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Strengthening Housing Vouchers Should Be Priority in 2020 Funding Bills

By Douglas Rice

The bipartisan budget agreement reached in July eliminated the threat of deep, damaging cuts under the 2011 Budget Control Act and opened the way for Congress to finalize fiscal year 2020 appropriations bills that invest in key domestic priorities.¹ One such priority should be the Housing Choice Voucher program, which helps 5 million people — most of whom are children, seniors, or people with disabilities — in more than 2 million households pay the rent and make ends meet.² A near-record 8.3 million renter households with very low incomes either pay more than half their income for rent or live in severely substandard housing, and only 1 in 4 eligible households receive rental assistance due to funding limitations. Yet the number of households using housing vouchers has *declined* over the past two years due to funding delays and shortfalls caused by policymakers' battles over federal spending. The budget agreement creates an opportunity to reverse these harmful losses and help more renters afford decent, stable homes.

Congress should follow the path of the House-approved 2020 funding bill for the Department of Housing and Urban Development (HUD), which provides \$23.8 billion for vouchers, \$1.2 billion (5.4 percent) over the 2019 level. Most of this increase is necessary to renew all of the 2.2 million vouchers that households are now using and prevent cuts in the number of assisted households. (Voucher funding must rise every year to account for rising rents and other factors.) The House bill also includes \$80 million to provide approximately 8,500 new vouchers for homeless veterans and at-risk families and youth. In addition, it provides \$25 million to expand a promising mobility initiative designed to help families that would like to move from their current neighborhoods due to concerns such as high crime or poorly performing schools and find housing in neighborhoods with higher-quality schools and other opportunities that improve their children's long-term chances of success.

Other areas in the HUD funding bill also merit additional resources. For instance, the House bill boosts funding for public housing, homeless assistance grants, and the Family Self-Sufficiency

¹ Robert Greenstein, "Budget Deal Averts Troubling Threats, Allows More Adequate Funding for Key Priorities," Center on Budget and Policy Priorities, July 22, 2019, <https://www.cbpp.org/press/statements/budget-deal-averts-troubling-threats-allows-more-adequate-funding-for-key>.

² Center on Budget and Policy Priorities, "Policy Basics: The Housing Voucher Program," updated May 3, 2017, <https://www.cbpp.org/research/housing/policy-basics-the-housing-choice-voucher-program>.

program. Added investments in these areas would preserve badly needed public housing, help more individuals and families move from homelessness into stable homes, and support families' efforts to work and increase their incomes.

Vouchers Are Effective, Yet Funding Delays and Shortfalls Have Led to Cuts

Housing vouchers are highly effective at reducing housing instability and other hardships among low-income households struggling with high housing costs. They help seniors and people with disabilities live with dignity in the communities they choose and help families with children live near quality schools and other opportunities. A solid body of research finds that vouchers:

- Lift more than one-third of the households that use them out of poverty, freeing up resources that they may spend on food, medical care, and child care, as well as other goods and services that can enrich their children's lives;³
- Sharply reduce homeless, overcrowding, food insecurity, and other hardships;⁴ and
- Improve children's chances of growing up to be productive adults. Children score higher on cognitive tests, for example, when their families live in housing they can afford.⁵ In addition, when families that choose to are able to use housing vouchers to live in neighborhoods with more opportunities, their children are more likely to attend college and less likely to become single parents, and they earn more as young adults.⁶

Despite its proven benefits, the voucher program now assists about 37,000 *fewer* households than in early 2017. This partly reflects policymakers' failure to anticipate a jump in program costs in fiscal year 2017; agencies across the country received \$565 million less that year than they needed to renew all vouchers that households were using.

Funding delays caused by recent battles over discretionary funding have also played a role. Policymakers delayed final funding decisions well beyond the October 1 start of the fiscal year in 2017, 2018, and 2019, when the final bills were not enacted until the following May, March, and February, respectively. When long delays such as these occur, housing agencies must often make difficult decisions about how many vouchers to renew amid rising rental costs and deep uncertainty about their final program budgets. Many react cautiously by reissuing fewer vouchers when families leave the program, thereby reducing the number of households assisted while they await policymakers' final decisions. This reaction, while understandable, worsens the problem: serving fewer families in one year reduces those agencies' funding eligibility in the next year because eligibility for most agencies is based on voucher usage and costs in the prior year.

³ 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>.

⁴ *Ibid.*

⁵ Sandra J. Newman and C. Scott Holupka, "Housing Affordability and Investments in Children," *Journal of Housing Economics*, December 2013.

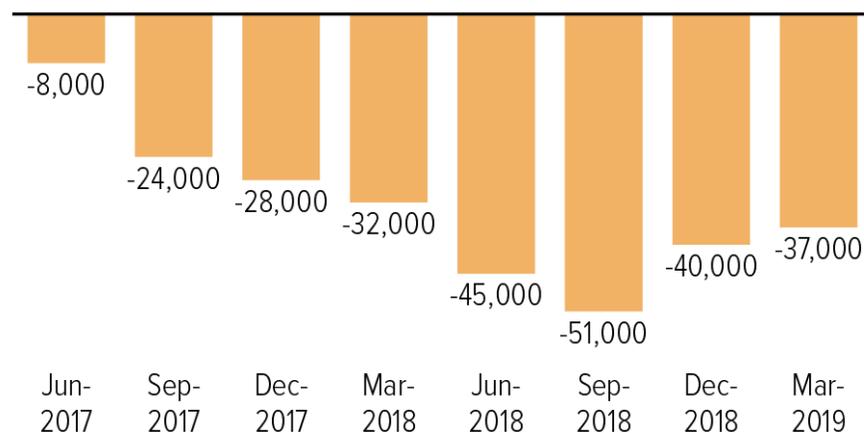
⁶ Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review*, Vol. 106, No. 4, 2016, <https://opportunityinsights.org/paper/newmto/>.

The inadequate funding provided in 2017, coupled with the funding delays and housing agencies' reaction to those delays, have created a downward spiral in the voucher program, as the number of households using vouchers fell sharply in 2017 and most of 2018. (See Figure 1.) Funding increases for 2018 and 2019 enabled agencies to reverse some of these losses, but as of March 2019, about 37,000 fewer families were using vouchers than two years earlier.

FIGURE 1

37,000 Fewer Housing Vouchers in Use Than in 2017 Due to Funding Delays, Shortfalls

Estimated decline in number of families using Housing Choice Vouchers relative to March 2017



Note: Final funding for 2017 and 2018 wasn't approved until several months into the year, and 2017 funding was insufficient to renew all vouchers in use. Figures exclude new tenant-protection or Rental Assistance Demonstration vouchers leased during the period shown.

Source: CBPP analysis of Department of Housing and Urban Development data.

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With Budget Deal in Place, Vouchers Should Be Priority for Added Funding

To fully reverse these losses over the coming year, policymakers must avoid delays in finalizing fiscal year 2020 appropriations and provide sufficient funding to fully renew all vouchers now in use, as well as to expand the program modestly to reach more families. Specifically, they should follow the House's lead by providing at least \$23.8 billion for vouchers. The House bill includes the following:⁷

- **\$21.4 billion to renew the 2.2 million vouchers that families, seniors, and others are now using.** This is a \$1.1 billion (5.4 percent) increase over the 2019 level. The increase is

⁷ In addition to the amounts highlighted in the bullets below, the House bill provides \$150 million for new tenant protection vouchers, \$1.9 billion for administrative expenses, and \$225 million to renew so-called "mainstream" vouchers for non-elderly people with disabilities. It is important that forthcoming legislation include these amounts, and therefore at least \$23.8 billion for housing vouchers overall.

necessary in part because per-voucher costs are rising more than 3 percent annually, roughly consistent with trends in the private rental markets where vouchers are used.⁸ In addition, slightly more vouchers will likely require renewal in 2020 than in 2019, largely because thousands of new vouchers recently funded for homeless veterans and others must be renewed for the first time in 2020.⁹

The House bill would also authorize HUD to provide modest additional funding (beyond the amount required to renew all vouchers in use) to high-performing agencies that have been forced by funding shortfalls to cut the number of households they assist, thereby enabling them to reissue vouchers to seniors, families, and other vulnerable households on their waiting lists.

- **\$40 million for 4,000 new Family Unification Program (FUP) vouchers for families and youth.** These vouchers would help prevent children from being placed into foster care or enable them to return from foster care to their families, in cases where families' lack of adequate housing is the primary reason for the placement. The House bill sets aside \$20 million of this total for timely assistance to young adults who have recently exited foster care and are at risk of homelessness.
- **\$40 million for approximately 4,500 new supportive housing vouchers for homeless veterans.** Investments in Veterans Affairs-Supportive Housing (VASH) vouchers have played a critical role in reducing homelessness among veterans by nearly 50 percent since 2010.¹⁰
- **\$25 million to double the size of the Housing Voucher Mobility Demonstration, which Congress initiated in the 2019 funding law.** This innovative research initiative seeks to identify the most effective ways to help families with rental vouchers find safe, affordable housing in high-opportunity neighborhoods, if they wish to do so.¹¹

At a time when millions of low-income seniors, families, and others struggle to pay rent, it is essential that policymakers invest in proven strategies such as housing vouchers, as well as the other areas in the HUD funding bill mentioned above.

⁸ People use housing vouchers to rent units in the private market. Under the program, an assisted household typically contributes 30 percent of its income towards rent and utilities; the voucher subsidy fills the gap between this contribution and the actual costs, with reasonable limits set by HUD and the local housing agency. Voucher subsidy costs are thus sensitive to changes in market rents as well as tenant incomes.

⁹ The additional vouchers to be renewed in 2020 include the following: about 10,000 new vouchers added through the Rental Assistance Demonstration, which allows housing agencies to convert public housing to a housing voucher subsidy platform; an estimated 9,000 new tenant protection vouchers that HUD is expected to issue in the current year, based on recent trends; and a share of the 7,500 new VASH and FUP vouchers that HUD awarded in late 2018. We also anticipate that an additional several thousand housing vouchers will require renewal next year because agencies will use unspent funds from 2018 and earlier years to restore some vouchers to use in 2019.

¹⁰ "Trump Administration Announces Decline in Veteran Homelessness," HUD press release, November 1, 2018, https://www.hud.gov/press/press_releases_media_advisories/HUD_No_18_132.

¹¹ For more information on the House bill provision, see Alison Bell, "House Bill Would Expand Housing Voucher Mobility Demonstration," Center on Budget and Policy Priorities, June 18, 2019, <https://www.cbpp.org/blog/house-bill-would-expand-housing-voucher-mobility-demonstration>.