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Trump Rent Increase Plan Won’t Reduce Shortfalls from Proposed 2019 Rental Assistance Funding Cuts

By Will Fischer

The Trump Administration has proposed to deeply cut funding for federal rental assistance programs in 2019, while also seeking sharp rent increases for low-income participants in those programs — and contending that the higher rents would offset much of the proposed funding cut. Offsetting funding cuts by shifting program costs to vulnerable low-income people in the form of higher rents is an inequitable and ill-conceived approach that would expose low-income people to hardship and undercut the effectiveness of federal rental assistance.¹ But it is also implausible, since the Trump proposals would generate little or no added rent revenue in 2019.

The President’s 2019 budget would cut funding for the main rental assistance programs administered by the Department of Housing and Urban Development (HUD) by $2.4 billion below the amount provided in 2017. This would leave a funding shortfall much larger than $2.4 billion, because substantial funding increases are needed to keep pace with factors such as rising housing costs. For example, we estimate that Housing Choice Vouchers, the largest federal rental assistance program, will require $2.2 billion more in 2019 than it received in 2017 just to continue covering all vouchers in use. The shortfalls that would result from the proposed cuts would have serious adverse consequences for low-income people, including eliminating about 200,000 vouchers and sharply curtailing spending on needed maintenance and repairs in public housing developments.²

The President’s rent proposals, which are outlined in his budget and detailed in draft legislation leaked in early February, would make a series of major changes to rental assistance rent rules. Once implemented, the changes would require low-income families to pay some $2.3 billion more


annually, with the bulk of the increase falling on low-wage workers. But even if the proposals became law by the end of 2018, little or none of that $2.3 billion increase would occur during calendar year 2019 (the period relevant to the 2019 funding cuts, since the state and local housing agencies and private owners that administer rental assistance receive most funds on a calendar-year basis).

Families would not begin to pay higher rents until Congress and the President enact legislation, HUD acts to implement the changes for each affected program, and agencies and owners retrain staff and adjust computer programs to make the revised calculations. Families would also generally need to be given advance notice of increases (which is standard practice in rental assistance programs and sometimes legally required) to allow them to prepare and apply for hardship exemptions if needed. And even after rent changes go into effect, revenue would rise only gradually since current rental assistance recipients would not begin to pay more until their subsidy is recertified (which occurs on a rolling basis over the course of the year).

A 2014 increase in public housing flat rents illustrates the time needed to implement a rent change that was far simpler than the sweeping Trump proposals and affected many fewer households. (Unlike the Trump proposals, the 2014 increase avoided raising rents to unaffordable levels, since it was limited to scaling back a provision that allowed some higher-income public housing residents to pay less than the 30 percent of adjusted income that most rental assistance recipients pay and is generally considered affordable.) That increase was proposed in the Obama Administration’s 2014 budget, enacted through appropriations legislation in January 2014, and implemented by a HUD notice in May. Housing agencies were required to begin revising their rent rules by the beginning of June, and to start using the higher rents in rent calculations by the end of October 2014, which would typically not have resulted in higher tenant payments until December. As a result, only a small portion of families (generally those that entered the program or had recertifications near the end of the year) paid higher rents during 2014 and rarely for more than one month — so the added rent revenue in calendar year 2014 amounted to a very small fraction of the total annual rent increase from the change.

It is more likely that the Trump rent plan would generate no added rent revenue in calendar year 2019, since the plan’s complex and far-reaching changes would likely take considerably longer to implement than the 2014 flat rent increase. Most significantly, the Trump proposal would likely require a set of regulatory changes rather than a notice, since it would be highly unusual — and potentially unlawful — to implement such sweeping changes through a notice. While HUD can simply publish a notice once it has been drafted and approved by the Office of Management and Budget (OMB), a regulatory revision would require HUD to first conduct a formal analysis of the change’s economic impact, publish a proposed rule, solicit and review public comments, and then

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3 The $2.3 billion includes only increases for households whose head is under 62 (that is, not elderly under HUD’s definition) and does not have a disability. The leaked draft legislation would also raise rents for the elderly and people with disabilities, but Administration budget documents indicate it does not plan to apply those increases to current rental assistance recipients. As new elderly and disabled households enter the programs, the total rent increase compared to current policy would grow considerably above $2.3 billion.
publish a final rule, with OMB approval required at each stage — steps that would lengthen the process substantially.

The much slower implementation of rent changes in the 2016 Housing Opportunity Through Modernization Act (HOTMA) may offer the best indication of the time it would likely take HUD to put the Trump proposals into effect. HOTMA was enacted in July 2016, but HUD has not yet even proposed the regulations needed to implement the bill’s rent provisions. Those provisions consequently will not go into effect until 2019 at the earliest. If the Trump rent proposals were implemented according to a similar timeline, they would not begin to generate added rent payments until at least 2021.

Since the Trump rent proposals would be unlikely to generate significant added payments in 2019, they would do little or nothing to alter the impact of the Administration’s proposed funding cuts. Instead, the full effect of the cuts would be felt next year in other ways that severely harm low-income families, including the elimination of vouchers that play a vital role in protecting families from homelessness and other hardship and cuts to public housing spending that would expose vulnerable residents to health and safety risks.