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Congress Should Increase HUD Funding in 2019 to Prevent Voucher Cuts, Help Children Escape Poverty

By Douglas Rice

As Congress begins work on legislation to fund the Department of Housing and Urban Development (HUD) for fiscal year 2019, one priority should be to renew all Housing Choice Vouchers that families are currently using, as well as to fund additional vouchers to reduce homelessness and address other urgent affordability problems. To meet these goals, the Center recommends including \$23.1 billion for vouchers, including \$20.5 billion for renewal costs, in the 2019 Transportation-HUD funding bills that the House and Senate appropriations committees will soon consider.¹

As part of the \$23.1 billion total for housing vouchers, Congress should include \$450 million for new housing vouchers, equal to the amount that the 2018 appropriations law included. A portion of these funds should be directed to expand aid for the same categories of vulnerable people that the 2018 law will help, including homeless veterans and people with disabilities. But in addition, Congress should fund, for the first time in many years, a sizeable number of new housing vouchers to help vulnerable families with children, with a focus on giving more children an opportunity to grow up in safe neighborhoods with quality schools and other opportunities.

Lawmakers should also take steps to strengthen programs and policies that will help families move out of poverty. Congress should authorize a proposed mobility demonstration aimed at increasing families' success in using vouchers to live in higher-opportunity areas. In addition, Congress should help more families receiving rental assistance to improve their employment prospects and earnings by increasing funding for the promising Family Self-Sufficiency program to \$100 million.

¹ See the Appendix table for a full summary of the Center's housing voucher funding recommendations for 2019.

Congress Must Increase Funding to Prevent Housing Voucher Cuts

Both Republican and Democratic policymakers have long recognized housing vouchers' effectiveness.² Vouchers help more than 5 million people in 2.2 million households — the vast majority of whom are seniors, people with disabilities, or children in working families — afford modest housing in the private market. Housing vouchers reduce homelessness and housing insecurity, lift one-third of recipients out of poverty, and improve their quality of life — for instance, by reducing overcrowding and frequent, involuntary moves.³ They also enable families to move to safer communities with access to quality schools and other opportunities, which rigorous research shows can improve children's chances of succeeding in school and later as adults.⁴

Despite the Housing Choice Voucher program's effectiveness, funding has been unstable in recent years due to the broader discretionary program funding cuts that have occurred under the Budget Control Act of 2011's rigid spending limits. Funding shortfalls caused the number of families using housing vouchers to fall sharply in 2013, and then more modestly again in 2017. Policymakers did provide sufficient funds in 2014-2016 and 2018 to reverse these losses, as well as to modestly expand aid to homeless veterans and others. With near-historic numbers of low-income families struggling to pay rent and make ends meet, it is critical that Congress sustain and expand on these modest gains in 2019.

A first priority for Congress in the 2019 funding bill should be to provide sufficient funds to renew all housing vouchers that families will use in 2018. The Center estimates that \$20.5 billion will likely be required in 2019 to fully cover voucher renewal costs and prevent a reduction in the number of families served. This is a \$920 million (4.7 percent) increase over renewal funding in 2018. Two factors account for the increased costs of renewing vouchers in 2019:

- **Market rents are rising at a strong pace.** Private-market rental costs (including utilities) have risen by an annual average of 3.2 percent over the past five years, and 3.7 percent in the past year, according to the Consumer Price Index (CPI).⁵ Our estimate projects that per-

² Michael Stegman and Dennis Shea, "Forging an Enduring Bipartisan Consensus on Affordable Rental Housing," Bipartisan Policy Commission, February 2017, <https://bipartisanpolicy.org/wp-content/uploads/2017/02/BPC-Housing-Rental-Housing.pdf>.

³ Housing vouchers and other federal rental assistance lifted 4 million people, including 1.3 million children, above the poverty line in 2015, using the federal government's Supplemental Poverty Measure, corrected for underreporting of benefits. See "Chart Book: Economic Security and Health Insurance Programs Reduce Poverty and Provide Access to Needed Care," Center on Budget and Policy Priorities, March 21, 2018, <https://www.cbpp.org/research/poverty-and-inequality/chart-book-accomplishments-of-the-safety-net#part1>.

⁴ Research documenting housing vouchers' wide range of benefits is gathered in 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>.

⁵ These figures are a weighted combination of the CPIs for residential rents (85 percent) and household fuels and utilities (15 percent), through December 2017. Average per-voucher subsidy costs have risen at a somewhat higher rate of 4.8 percent over the past 12 months. There are two reasons for this. First, incomes of seniors and people with disabilities — which are largely dependent on Social Security cost-of-living adjustments — have been rising much more slowly than rental costs (just 2 percent in 2018). Second, due to funding shortfalls caused by the across-the-board sequestration cuts in 2013, housing agencies restrained per-voucher subsidy costs from 2013 through 2015, even as market rental costs rose

voucher subsidies must rise 3.1 percent to cover estimated rent inflation in 2019, after taking rising tenant incomes into account.⁶

Subsidies must keep pace with private market rental costs — otherwise, vouchers lose their effectiveness in making rental housing affordable and available to low-income families. Voucher holders typically contribute 30 percent of their income towards rent and utility costs. When rents increase and subsidies do not fill the gap, tenants may be forced to spend more than 30 percent of their income on housing costs, squeezing funds available to meet other basic needs and making it harder for them to avoid falling behind on their rent payments.⁷ Indeed, if voucher subsidies are too low, a large share of available units in the local rental market — particularly in neighborhoods with easy access to jobs, quality schools, and other opportunities — will be out of reach for assisted tenants.

- **The number of vouchers that need to be renewed is higher.** We estimate that about 38,000 more vouchers must be renewed in 2019 than in 2018. These include 5,311 new vouchers aimed at reducing veterans' homelessness that HUD awarded in April 2018, and an estimated 13,700 new tenant protection vouchers that HUD will allocate this year to provide safe and adequate housing to families displaced by public housing demolition or other assisted housing losses. Additionally, HUD issued about 19,000 new vouchers in 2017 to convert public housing under the Rental Assistance Demonstration (RAD); these vouchers will be funded as renewals for the first time in 2019.⁸ In sum, these additional vouchers will increase renewal costs by 1.3 percent in 2018, we estimate.⁹

at a steady clip. Recent increases are likely due in part to agencies allowing subsidies to “return to market” to ensure that housing is affordable for families using vouchers.

⁶ About half of voucher households are seniors or people with disabilities living on Social Security or other fixed income sources; the Congressional Budget Office estimates that the 2019 Social Security cost-of-living adjustment will be 2.3 percent. Over the past two years, the incomes of non-elderly, non-disabled voucher households have risen 4.4 percent per year, on average, and our estimate assumes this trend will continue in 2019. Overall, we thus estimate that voucher households' incomes will rise about 3.4 percent, on average. If rents rise 3.2 percent, and voucher household incomes rise 3.4 percent, then voucher subsidies must rise 3.1 percent in 2019 to sustain current levels of affordability. (For instance, suppose a tenant contributes \$300 towards a monthly rent of \$900, and the resulting voucher subsidy is \$600. In the next year, if the tenant's contribution rises 3.4 percent to \$310, and the rent rises 3.2 percent to \$929, then the voucher subsidy rises 3.1 percent to \$619.)

⁷ A recent HUD study examined the rising rent burdens that voucher tenants have experienced since 2003, and concluded: “During an era when insufficient affordable housing is being built and affordable rental units are becoming more scarce, much of the housing cost burden faced by [Housing Choice Voucher] participants is attributable to renting units above local payment standards, combined with changes in income that do not keep pace with rising rents.” In other words, voucher subsidies have failed to keep pace with the growing gap between tenant incomes and market rents. HUD Office of Policy Development and Research, “Rent Burden in the Housing Choice Voucher Program,” October 2017, <https://www.huduser.gov/portal/sites/default/files/pdf/Rent-Burden-HCV.pdf>.

⁸ The renewal costs of RAD component #2 vouchers, which are used to convert rental assistance contracts under the Rent Supplement and Rental Assistance Payment (RAP) programs to a voucher funding platform, are included in the costs associated with the first-time renewal of new tenant protection vouchers.

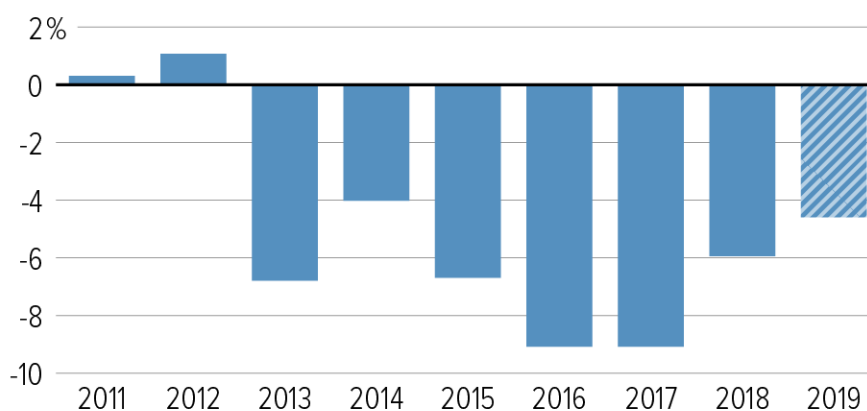
⁹ Together, rental inflation and the increase in the number of assisted households will increase renewal costs by a total of 4.4 percent in 2019. The remainder of the increase (0.3 percent) in 2019 renewal funding eligibility is due to costs associated with certain other funding adjustments that Congress authorizes under the voucher renewal funding formula.

It's worth noting that, if Congress provides \$20.5 billion to renew housing vouchers in 2019, funding would remain 4.6 percent below the 2010 renewal funding level, after adjusting for rising rents in the private market, despite the fact that the program will be assisting an estimated 185,000 (8.9 percent) more households due to the issuance of new vouchers for homeless veterans, RAD, and tenant protection.¹⁰ (See Figure 1.)

FIGURE 1

2019 Housing Voucher Renewal Funding Would Remain Below 2010 Level Even Under CBPP Recommendation

Change in renewal funding relative to 2010, adjusted for rent inflation



Note: Housing voucher renewal funding is adjusted for inflation using the Consumer Price Index (CPI) for residential rents. Figures assume that the CPI will rise at the 5-year average rate of 3.2 percent in 2018 and 2019.

Source: CBPP analysis of Office of Management and Budget, Bureau of Labor Statistics data.

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In addition, the Center recommends \$1.9 billion for agencies' administrative expenses, including \$30 million for administrative costs associated with a voucher mobility demonstration (see below). Housing agencies use these funds to perform mission-critical tasks such as verifying tenant incomes and eligibility, helping tenants in their search for available housing, and inspecting units to ensure that they are in safe and healthy condition, as required by federal law. Congress provided \$1.76 billion for program administration in 2018, but this amount will likely cover less than 80 percent of agencies' costs this year under the HUD formula. Such shortfalls hamper agencies' ability to administer the program effectively. For instance, they limit agencies' capacity to help tenants search for housing, reducing their chances of successfully using their vouchers. They also contribute to delays in completing inspections and responding to other issues that landlords raise, which can discourage owners from participating in the program. Our recommendation would reduce the shortfall in 2019.

¹⁰ Appropriations for voucher renewals totaled \$16.34 billion in 2010, which is \$21.51 billion in 2019 dollars, after adjusting for rent inflation using the CPI for residential rents. CPI data are currently available only through March 2018; to adjust to 2019 dollars, we assume the CPI will rise in 2018 and 2019 at its five-year average rate of 3.2 percent.

Congress Should Fund New Vouchers to Reduce Homelessness, Help More Children Move out of Poverty

The number of low-income families, seniors, and others that struggle to pay rent and make ends meet has risen sharply for more than a decade, yet only 1 in 4 receive assistance.¹¹ In the 2018 funding law, Congress took an important step forward by funding new rental assistance for 56,000 households. Significant unmet need remains, however, and lawmakers should expand assistance again in 2019. Specifically, Congress should provide \$450 million for new housing vouchers in the 2019 HUD funding legislation, equal to the amount it provided in the 2018 appropriations law. A portion of these funds should be directed to increase aid for the same categories of vulnerable people that will be helped under the 2018 law. But we also encourage Congress to fund, for the first time in many years, a sizeable number of new housing vouchers to help vulnerable families with children, with a focus on giving children an opportunity to grow up in safe neighborhoods with quality schools and other opportunities. In addition, we strongly encourage Congress to authorize a new mobility demonstration to give more children the chance to grow up in safe neighborhoods with quality schools and other opportunities.

The fiscal year 2018 omnibus funding law provided \$450 million for 56,000 new housing vouchers, including:

- An estimated 48,000 new “mainstream” vouchers to help non-elderly people with disabilities to live independently in the communities of their choice. This is the most significant expansion of rental assistance for people with disabilities in many years.
- About 5,000 new vouchers for homeless veterans. Overall, Congress has now funded nearly 100,000 new housing vouchers since 2008 to help homeless veterans under the HUD-Veterans Affairs Supportive Housing Program. These investments are largely responsible for reducing veterans’ homelessness by nearly 50 percent since 2010.¹²
- About 2,600 new Family Unification Program (FUP) vouchers, which help families that are at risk of having their children placed into foster care primarily because they lack adequate housing. FUP vouchers, which involve a partnership between housing and child welfare agencies, may also be used to help children in foster care to be reunified with their families, and to help youth who are exiting foster care, a large share of whom will become homeless without this support.

For 2019, Congress should fund additional vouchers for people in each of these categories, including at least \$30 million for 3,000 new vouchers for FUP, equal to the amount that HUD will award this year using funds that Congress appropriated for fiscal years 2017 and 2018. In addition, Congress should set aside at least half of the remaining funds it provides for new vouchers for vulnerable families with children.

¹¹ See “Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance,” Center on Budget and Policy Priorities, updated August 2017, <https://www.cbpp.org/three-out-of-four-low-income-at-risk-renters-do-not-receive-federal-rental-assistance>.

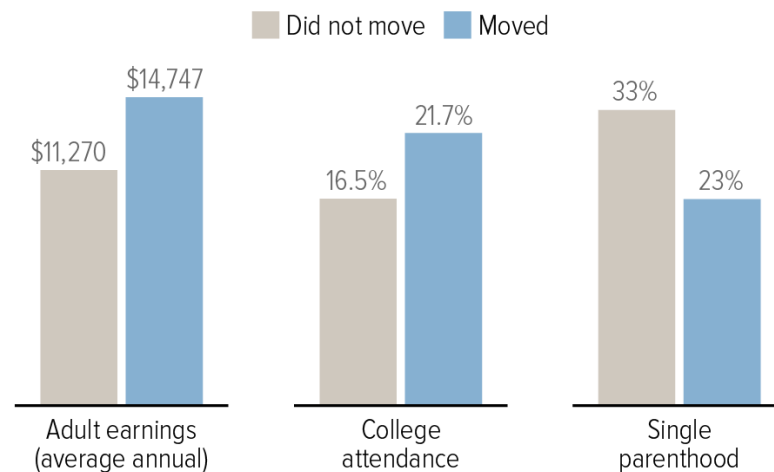
¹² Ehren Dohler, “Veterans’ Homelessness Cut in Half Since 2010,” Center on Budget and Policy Priorities, November 8, 2016, <https://www.cbpp.org/blog/veterans-homelessness-cut-in-half-since-2010>.

Congress Should Set Aside a Majority of New Vouchers Funded in 2019 for Vulnerable Families With Children

A strong body of research shows that growing up in safe, low-poverty neighborhoods with quality schools improves children’s academic achievement and long-term chances of success, and therefore may reduce inter-generational poverty. A rigorous study led by Stanford economist Raj Chetty, for example, found that children in poor families that used housing vouchers to move to low-poverty neighborhoods were much more likely to attend college, less likely to become single parents as young adults, and earn more than peers in families that did not. (See Figure 2.) Studies have also consistently found that living in segregated neighborhoods with low-quality schools and high rates of poverty and violent crime diminishes families’ well-being and children’s long-term outcomes.¹³

FIGURE 2

Moving with Voucher to Lower-Poverty Neighborhoods While Young Children Improves Key Adult Outcomes



Note: Outcomes are for children up to age 13 at the time of random assignment under the Moving to Opportunity (MTO) demonstration. “Moved” refers to families that used MTO vouchers to relocate to neighborhoods where fewer than 10 percent of residents were poor. “Did not move” refers to control group families that did not receive MTO vouchers.

Source: Chetty *et al.*, “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment,” National Bureau of Economic Research, Working Paper #21156, May 2015.

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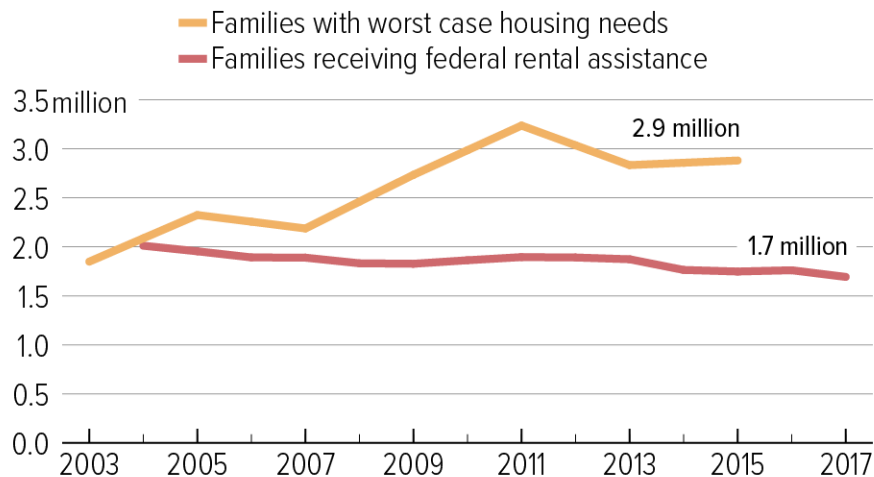
When African American and Hispanic families use housing vouchers, their children are nearly twice as likely as other poor minority children to grow up in low-poverty neighborhoods (where fewer than 10 percent of residents are poor) and somewhat less likely to grow up in extremely poor areas (where 40 percent or more of residents are poor). The voucher program thus has an important, positive impact on minority families’ access to opportunities.

¹³ Barbara Sard and Douglas Rice, “Realizing the Housing Voucher Program’s Potential to Enable Families to Move to Better Neighborhoods,” Center on Budget and Policy Priorities, January 12, 2016, <http://www.cbpp.org/sites/default/files/atoms/files/11-9-15hous.pdf>.

At the same time, the number of families with children with “worst-case housing needs” — that is, very low-income families that receive no rental assistance and either pay more than half their income for rent or live in severely inadequate housing — has risen 56 percent since 2003. Severe rent burdens significantly reduce family spending on food, clothing, health care, transportation, and other essentials. Research also links high housing costs to diminished cognitive development in children, possibly because their parents have fewer resources to invest in materials and activities that promote healthy child development. In addition, homelessness and housing instability — which remain a large and persistent problem for families — can undermine children’s chances of success in school and later as adults.¹⁴

FIGURE 3

Rental Assistance to Families with Children Has Not Kept Pace with Need



Note: Families with children have at least one member under 18 at home. A family has “worst case housing needs” if it doesn’t receive rental assistance, pays more than half of household income in rent and/or lives in substandard housing, and its income does not exceed half of the area median income. Data on “worst case housing needs” only available through 2015. Rental assistance includes all Department of Housing and Urban Development (HUD) programs with subsidies whose value varies based on the tenant’s income except Housing Opportunities for People with AIDS/HIV and McKinney-Vento permanent housing.

Source: HUD’s Worst Case Needs 2015 report and Picture of Subsidized Households data

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In spite of the sharp rise in families with worst-case housing needs, the number of families with children receiving federal rental assistance has actually *fallen* over the same period, and now only 1 in 5 eligible families with children receives federal aid.¹⁵ (See Figure 3.) Indeed, while Congress has

¹⁴ 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>.

¹⁵ This decline in the number of assisted families seems to reflect two factors: 1) some households have remained on rental assistance after their children have grown up or left home; and 2) recent federal decisions to target newly available

made several small investments in FUP vouchers in recent years, the last period of significant expansion of rental assistance available to families with children was in 1999–2002, more than 15 years ago.

Congress should begin to reverse the recent decline in support for low-income families with children by targeting at least half of the 2019 funding for new vouchers to assist them. This effort should include at least \$200 million for a new initiative modeled on a U.S. Partnership on Mobility from Poverty proposal to make housing vouchers available to families with young children that are either homeless or currently living in severely disadvantaged neighborhoods, to enable them to move to safe neighborhoods with quality schools and access to job opportunities.¹⁶ These funds, which would assist about 20,000 needy families with children, could be tied in part to the mobility demonstration described below, both as an incentive to encourage housing agencies to participate in the demonstration and to allow them to expand the scale of their efforts.¹⁷

Improved Policies Would Help More Families Move to High-Opportunity Areas

Better policies are needed to realize the voucher program’s full potential, as too few families with children are able to use housing vouchers to access higher-opportunity neighborhoods.¹⁸ The House Committee on Financial Services Subcommittee on Housing and Insurance recently held a hearing on draft legislation, “The Housing Choice Voucher Mobility Demonstration Act,” that could help the program achieve more of its potential by reducing administrative barriers that prevent families from moving to high-opportunity areas, and by creating a research framework to identify the types of mobility-related services that are most cost-effective at increasing families’ success in using vouchers to live in higher-opportunity areas.¹⁹

Congress should authorize this important demonstration as part of the fiscal year 2019 appropriations law, as well as provide \$30 million for housing agencies to improve coordination with neighboring agencies and offer intensive mobility-related services to families, such as housing search assistance, credit repair counseling, assistance for one-time costs associated with moving, and post-

vouchers primarily on homeless veterans and people with disabilities, combined in some cases with similar decisions by state and local housing agencies. See Alicia Mazzara, Barbara Sard, and Douglas Rice, “Rental Assistance to Families with Children at Lowest Point in Decade,” Center on Budget and Policy Priorities, updated October 18, 2016, <https://www.cbpp.org/research/housing/rental-assistance-to-families-with-children-at-lowest-point-in-decade>. On the share of eligible households receiving assistance, see “Three Out of Four Low-Income At-Risk Renters Do Not Receive Federal Rental Assistance.

¹⁶ Barbara Sard, Mary K. Cunningham, and Robert Greenstein, “Helping Young Children Move out of Poverty by Creating a New Type of Rental Voucher,” U.S. Partnership on Mobility from Poverty, February 2018, <https://www.mobilitypartnership.org/helping-young-children-move-out-poverty-creating-new-type-rental-voucher>.

¹⁷ The Center also recommends that up to \$20 million of tenant protection voucher funding be set aside to provide vouchers to HUD-assisted tenants who request relocation due to domestic violence. HUD is required under the Violence Against Women Act of 2013 to help at-risk tenants to relocate. The tenant protection account is suitable for this purpose, because demand for such vouchers is likely to be irregular and vary greatly by agency.

¹⁸ In 2014, 13 percent of families with children used housing vouchers to live in a low-poverty area, while 15 percent of families (including 343,000 children) using vouchers lived in extremely poor neighborhoods. See Sard and Rice, 2016, Table A-1.

¹⁹ Barbara Sard, “Testimony Before the House Financial Services Subcommittee on Housing and Insurance: Housing Choice Voucher Program: Oversight and Review of Legislative Proposals,” April 17, 2018. Testimony and other hearing materials are available here: <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=403294>.

move counseling to help families to adjust to new neighborhoods. (Congress should also provide funding in the Office of Policy Development and Research budget to implement rigorous evaluations to determine which mobility-related services are most cost-effective.)

Congress Should Also Strengthen the Family Self-Sufficiency Program

The Family Self-Sufficiency (FSS) program, which has long received strong bipartisan support in Congress, enables public housing agencies and private owners of assisted housing to coordinate employment-related services and provide financial incentives and coaching to help tenants to increase their earnings. In recent years, policymakers have provided \$75 million per year to cover the program's administrative costs, which currently enables about 75,000 families, most of whom are using housing vouchers or living in public housing, to participate in FSS. To give more assisted residents the chance to participate in this successful program, Congress should increase funding from \$75 million in 2018 to \$100 million in 2019. This increase would allow about 30,000 additional families to participate in FSS.

Participants in FSS, which was established in 1990 and based on a proposal by the George H.W. Bush Administration, enroll voluntarily and work with coordinators who connect them to vocational training, educational opportunities, jobs, and other services to help them achieve their self-sufficiency goals. As participants' earnings rise over a five-year period, their increased rent payments are deposited in an escrow savings account that they receive when they complete the program. Many use their savings to buy a home or invest in education or a business. Housing agencies often leverage partnerships with the philanthropic and business sectors to connect participants to resources that improve their access to economic opportunities, such as jobs or affordable mortgages.

A recent study found that FSS program participants experienced larger earnings growth, reductions in welfare income, and improved credit, compared with similar families that didn't have the option to enroll in FSS.²⁰ Since 2016, families that receive Project-Based Rental Assistance (PBRA) also have been allowed to participate if the owners of the property where they live opt into it.²¹

Conclusion

In his 2019 budget request, President Trump has proposed massive cuts in housing vouchers and other rental assistance, as well as a set of policy changes that would dramatically raise rents on low-income seniors, people with disabilities, and families with children — including many working families — and increase homelessness and other hardships.²² Congress should reject these cuts, and instead build on the strong 2018 HUD budget to help more low-income families to afford housing, which is an important stepping stone for them to improve their lives and their children's futures.

²⁰ Abt Associates, "Interim Cost-Benefit Analysis of the Compass Family Self-Sufficiency (FSS) Program," December 2017, <http://abtassociates.com/AbtAssociates/files/7f/7fc01ba7-24af-47fb-91e1-5ea255c4ad72.pdf>. HUD is expected to release the results of a random control study of FSS programs later in 2018.

²¹ The House (H.R. 4258) and Senate (S. 2155) have approved legislation that would make improvements in the FSS program, as well as make permanent the expansion of FSS to PBRA recipients.

²² For more on President Trump's proposals, see "Housing Program Cuts Under President Trump's Budget," Center on Budget and Policy Priorities, <https://www.cbpp.org/housing-program-cuts-under-president-trumps-budget>.

Appendix

TABLE 1

Housing Choice Voucher Funding for Fiscal Year 2019, in millions

	2018	Trump 2019	CBPP recommendation 2019
Renewals	\$19,600	\$17,514	\$20,520
Tenant protection	\$85	\$140	\$95*
Agency administration	\$1,760	\$1,550	\$1,870
Mainstream renewals & administration	\$120	\$107	\$120
Mobility demonstration	-	-	\$30
Mobility vouchers for families	-	-	\$200
Family Unification Program vouchers	\$20	-	\$30
New vouchers for veterans, people with disabilities	\$430	\$4	\$200
Total	\$20,015	\$19,315	\$23,065

Source: Center on Budget and Policy Priorities

* Includes \$20 million to relocate victims of domestic violence from assisted housing. The Trump 2019 budget request proposes radical changes in public housing funding and policy that would necessitate an unusually large appropriation for tenant protection vouchers. We assume that Congress will not enact these changes for 2019.