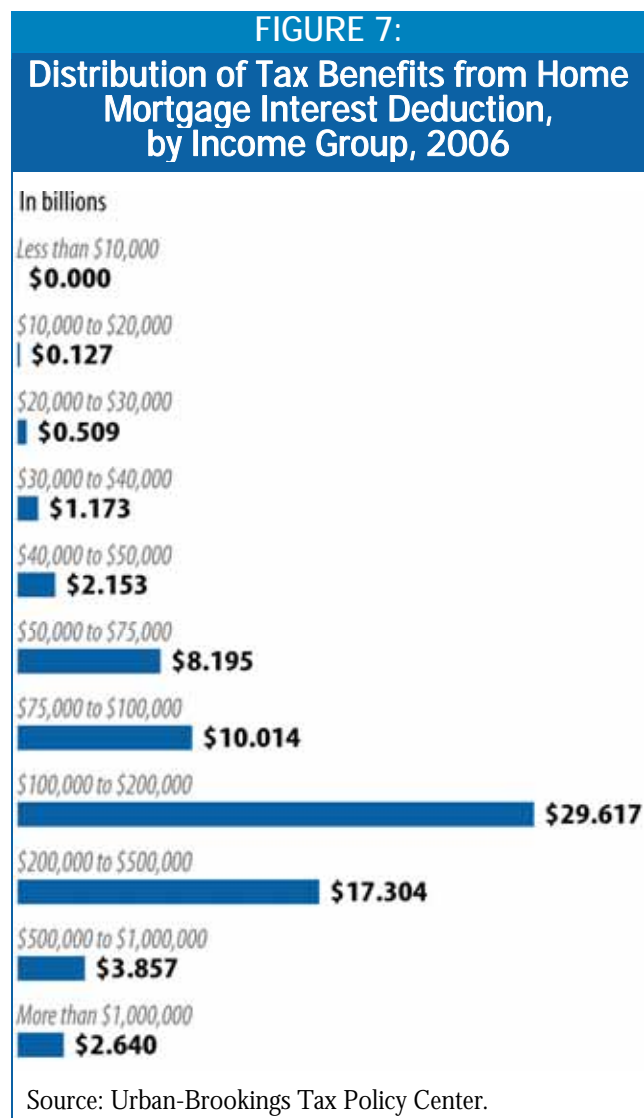
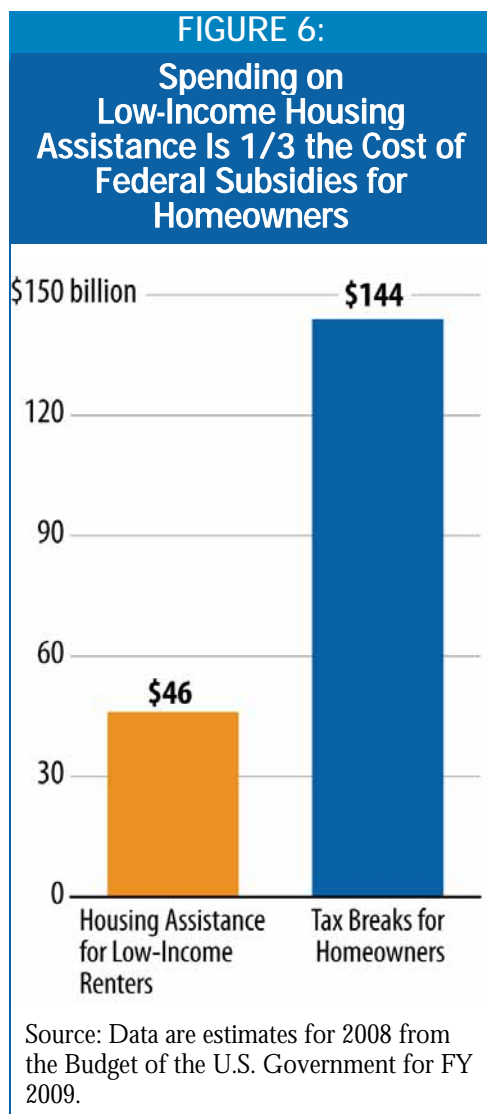
²² Wood *et al.* (2008).

²³ For a summary of some of this research, see Khadduri (2008).

²⁴ For summaries of research on the impact of housing assistance, see Lubell et al. (2007a), Lubell et al. (2007b), and Turner (2005).

²⁵ Spending refers here to outlays for all discretionary programs in budget subfunction 604, including Section 8 tenant-based (voucher) and project-based rental assistance, public housing, homeless assistance, HOME Investment Partnerships, supportive housing for the elderly and people with disabilities, Native American block grant, and rural rental assistance. It does not include tax expenditures associated with the Low-Income Housing Tax Credit program. The source is the OMB Public Budget Database.

²⁶ Spending refers here to outlays, and the rate of increase is adjusted by inflation. GDP provides a rough measure of the total economic resources available in our society. In the other comparison, spending on defense and entitlement programs was excluded to make clear that the sharp relative decline in spending on low-income housing assistance is not an artifact of rapidly rising spending in those areas.



Federal spending on low-income housing assistance is also small compared to federal subsidies for homeowners, which primarily benefit high-income households. In 2008, the three largest housing-related tax breaks for homeowners are expected to cost the U.S. Treasury \$144 billion, three times the combined total expenditures for federal low-income housing assistance and the Low-Income Housing Tax Credit program.²⁷ Some 70 percent of the total tax benefits of the largest homeowner tax break, the home mortgage interest deduction, go to households with incomes exceeding \$100,000. Figure 7 shows the average tax savings for households in various income groupings due to the home mortgage interest deduction.²⁸

²⁷ Tax expenditure data are from the White House Office of Management and Budget (2008), Table 19-1, and the OMB Public Budget Database. The three largest such tax breaks are the home mortgage interest deduction, the deduction for property taxes, and the capital gains exclusion for home sales.

²⁸ Urban-Brookings Tax Policy Center, Table T06-0200, <http://www.taxpolicycenter.org/numbers/displayatab.cfm?DocID=1269>, with additional calculations by the Center on Budget and Policy Priorities.