Center on Budget and Policy Priorities

820 First Street, NE
Suite 510
Washington, DC 20002

Tel: 202-408-1080
Fax: 202-408-1056

center@cbpp.org
www.cbpp.org

NEWS RELEASE

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Michelle Bazie Contact
202-408-1080, bazie@cbpp.org

MANY COMMUNITIES WOULD BE FORCED TO REDUCE NUMBER OF HOUSING VOUCHERS UNDER ADMINISTRATION'S BUDGET

Report Estimates Budget's Effects on Individual States and Localities

The Administration's proposed budget for the Housing Choice Voucher Program for 2007 would underfund roughly 70 percent of the state and local housing agencies that administer the program, according to a new Center analysis. These agencies would be forced to reduce the number of low-income families receiving rental assistance unless they can reduce costs in other ways. At the same time, about one-quarter of agencies would be overfunded and thus would be able to expand their voucher programs.

The voucher program, the nation's largest low-income housing program, provides low-income households with vouchers they can use to rent housing on the private market.

The inefficient allocation of voucher funds under the Administration's budget reflects flaws in the voucher funding formula the Administration has used in recent years, which underfunds some housing agencies while overfunding others.

"Since early 2004, voucher assistance for more than 100,000 families has been lost, not only because Congress didn't provide sufficient funds but also because the funds were not distributed based on current needs," said Barbara Sard, director of housing policy at the Center and the report's lead author. "Given the long and growing waiting lists for vouchers in many communities, that's a painful loss."

"Unfortunately, the Administration's new budget relies on the same basic funding formula that has caused problems over the past couple of years," she added. As a result, although the Administration's budget would increase funding for the voucher program by 3 percent, some state and local agencies would be able to fund less than 60 percent of their authorized vouchers in 2007, while other agencies would be able to fund more than 140 percent of their authorized vouchers. A quarter of all agencies would be able to use less than 90 percent of their authorized vouchers.

The Center's report includes state-by-state and locality-by-locality estimates of the effects of the Administration's budget on the areas served by the 2,400 agencies that administer the voucher program. For example, the District of Columbia Housing Authority, which is assisting 610 fewer families this year than last year because of funding limitations, would be forced to shrink its program by another 145 families in 2007 under the Administration's budget. "Rents are increasing rapidly in the District, so housing is becoming much less affordable, but we're being forced to cut back the number of people we help," noted Michael Kelly, executive director of the DC housing authority. "That's the exact opposite of what we should be doing."

Administration Funding Level Is Adequate *If* Funding Formula Is Changed

Under the Administration's funding formula, each housing agency's funding level is based on the amount of funding it was eligible to receive the previous year, adjusted by an inflation factor set by HUD based on two-year-old data. Because the formula does not take into account the actual number of vouchers the agency distributed in the previous year or recent changes in local voucher costs, it leaves many agencies with insufficient funds to continue all of the vouchers currently in use.

An added problem is that the formula has never been fully funded: since the formula was first introduced in 2005, the Administration has not requested, and Congress has not provided, enough funding to give agencies the full amounts for which they are eligible under the formula. As a result, HUD imposed across-the-board funding cuts on agencies in 2005 and 2006 below the formula amount. The Administration's budget continues this pattern, imposing an even larger across-the-board cut in 2007. This would force agencies that are already underfunded by the formula to eliminate even more vouchers.

Fully funding the formula would not eliminate the need for some agencies to cut back on vouchers, since many agencies are shortchanged by the formula itself. If, however, the formula were revised to better reflect agencies' actual costs and actual number of vouchers in use, the Administration's proposed funding level for 2007 would be sufficient to continue all of the roughly 2 million vouchers in use in 2006.

Major Policy Shift Would Cut Back on Number of Replacement Vouchers

In addition, the Administration's budget request for "tenant protection" vouchers, which replace other types of federal housing assistance that are being eliminated (such as when public-housing units are demolished) is nearly $30 million below last year's appropriation. In a major policy shift, the budget would provide tenant protection vouchers only to replace subsidized units that were under lease at the time they were eliminated. In the past, tenant protection vouchers were generally provided to replace *all* lost subsidized units, including those that were temporarily unoccupied, in order to keep the community's overall supply of affordable housing from shrinking.

"This change could be especially harmful for areas hit by last year's hurricanes," noted Sard. "Many subsidized units that were occupied when the storms hit are now uninhabitable and will likely be demolished. But because the units are not currently occupied and may not be under lease by the time they are demolished, the community would not receive replacement vouchers for these unoccupied units. Communities could end up losing a significant share of their subsidized housing."

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