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Housing Voucher Utilization Data:
How to Use the Data

1. Introduction: How to Use the Housing Choice Voucher Utilization Data

Housing Choice Voucher utilization data may be used in many ways. First and foremost, the data show the considerable impact that the program has in helping low-income families in every state to obtain stable housing at an affordable cost. But stakeholders may wish to use the data in other ways, too. Here are some suggestions:

- **Illustrate the harmful effects of sequestration.** Housing agencies are already serving fewer families in 2013 as a result of sequestration cuts, and the losses of assistance will deepen considerably in 2014 if Congress fails to cancel or reduce sequestration. These cuts in funding, which are unprecedented in the voucher program's nearly 40-year history, threaten to reduce voucher utilization to its lowest level ever. The fact sheets include our estimate of the number of families that will lose assistance by the end of 2014, compared with the end of 2012, in each state. (For more information, see "Sequestration Could Cut Housing Vouchers for as Many as 185,000 Low-Income Families by the End of 2014.")
- **Serve as a starting point in understanding how effectively local agencies are using available funds.** Voucher utilization rates vary considerably among agencies. While there are many possible causes of low voucher utilization — including causes that are outside of a local agency's control — many housing agencies had built up large reserves of unspent funds in recent years, even as the need for housing assistance in their community has grown. We encourage stakeholders to use the data to raise questions about whether local agencies are making the best use of available funds and to open a dialogue with local officials about how to improve utilization, where appropriate. Because only a fraction of eligible low-income families receives federal rental assistance due to funding limitations (nationally, 1 out of 4), housing agencies must use scarce resources as effectively as possible — and this goal has become even more important following sequestration cuts.
- **Show how voucher assistance funds help local property owners — particularly small owners in areas where housing markets are weak — to maintain their properties in good condition, prevent neighborhood blight, and pay their property taxes.** Housing vouchers not only help low-income families to afford decent rental housing, but also provide a reliable stream of market rents to owners. Because units where vouchers are used must meet federal housing quality standards, owners are required to maintain properties in safe and sound

condition in order to participate in the program. The fact sheets include the amount of funds property owners in each state received from the Housing Choice Voucher program in 2012.

- **Demonstrate the importance of renewal funding policies that encourage housing agencies to use funding efficiently to serve families.** As explained in Section 2, Congress made a series of unwise policy changes that contributed to a sharp decline in voucher utilization in 2005 and 2006. This decline, which resulted in a loss of assistance for more than 150,000 low-income families, is evident in the utilization data of most housing agencies in every state. Thanks to the advocacy efforts of program stakeholders, Congress put more effective policies in place beginning in 2007 that helped improve voucher utilization in subsequent years, yet utilization in 2012 still remained well below the rates in 2003 and 2004. (As explained below, additional policy improvements — many of which are included in Section 8 voucher reform legislation — would further stabilize the program and strengthen incentives for agencies to serve more families with available funds. For more information, also see "Testimony: Will Fischer, Senior Policy Analyst, Before the Senate Banking Subcommittee on Housing, Transportation and Community Development.")

2. The Impact of Voucher Renewal Policies on Voucher Utilization, 2003 to Present

Before 2003, Congress provided renewal funding for all authorized vouchers at their actual cost. Beginning in 2003, however, Congress decided to provide renewal funding only for vouchers in use. Because agencies could receive a larger share of available renewal funds by using more vouchers (up to the authorized level), this policy, along with other incentives, helped to spur utilization rates to a record level of nearly 97 percent in 2004.[1]

For 2004, Congress and the Department of Housing and Urban Development (HUD) created a new retrospective policy for voucher renewal funding. The new policy limited funding to housing agencies based on their average voucher leasing and costs in May-July of 2003, adjusted for local inflation.

In both 2005 and 2006, Congress and HUD provided funding for vouchers based on average leasing and costs for authorized vouchers during May-July 2004. Because voucher leasing and costs may fluctuate significantly from quarter to quarter, or even month to month, the three-month snapshot did not accurately reflect costs for many housing agencies in 2005 and 2006 — and the gaps between actual renewal costs and renewal funding eligibility widened as time passed. In addition, Congress failed to provide 100 percent of the renewal funds for which agencies were eligible under the policy and directed HUD to reduce (i.e., prorate) each agency's allocation below the level for which they were eligible. As a result, agencies received only 96 percent and 95 percent of the renewal funding for which they were eligible in 2005 and 2006, respectively (see Table 1 below). Moreover, the 2005 law instructed HUD to reduce agency reserves from 8.3 percent (one

[1] The focus of the Section 8 Management Assessment Program on utilization as well as the ability to take away unused vouchers permanently to give to other agencies were two of the incentives encouraging high utilization. More information is available in Barbara Sard's Testimony, "How to Promote Housing Integration and Choice through the Section 8 Voucher Program," Center on Budget and Policy Priorities, October 6, 2008, http://www.cbpp.org/cms/index.cfm?fa=view&id=809.

month's worth) to just 1.9 percent (one week's worth) of annual funds by the end of fiscal year 2005.

The deep prorations of renewal funding, the use of an outdated, three-month base period to determine renewal funding eligibility, and reductions in funding reserves resulted in insufficient and unstable funding for housing agencies. In addition, the fact that Congress had made substantive changes to renewal funding policy in the annual appropriations law every year since 2003 generated increasing uncertainty among housing agencies about the future course of policy, which caused many to proceed cautiously, such as by increasing funding reserves rather than using available funds more aggressively to serve families. As noted above, the combination of these factors resulted in a sharp decline in voucher utilization from 2004 to 2006 and the elimination of an estimated 150,000 vouchers from use, even as funding reserve balances at many agencies began to climb to substantial levels by the end of 2006.

Table 1

Choice Voucher Renewal Funding Proration Factor, by Year

Year	Proration Factor
2013	94.1%
2012	99.6%
2011	98.81%
2010	99.5%
2009	99.1%
2008	101.453%
2007	105.017%
2006	94.6%
2005	95.9%
2004	100%
2003	100% (quarterly)

In 2007, Congress once again altered funding policy by determining that voucher renewal funding would be calculated based on average voucher leasing and costs during the previous year (rather than three months of voucher costs from several years prior), adjusted for inflation. This year also represented the first time since 2004 that housing agencies received full funding for all vouchers in use. Agencies also were allowed to accumulate reserves without limitation.

From 2008 to 2013, Congress has retained the core renewal funding policy that bases agencies' renewal funding eligibility on its voucher leasing and costs during the prior year, adjusted for inflation. By providing a stable renewal funding policy under which agencies' renewal funding eligibility is determined by the number of families served in the prior year, Congress has reduced uncertainty among agencies about the future course of policy and encouraged them to improve voucher utilization. As a result, utilization increased nationally and at most agencies from 2007 to 2012.

While voucher utilization has improved since 2007, a number of factors have hindered a full recovery, and voucher utilization as of 2012 remained well below the peak in 2003 and 2004. Most importantly, while Congress retained the core policies initiated in 2007, it included a major modification in 2008, 2009, and 2012. Specifically, in those years, Congress directed HUD to reduce voucher renewal funding eligibility for agencies with large balances of reserve funds, with the expectation that these agencies would use reserve funds to renew vouchers in use. Simultaneously, Congress reduced the funding provided for renewals by an amount equal to the total reserve "offset."

In effect, a reserve-offset policy reduces renewal costs, while ensuring that housing agencies are likely to have the funds they need to renew vouchers in use because agencies without reserves receive sufficient funding. This policy is a reasonable strategy to make the best use of available funds. It also may encourage agencies to use reserves to assist more families, so long as agencies expect Congress to reduce funding for agencies with "excess" reserves and can rely on Congress to provide sufficient renewal funding for agencies that have drawn down their reserves.

However, Congress introduced a reserve-offset policy in 2008, modified it in 2009, and then did not authorize offsets in 2010 and 2011, but again instituted such a policy for 2012. These frequent changes created problems, although the basic policy is sound if Congress makes its use predictable and timely. (For example, in 2009 HUD did not notify housing agencies of their funding levels, including the impact of the reserve-offset, until May, almost halfway through the funding year.)

Nationally, voucher utilization has hovered around 92 percent since 2009, as the renewal funding proration factor has varied between 98.9 and 99.6 percent. While well above the 89 percent to which the utilization rate fell in 2006, voucher utilization remains far below the levels in 2003 and 2004.

There Is a Need for a Permanent, Effective Voucher Renewal Funding Policy

Policymakers have learned much about voucher renewal funding policy over the past ten years. First, frequent and complicated changes in voucher renewal funding policies create uncertainties that make it very challenging for housing agencies to manage their programs effectively. When combined with the degree of funding instability that is inherent in the annual appropriations process, these uncertainties encourage agencies to build funding reserves and discourage them from using available funds to serve as many families as possible.

Second, experience since 2007 shows that a policy that bases agencies' renewal funding eligibility on recent voucher leasing and costs, adjusted for inflation, is effective. The policy distributes resources efficiently to agencies, helping to ensure that every agency receives the funding it needs to renew vouchers in use. Because funding eligibility fluctuates with voucher leasing and costs, the policy encourages agencies to use available funds to serve a maximum number of families. In addition, because Congress determines the overall renewal funding level, it retains the ability to control program costs.

Third, additional improvements in voucher funding policy would be helpful. The December 2010 version of the Section Eight Voucher Reform Act (SEVRA) addresses several shortcomings of current policy related to renewals and reserves. For instance, the bill proposes to allow agencies to keep reserves of at least 6 percent of their eligible renewal funding, while also authorizing HUD to offset agencies' renewal funding by any amounts above the 6 percent level. In addition, the bill would remove the penalty that agencies now face if they used more than their authorized number of vouchers for the year. In place since 2003, this policy has penalized agencies even if the increased leasing was due to their success in reducing per-voucher costs. The removal of this policy encourages agencies to strive for efficiency in order to lease as many vouchers as possible. For more information on these and other policy recommendations considered recently by Congress, see Will Fischer's recent testimony before the Senate Banking Subcommittee on Housing, Transportation, and Community Development.

3. Other Resources

Policy Basics: The Housing Choice Voucher Program, January 25, 2013

Section 8 Rental Assistance Programs Are Not Growing as Share of HUD Budget
, July 20, 2011

Testimony: Will Fischer, Vice President for Housing Policy, Before the Senate Banking Subcommittee on Housing, Transportation and Community Development, August 1, 2012

Sequestration Could Cut Housing Vouchers for as Many as 185,000 Low-Income Families by the End of 2014, November 6, 2013.