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

For Immediate Release
Wednesday, August 24, 2005

Shannon Spillane Contact
202-408-1080, spillane@cbpp.org

HOUSING VOUCHER PROGRAM WOULD FARE BETTER UNDER SENATE APPROPRIATIONS BILL THAN HOUSE VERSION

New Report Includes Data on Bills' Local Impact

The Senate Appropriations Committee's HUD funding bill for 2006 would do a better job than the comparable House bill of repairing recent damage to the housing voucher program, a new Center report finds. The report shows how each of the bills would affect state and local housing agencies across the nation.

Both bills would change the way voucher funds are divided among housing agencies, but the House's approach is less efficient and would underfund some agencies and overfund others. Under the House bill, more than 1,000 agencies would receive insufficient funds to maintain all their current vouchers, the study finds, while nearly $80 million in overfunding to other agencies would go unused. Both bills also would increase voucher funding for 2006, enabling housing agencies to restore some (but not all) of the vouchers that were cut over the past two years as a result of funding shortages.

The Housing Choice Voucher Program provides roughly two million low-income households with vouchers they can use to rent housing in the private market. Vouchers help make housing affordable for these families, and research suggests that vouchers can have positive effects on employment, earnings, education, and children's health and well-being.

"Over the last few years, several changes to the voucher program, driven by concerns about rising costs that now appear to have been overblown, have adversely affected housing agencies and the families they serve," stated Barbara Sard, the Center's director of housing policy and the report's lead author. "Congress can restore stability to the program by ensuring that each agency's budget is based on recent cost data, rather than on a rigid, out-of-date formula, and by reinstating funding for the lost vouchers."

Fixing Voucher Funding Policy the Top Priority

Congress and HUD have made substantial changes to voucher funding policy in each of the last three years. These changes, sometimes introduced in the middle of the fiscal year, have created funding volatility and shortfalls for many local housing agencies, while fostering fears among landlords and families with vouchers that the program may no longer be reliable. When combined with a shortfall in voucher funding this year, these changes also have led to a decline in the number of families receiving voucher assistance, as well as a marked drop in landlords' confidence in the program.

The House bill would establish a new funding policy under which each agency's funding in 2006 would be tied to its funding level for 2005, which in turn was based on the agency's voucher costs during a three-month period in 2004. For the first time in the program's history, voucher funding would no longer be linked to an agency's most recent actual costs. Since some agencies see much larger cost changes over time than others (depending on the local housing market and other factors), severing the link between an agency's funding level and its most recent actual costs makes it likely that voucher funds will not be distributed efficiently.

Indeed, because the House funding policy relies on out-of-date information about agencies' actual costs, its effect would be to underfund some agencies and overfund others. Center analysis of HUD data shows that under the House approach, more than 1,000 agencies would receive less than the amount they need to maintain vouchers currently in use, placing nearly 28,000 vouchers at risk of being cut. At the same time, some 541 agencies would be *over*funded by a total of $79 million. Since agencies are not allowed to use excess funds to create additional vouchers, this $79 million — enough money to fund nearly 12,000 vouchers — would essentially be wasted.

"At a time when millions of low-income families around the country with severe housing problems cannot receive housing assistance because of funding limitations, wasting scarce voucher funds through an inefficient funding formula would not be responsible," said Sheila Crowley, president of the National Low Income Housing Coalition.

The funding policy proposed in the Senate bill, in contrast, would distribute voucher funding more efficiently and set a better foundation for the long term. The Senate bill would base voucher funding on agencies' actual costs over the most recent 12-month period. This approach would be more likely to give agencies the funds they need to renew vouchers in use without overfunding some agencies and underfunding others.

"One of the reasons the voucher program has been so successful over the years is that Congress has always given agencies the funding they need to continue the vouchers in use," said Denise Muha, executive director of the National Leased Housing Association, an organization of housing developers, owners, and some state and local housing agencies. "That stability has given landlords the confidence that they can rent units to families with vouchers and not have the rug pulled out from under them later. Unfortunately, the frequent funding policy changes of the past few years have begun to undermine that confidence. Congress can help repair the damage by adopting the Senate's new funding policy."

Restoring Lost Vouchers Another Key Challenge

Funding for 75,000 vouchers was lost in 2005, mostly because Congress failed to provide enough funds to renew all vouchers in use. This decline is troubling in light of the large and growing gap between the roughly two million vouchers available and the more than seven million low-income families that pay more than half of their income for rent and utilities.

The Center estimates that $14.3 billion in voucher renewal funding would be needed in 2006 to restore all of the lost vouchers. Congress could provide this amount while remaining within the President's recommended funding level for tenant-based voucher assistance as a whole.

The House and Senate bills would provide $14.19 billion and $14.09 billion, respectively, to renew vouchers. These amounts represent an increase over the 2005 funding level but fall short of the amount needed to make up fully for the lost vouchers.

The Senate funding level would restore funding for all but about 32,000 of the 75,000 vouchers that were lost in 2005 as a result of inadequate funding. The House bill would provide $100 million more in renewal funding than the Senate bill, but most of this extra funding would go unused because of inefficiencies in the House's proposed funding policy, as described above.

Voucher Costs Growing More Slowly Than Inflation

A major reason for the changes in voucher funding policies in recent years was Congress's unease about rising program costs during the late 1990s and early 2000s. However, there is growing evidence that the rise in voucher costs was temporary and did not reflect problems with the voucher program itself. Rather, the cost growth resulted both from Congress's decision to respond to the growing need for vouchers by funding more of them, and from the combination of a hot housing market (which raised the cost of rental units) and a cool economy (which prevented voucher holders' incomes from keeping pace with rising rents).

The most recent data from HUD show that in the twelve months ending in January 2005, the cost of the average voucher rose by only 2.1 percent, below the rate of inflation.

"Since the significant increase in voucher program costs appears to have run its course, Congress now should focus on the program's underlying needs: restoring the vouchers that were lost in 2004 and 2005 and putting into place a stable funding policy that will distribute funds equitably and efficiently," said Sard.

# # #