



Homelessness & Proposed Changes Section 8 — FAQs

What are the changes to Section 8 that are being proposed?

The Bush Administration is proposing deep cuts to the tenant-based Section 8 program (Housing Choice Vouchers) and changes to the way it operates. The proposal, known as the Flexible Voucher Program, would eliminate many of the rules that govern the program. The proposal would do the following:

- Cut \$800 million relative to last year's budget and at least \$1.6 billion from what is needed to fund existing vouchers.
- Eliminate targeting to extremely low-income households. Currently, at least 75% of vouchers go to households with incomes less than 30% of area median income (roughly the poverty level in most places). Under the proposal, vouchers could be given to any household with an income up to 80% of area median income.
- Eliminate the rule that tenants should pay no more than 30% of their income for rent. Instead, they could be charged any amount.
- Allow time limits, work requirements, and sanctioning policies for housing assistance, provisions that are not currently allowed.

Would the Flexible Voucher Program serve more families?

No, not unless families receive significantly smaller subsidies. The proposal cuts at least \$1.6 billion from what is needed to fund the program as it currently operates. The only way to implement that reduction and serve more families would be to dramatically reduce the amount of assistance given to each family. This can only be accomplished by: cutting off a large number of extremely low-income families (several hundred thousand), and instead serve higher income families or forcing families to dramatically increase the amount they pay for rent (by 25-30%). Even these drastic actions would only increase the number of families served after several years, and only if no further cuts were made.

In an Op-Ed in the New York Times (8/06), HUD Secretary Alphonso Jackson gave an example of how he believes the Flexible Voucher Program might serve more families. However, the figures he cites are contradicted by data, both nationwide and in the specific area he cites. Sec. Jackson noted one zip code in Washington DC where 1,733 families with Section 8 vouchers live in rental housing that he claimed cost an average of \$960 per month, and stated that comparable units cost an average of \$860. "Under our proposal, the [public housing] authority could pay the actual market rent and would save enough money to aid 200 additional low-income families..." he said. However, the DC Housing Authority has calculated that the average rent for Section 8 assisted families in 2-bedroom units is actually \$860/month in that zip code, and the rent for comparable units is \$868. Additionally, Public Housing Authorities are already required to reduce rents if they are out of line with market conditions. In fact, a study done for HUD in 2001 found that, nationwide, rents for Section 8 units were \$95/month below comparable units. Thus there would be little if any savings, and certainly not enough to offset the dramatic funding cuts.

Is the cost of the Section 8 program rising uncontrollably?

No. Over the last 8 years, the cost of the Section 8 program has risen an average of about 4 percent per year. What HUD officials have described as skyrocketing is *budget authority* for Section 8; however, this is misleading because budget authority is not the same as actual cost (which, in the budget world, is known as outlays). Budget authority has risen dramatically, mostly because of technical changes to the way the program has been funded that allowed Congress for the last decade to appropriate much less budget authority for the program than was needed to cover costs over the long run. The actual cost of the program (outlays) is not out of control, and has risen modestly for 2 reasons.



- The gap between housing costs, which have increased substantially over the past few years, and incomes, which were hit hard during the recent recession, has increased substantially.
- Congress decided to fund more vouchers to make progress toward addressing the affordable housing crisis in our nation.

Over the next several years, actual costs will rise even more slowly because the factors that pushed costs higher are no longer present. Instead, the following factors will keep Section 8 costs in check.

- As the economic recovery begins increasing employment and wages of low-income households, they will require lower subsidies.
- Higher rental vacancy rates will keep housing costs lower.
- Congress has not appropriated any new vouchers for the last several years.

These factors are reflected in the estimates of the Congressional Budget Office, which provides non-partisan budget advice for the Congress. They project that the cost of the voucher program will increase by less than 2% per year for the foreseeable future, which is roughly the rate of inflation.

How would the proposal affect homelessness?

Although the Flexible Voucher Program could be implemented in several different ways, all of them will harm the ability of the vouchers to end homelessness. Here are the most likely scenarios:

If cuts were implemented by keeping the program the same but reducing the total number of vouchers, then *250,000 fewer households* would be served. Those households would be at high risk of homelessness. Fewer homeless households would receive vouchers.

If the cuts were implemented by reducing what could be paid for rent, or the amount of subsidies, voucher holders would have to *move to higher poverty neighborhoods*, and even then might have trouble finding housing. This would reduce their future earning potential, leaving them more likely to need long-term assistance. Furthermore, reducing rents would reduce the incentives for the private sector to develop affordable housing, which would exacerbate the affordable housing crisis.

The least desirable scenario would be to implement cuts by maintaining the same number of vouchers, but targeting higher income households. This would involve shifting vouchers from the households most likely to become homeless to those who may very well need assistance, but are unlikely to become homeless. Although it would have the most negative impact on homelessness, HUD has supported this shift in targeting. For example, in a document published to support the proposal, HUD suggests that \$350 million could be saved in the first year, and more in future years, by *servicing 800,000 fewer extremely low-income families* and instead serving higher income families.

Any combination of these scenarios would lead to higher risk of homelessness and fewer people exiting homelessness, and in turn higher costs to homeless systems and other emergency systems of care such as psychiatric hospitals, emergency rooms and child welfare systems. Examples of the magnitude of these costs include:

- Homeless people with serious mental illness in New York cost over \$16,000 more to public systems like emergency rooms and substance abuse treatment programs than their housed counterparts.
- When the child welfare system has to remove children from a family, because of homelessness or for any other reason, the average cost is nearly \$50,000 per year.
- Depending on the city, one bed in a homeless shelter can cost \$60 per night, or \$22,000 per year. Family shelters cost even more.