

RESEARCH REPORT

# The Case for More, Not Less

Shortfalls in Federal Housing Assistance and  
Gaps in Evidence for Proposed Policy Changes

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# Executive Summary

Federal housing assistance programs aim to ensure that those who receive assistance have decent, safe, and affordable housing. Unlike some other key safety net programs, however, housing assistance is not an entitlement, which means it does not provide benefits to all who are deemed eligible. Currently, available assistance falls significantly short of the current and growing need for it: only one in five renter households who qualify for housing assistance actually receive any (Kingsley 2017).

Recent proposals, including the recently enacted Tax Cuts and Jobs Act, the administration's proposed fiscal year 2018 budget, and Speaker of the House Paul Ryan's A Better Way plan, threaten deep cuts and significant changes to housing assistance. These funding and policy changes will decrease the funds for the preservation and creation of affordable housing, reduce the amount of assistance available, and may undermine the stability of those currently on assistance.

This report provides an overview of the current landscape of housing assistance, its central role in the safety net, and the evidence on contemporary policy proposals. We highlight several critical gaps in our knowledge that suggest we need a serious review of our affordable housing policy with a focus on developing a stronger evidence base before attempting large-scale changes to federal housing assistance programs.

## Housing Assistance: A Critical Component of the Safety Net

Housing assistance provides the solid ground that low-income households need to better their lives. Those who need housing assistance but do not receive it face the threat of housing instability and may end up doubled up with family and friends or experiencing episodes of homelessness. In contrast, people who receive housing assistance are stably housed and pay affordable rents. That stability and lessened rent burden allows families to spend more money on other necessities such as food, health care, and education, leading to better positive health and educational outcomes. Some current proposals, such as establishing minimum rents (i.e., requiring that recipients contribute a minimum amount toward rent regardless of their income) or putting time limits on assistance, may threaten the stability and increase the rent burden of assisted households and could limit these positive effects.

## Shortfalls in Federal Housing Assistance

The need for housing assistance far exceeds its availability, and those who seek assistance face long waiting lists. Many households who need assistance never even make it into the queue because waiting lists are often closed. Multiple barriers, including waiting lists, local preferences that give priority to certain types of households (e.g., homeless or working families), and additional federal and local screening criteria, drag out the wait for months or years. Moreover, the gap between the need for and the availability of housing assistance is far greater now than it was 10 years ago and is likely to continue to grow as current policy proposals would not address this shortfall.

If adopted, the administration's proposed fiscal year 2018 budget would worsen this situation. Housing assistance programs fall within the federal government's nondefense discretionary portion of the budget and are therefore vulnerable to cuts. Recently released research estimates that 1.8 million households would lose housing assistance under the president's proposed budget cuts (Waxman and Giannarelli 2017). Another 3.1 million households could see partial reductions in benefits as they are required to pay more for rent and utilities. Further, the recently enacted Tax Cuts and Jobs Act reduces incentives for producing more affordable housing.

## A Look at Currently Assisted Households

Able-bodied adults and families with children constitute an increasingly small share of those who receive housing assistance; most recipients are elderly or disabled adults. In 2016, of the 4.7 million households receiving assistance from the US Department of Housing and Urban Development, 58 percent were headed by an adult over age 50 and 38 percent by an adult over age 62.<sup>1</sup> Thirty-four percent of heads of households under age 62 had a self-reported disability, as did 43 percent of those over age 62. Only 37 percent of households were composed of adults (or an adult) with children. But despite the fact that most housing assistance recipients are elderly or disabled, many current policy proposals are focused on moving households to work and off assistance.

## Precursors to Proposed Reforms

Some of the current proposals build on earlier efforts at reform. Many significant changes to housing assistance programs have occurred through both tax reform and budget appropriations. For example, legislation in the 1980s and 1990s imposed across-the-board rent increases and minimum rents and allowed some housing agencies to begin experimenting with work requirements. These changes sought to increase flexibility in how housing assistance is provided, leverage private sector resources, and maintain or reduce federal budget outlays. Housing authorities granted this flexibility experimented with various strategies for encouraging able-bodied recipients to work, including new rent standards, minimum rents, work requirements and incentives, and time limits.

## Lack of Evidence for Proposed Reforms

Some policymakers are arguing for expanding these types of strategies to help move participants off assistance and toward self-sufficiency. But even though housing authorities have been experimenting for many years with work requirements, minimum rents, and time limits, little evidence is available on how these programs have affected assisted households, housing agencies, participating properties, and communities. The evidence we have is mixed and inconsistent. For example, work requirements would affect only a small proportion of assisted households because the rest are either unable to work or are already working. And, for the small number of households that would be affected, the limited evidence available shows that work requirements do not help increase participants' incomes enough for them to support themselves without housing assistance.

## Conclusion

In a time when only one in five eligible renter households actually receive federal assistance, any reduction to federal funding for public housing or vouchers threatens the well-being of millions of low-income households. The administration's proposed budget cuts paired with possible losses of affordable rental units because of the Tax Cuts and Jobs Act would leave many low-income households at risk of housing instability and worse. Many of the other proposed reforms to housing assistance—minimum rents, rent increases, time limits, work requirements, and others—are not new, but the evidence on how these changes have or will affect the availability of housing assistance and the livelihoods of those eligible for it remains scattered and thin. And there is little discussion of the fact that most of these

proposals assume that recipients are able-bodied adults capable of work; increasingly, however, most are elderly and disabled. What we do know is that housing assistance plays a critical role in stabilizing low-income households and promoting positive health and educational outcomes. Instead of cutting funds for assistance, the administration and Congress should be considering ways to expand access to stable, affordable housing. And before proposing policy reforms for housing assistance programs, we need to expand the evidence on what works and what doesn't, focusing on impacts on those households that receive housing assistance as well as those most severely in need of such assistance.



# The Case for More, Not Less

Federal housing assistance programs aim to ensure that those who receive assistance have decent, safe, and affordable housing. Unlike some other key safety net programs, however, housing assistance is not an entitlement, which means it does not provide benefits to all who are deemed eligible. Currently, available assistance falls significantly short of the current and growing need for it: only one in five renter households who qualify for housing assistance actually receive any (Kingsley 2017).

Recent proposals, including the recently enacted Tax Cuts and Jobs Act, the administration's proposed fiscal year (FY) 2018 budget, and Speaker of the House Paul Ryan's A Better Way plan, threaten deep cuts and significant changes to housing assistance. These funding and policy changes will decrease the funds for the preservation and creation of affordable housing, reduce the amount of assistance available, and may undermine the stability of those currently on assistance.

## Housing Assistance: A Critical Component of the Safety Net

Safety net programs provide low-income and vulnerable households with work and income support, housing, health care, nutrition, child care, and education. Housing assistance plays a critical role in stabilizing low-income households by providing the solid ground on which they can build a foundation for achieving goals in all facets of their lives. Housing assistance plays a particularly vital role in providing stability, which is essential to so many elements of a household's daily life, including employment, education, and health.

### **The Problem Housing Assistance Addresses**

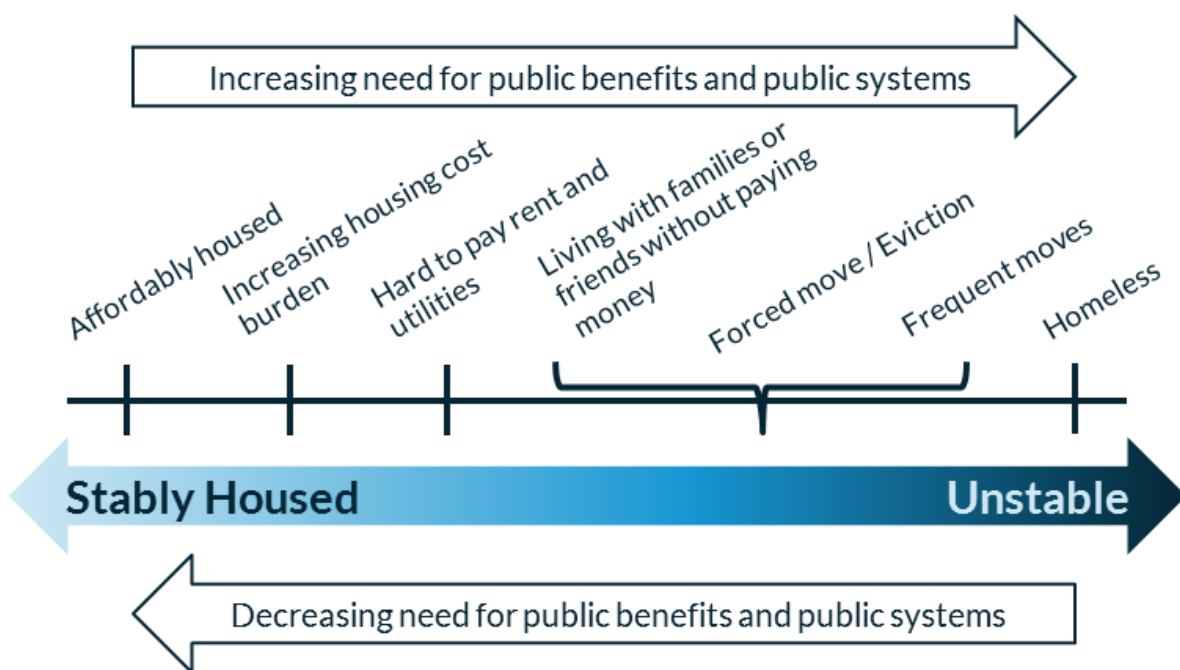
Those who need housing assistance but do not receive it face the threat of housing instability and may end up doubled up with family and friends or experiencing episodes of homelessness, as illustrated in figure 1 (Adams and Dubay 2014; Kleit, Kang, and Scally 2016). Because housing is a significant, fixed portion of a household budget and payments are due on a regular schedule, housing costs limit a household's financial flexibility, particularly for households where housing costs constitute a substantial share of their income. This situation means a stable housing environment can deteriorate quickly and suddenly, particularly for vulnerable low-income households, for any number of reasons,

such as rent increases, job loss, domestic violence, and other sources of financial and physical stress (Kleit, Kang, and Scally 2016). When a family is unable to pay their rent, they are forced to quickly cut costs elsewhere (often food or health expenses), or they may be forced to move. As housing becomes less stable and affordable, households may increasingly need other public benefits and systems, filling gaps for food with Supplemental Nutrition Assistance Program (SNAP), for health care needs with Medicaid, and for basic income with Temporary Assistance for Needy Families (TANF). Homelessness can lead to a particularly vicious cycle. Families may experience multiple stays in shelters or other homeless programs or become involved with the child welfare system (Gubits et al. 2015). Individuals, particularly those with disabilities, may fall into a pattern of heavy use of emergency shelters, emergency rooms, and local jails (Culhane, Metraux, and Hadley 2002).

**FIGURE 1**

**Housing Instability Continuum**

*As housing stability decreases, need for other public benefits and systems increases*



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Source: Adapted from Kleit, Kang, and Scally (2016).

**Notes:** This does not represent a linear process of housing instability but rather a range of circumstances, from those most stably housed (able to comfortably afford housing costs) to the most unstably housed (experiencing a complete lack of housing through homelessness). Although the figure represents a continuum, households do not necessarily move up or down in a single direction and can bounce between points.

Millions of American households face some form of housing instability. In 2015, 8.3 million renter households with low incomes lacked housing assistance and paid over 50 percent of their income for housing costs (commonly referred to as having a severe housing cost burden) or lived in severely inadequate housing (HUD 2017). At the same time, 7.0 million people in low-income households were doubled up with family and friends (National Alliance to End Homelessness 2016) and another 1.5 million people experienced homelessness (HUD 2016). Households who received assistance for a period but have recently transitioned off of it may also be at risk for instability (Smith et al. 2014).

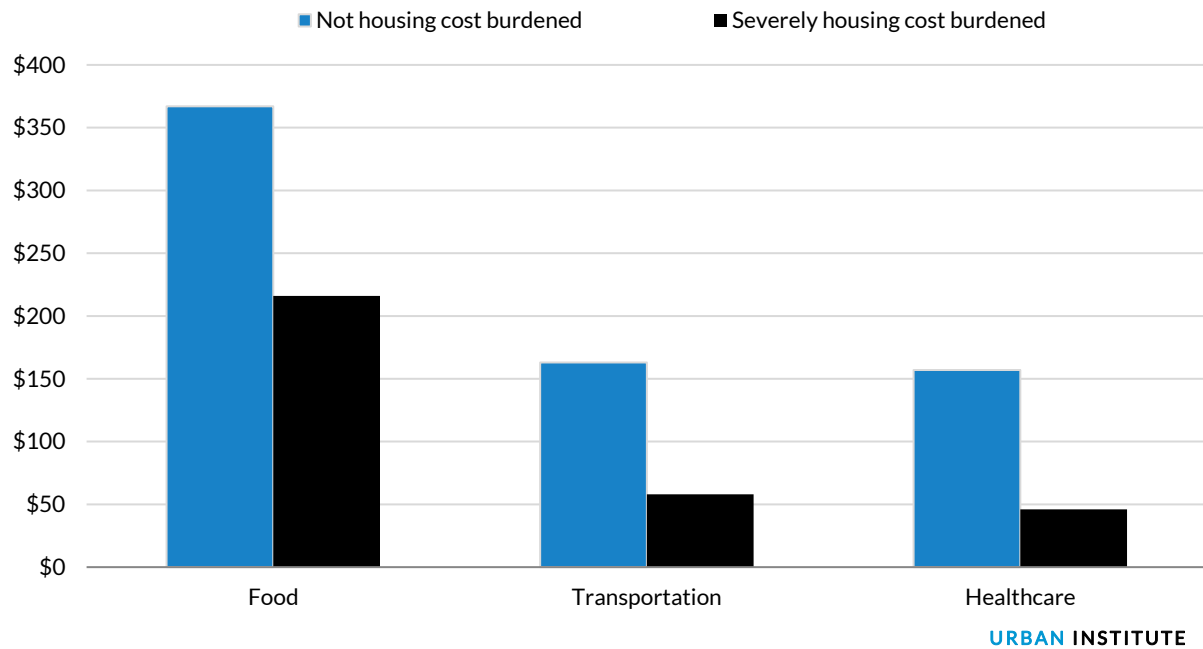
## **Positive Impacts of Housing Assistance**

In contrast, considerable evidence shows that housing provides the solid ground that promotes well-being and opportunity. People receiving housing assistance are stably housed, protected from forced moves caused by rising rents or eviction (Brennan 2011; Desmond 2016), less likely to experience overcrowding and food insecurity (Lindberg et al. 2010), and less likely to experience homelessness (Gubits et al. 2015; Shinn 2009; Mills et al. 2006). Housing quality and location directly affects a person's health from before birth (Brennan and Galvez 2017) through his or her advanced years (Spillman, Biess, and MacDonald 2012). Evidence from the Moving to Opportunity demonstration, which provided public housing families with vouchers they could only use in low-poverty areas, showed significant health benefits for women and girls, including lower levels of obesity, diabetes, and depression (Gennetian et. al 2012).

Research shows that families who spend a lower share of their income on rent or other housing-related expenses can afford to invest more in their children, such as by purchasing books or other educational materials (Newman and Holpuka 2015). As figure 2 shows, housing assistance removes some housing cost burden for households and allows them to spend more money on other necessities, such as food, transportation, and health care (Joint Center on Housing Studies 2017; Pollack, Griffin, and Lynch 2010; March 2009; Lubell, Crain, and Cohen 2007). Housing stability also affects educational outcomes for children, such as how frequently they change schools or are absent from class and their ability to learn in class, complete homework, and score well on tests (Cunningham and MacDonald 2012).

FIGURE 2

**Average Monthly Expenditures of Low-Income Households**  
*Severely housing cost burdened versus non-housing cost burdened*



**Source:** Joint Centers for Housing Studies of Harvard University, tabulations of US Bureau of Labor Statistics, 2015 Consumer Survey.

**Notes:** Low-income households are in the bottom quartile of all households ranked by total spending. Non-housing cost burdened households devote 30 percent or less of expenditures to housing, including utilities; severely housing cost burdened households devote more than 50 percent.

## Overview of Housing Assistance

Unlike entitlement programs such as Medicaid and SNAP, where the government must provide benefits to all who are eligible, housing assistance falls within the federal government’s nondefense discretionary portion of the budget. Housing assistance programs are therefore not required to meet the existing need and are vulnerable to budget cuts. Most recently, all nondefense discretionary programs, which represented 16 percent of the federal budget in 2016, or \$600 billion, have suffered across-the-board budget cuts since the Budget Control Act of 2011.<sup>2</sup> Housing assistance programs were hit hard, accounting for 7 percent (\$44 billion) of this total. Annual inflation-adjusted losses when compared to 2010 funding levels ranged from 4 percent to over 13 percent between 2011 and 2016 (Center on Budget and Policy Priorities 2016).

The administration's budget proposes further cuts to nondefense discretionary programs. An initial cut of about 13 percent in 2018 (\$57 billion) would be followed by annual 2 percent cuts through 2027.<sup>3</sup> Overall, the US Department of Housing and Urban Development's (HUD's) budget would be reduced to under \$41 billion for 2018, less than what was budgeted 10 years ago, despite growing housing costs and needs (Congressional Research Service 2016a). This figure falls significantly short of the amount needed to continue serving existing assisted households, let alone to expand programs to meet the growing need for them.

Despite these challenges, about 4.7 million low-income renter households received federal housing assistance from HUD<sup>4</sup> in 2016 to help lower rents to no more than 30 percent of their income (Kingsley 2017). Today's housing assistance programs reflect different paradigms adopted over time, such as public funding of publicly owned units, public funding of privately owned units, or public funding of households seeking rental housing in the private market. These generally fall into three categories:

1. **Public housing** is the oldest federal housing assistance program. Properties are financed directly by the federal government (both their capital costs and operations) and are owned and operated by local housing authorities. Over 3,000 housing authorities manage approximately 1.0 million public housing rental units today, providing housing for low-income families, the elderly, and persons with disabilities. Current funding is for maintenance and operations of existing properties only.
2. **The Housing Choice Voucher Program (formerly the Section 8 Voucher)** is the largest housing assistance program, helping 2.3 million low-income households afford rent in the private market.<sup>5</sup> Like public housing, vouchers are funded by the federal government and administered locally by housing authorities. However, voucher recipients choose their own rental home, and the federal government makes supplemental rent payments to their landlords.<sup>6</sup> Voucher recipients may pay more than 30 percent of their income for rent if they choose a more expensive unit than allowed in HUD's guidelines.
3. **Project-based rental assistance programs provide** long-term contracts to private property owners that fund housing assistance to eligible tenants living in their units in exchange for designating the units for low-income households and following program rules. The Section 8 Project-Based Rental Assistance program is the largest of these, currently housing 1.2 million households affordably. Also included in this are Section 202 Housing for the Elderly and Section 811 Housing for People with Disabilities, which provide affordable rental units to help eligible individuals in these groups live independently.

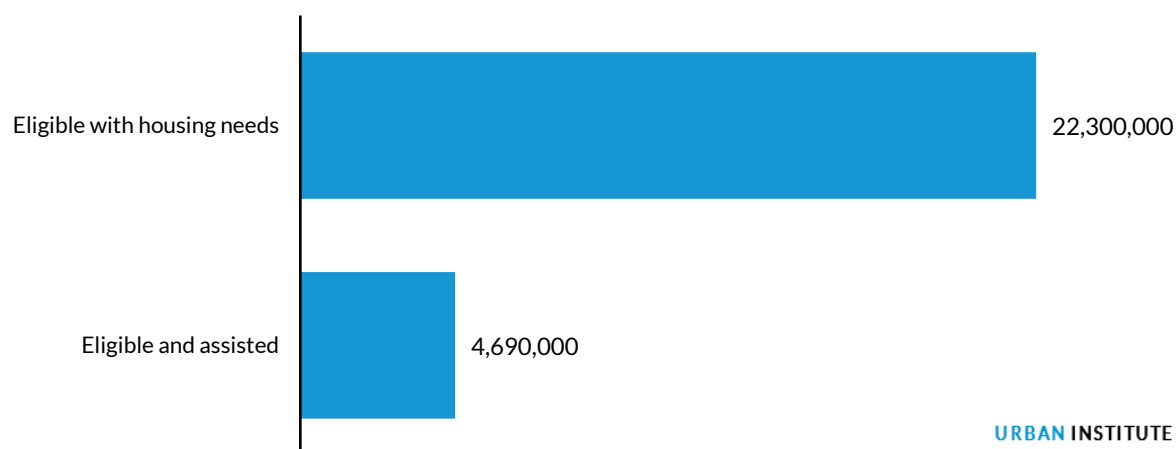
# Shortfalls in Federal Housing Assistance

Despite this array of options, housing assistance programs do not come close to meeting the actual need. In 2016, only one in five eligible households received federal housing assistance (figure 3), leaving the clear majority of low-income renters without this valuable protection from material hardship (Kingsley 2017). That share is down from 2005, when one in four of those who needed assistance received it; current policies are likely to continue to exacerbate the gap. The Tax Cuts and Jobs Act will decrease incentives to build and preserve affordable homes, according to the National Low Income Housing Coalition.<sup>7</sup> Any additional cuts to federal housing assistance will inevitably leave even more families and elderly and disabled individuals at risk and struggling to pay their rent.

FIGURE 3

## Who Receives Housing Assistance?

*Only 20 percent of those eligible for housing assistance receive it*



**Sources:** Kingsley (2017); 2016 data from “Picture of Subsidized Households,” US Department of Housing and Urban Development, accessed December 1, 2017.

**Notes:** Eligible households with housing needs are low income and spent too much income on rent (more than 30 percent), lived in substandard housing, or lived in overcrowded conditions. Approximately 4.69 million eligible households received federal housing assistance in 2016 according to HUD’s “Picture of Subsidized Households” data.

Federal housing assistance programs are intended to make housing affordable for low-income households, but households must overcome significant hurdles to access these limited resources. Those hurdles include varying income eligibility requirements by program, long waiting lists that might be closed to new applicants for long periods, locally set preferences for who receives assistance first (such as working families and elderly people), and additional screening criteria, such as barring those with nonviolent criminal offenses.

## Eligibility

Eligibility requirements for federal housing assistance programs vary (as outlined in table 1), but they are generally based on the income of a household as a percentage of area median income (AMI), or the income of all families in the geographic area in which the household resides.<sup>8</sup> Based on this standard, eligible households could be

- extremely low income (earning less than 30 percent of AMI),
- very low income (earning between 31 and 50 percent of AMI), or
- low income (earning between 51 and 80 percent of AMI).

Jurisdictions might also set aside a certain number of units or vouchers for an even lower-income group than generally eligible, target elderly or disabled people, or implement other screening criteria. Rent calculations also vary by program.

TABLE 1

### Eligibility Criteria and Rent Standards by Major Housing Assistance Program

*Many programs target very low-income households, and require 30 percent of income for rent*

Program	Basic income eligibility	Additional targeting	Rent standard
Public Housing	Low income	Local preferences and screening criteria	Highest of <ul style="list-style-type: none"> <li>▪ 30 percent of monthly adjusted income,</li> <li>▪ 10 percent of monthly gross income,</li> <li>▪ welfare shelter allowance (if applicable, or</li> <li>▪ local public housing agency established minimum rent of up to \$50</li> </ul>
Housing Choice Vouchers	Very low income	75 percent of vouchers to extremely low income	30 percent or more of monthly adjusted gross income for rent and tenant-paid utilities
Project-Based Section 8	Low income	40 percent of units to extremely low income	30 percent of monthly adjusted income for rent and tenant-paid utilities
Section 202	Very low income	One adult member over age 62	30 percent of adjusted income
Section 811	Very low income	One adult member with disability	30 percent of adjusted income

**Notes:** Extremely low-income households are those earning less than 30 percent of area median income (AMI), very low-income households are those earning between 31 to 50 percent of AMI, and low-income households are those earning between 51 to 80 percent of AMI.

## Waiting Lists

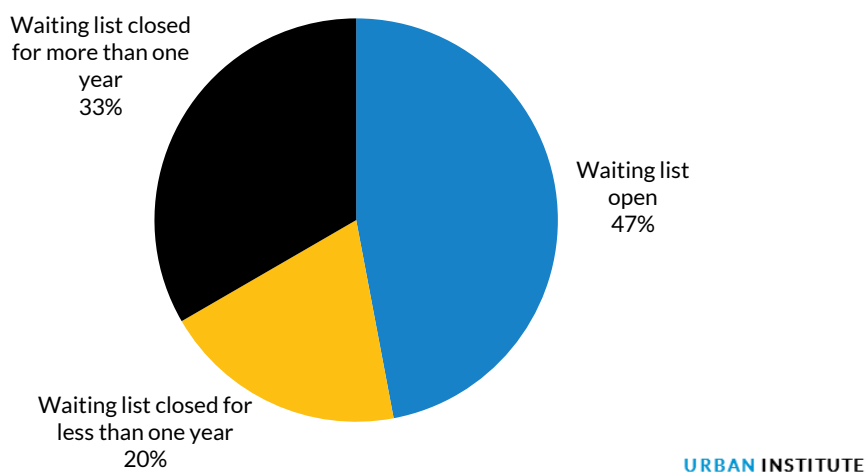
Many eligible households are stuck on waiting lists for assistance programs run by local public housing authorities that are generally in charge of local public housing and voucher programs. The most recent estimate found at least 1.64 million households waiting for a public housing unit and 2.76 million households waiting for assistance from the Housing Choice Voucher program in 2012 (PAHRC 2012). Of the 22.3 million households eligible for housing assistance presented in figure 3, one in five receives assistance, another one in five is on a waiting list for assistance, and the remaining three in five eligible households are not even in the queue; they are shut out.<sup>9</sup>

The most recent national survey found that 53 percent of waiting lists for the Housing Choice Voucher program, the largest federal housing assistance program, were not accepting new applicants; of those, 65 percent had been closed for over a year, as illustrated in figure 4 (Aurand et al. 2016). In November 2017, housing authorities in Los Angeles, CA, and Fort Worth, TX, opened their waiting lists for the Housing Choice Voucher program for the first time in 13 and 6 years, respectively.<sup>10</sup> Both waiting lists were open for two weeks or less and received a high volume of applicants. Most applicants, however, will not end up on the waiting list. Although applications are open to all, screening criteria, local preferences, and in some locations (such as Fort Worth), a lottery process will determine which applicants will end up on the list and in what order their names will be called as assistance becomes available.

FIGURE 4

### Waiting lists for the Housing Choice Voucher Program

*Less than half of voucher program waiting lists are open, while a third have been closed for at a year*



Source: Aurand et al. (2016).



If a household gets placed on a waiting list, average wait times can vary by assistance program and how frequently vouchers or units become available as other households leaving the program. The average household currently receiving housing assistance spent 26 months on a waiting list before getting assistance.<sup>11</sup> The amount of time a household spends on a waiting list also varies by jurisdiction, and in many places, the wait times are much longer than the average. For example, 25 percent of Housing Choice Voucher program waiting lists had a wait time of three years or longer (Aurand et al. 2016). Some jurisdictions periodically update their lists and ask households to reapply, so actual wait times can be even longer.

## Local Preferences

Once a household gets on a waiting list, they may still get passed over for housing assistance if the local housing authority gives preferences to specific groups it has determined to be in greater need of (or perceived to be more deserving of) assistance. An estimated 62 percent of housing agencies have established preferences for the Housing Choice Voucher program and public housing (PAHRC 2012). These preferences include those for local residents, working families, people with disabilities, families with children, people experiencing homelessness, victims of domestic violence, or particularly rent-burdened households (such as those paying more than 50 percent of their income toward rent). Where a local preference exists, people who meet the criteria for the preference move ahead of those who do not.

## Screening

Additional screening criteria that focuses on past criminal activity, particularly nonviolent offenses, can prevent vulnerable residents from accessing housing (Fontaine and Biess 2012). Federal policy directs housing authorities to exclude people who have been evicted from public housing within the past three years for drug-related reasons, are on the lifetime sex offender registry in any state, have been convicted of manufacturing methamphetamines on public housing property, are using illegal drugs currently, or are abusing alcohol in a manner that interferes with the public housing community.<sup>12</sup> Local agencies can and often do impose discretionary eligibility screens, such as bans for various durations of time for an array of drug-related activities, for alcohol or nonviolent criminal activity, and for violent crimes (Curtis, Garlington, and Schottenfeld 2013). There are no figures available on how many households are denied assistance based on these criteria, but it seems likely

that these restrictions keep some eligible households from even applying for help or from reuniting with family members receiving housing assistance.

## A Closer Look at Who Gets Help

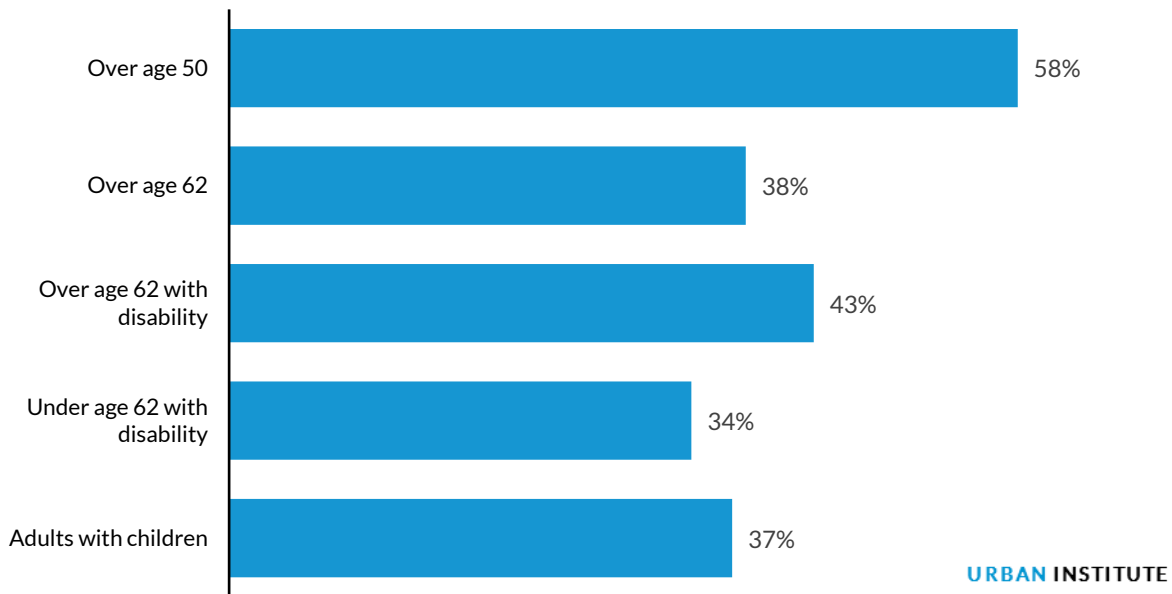
Those fortunate enough to receive housing assistance increasingly represent some of the most vulnerable households in society. The average income of an assisted household was \$13,726 in 2016.<sup>13</sup> That average income includes a large portion of households headed by an older or disabled adult, many of whom live on fixed incomes supported by other parts of the social safety net.

The value of housing assistance varies based on the household's income because the majority of programs require a household to pay 30 percent of their income toward rent. In 2016, HUD spent an average of \$687 monthly per household; assisted households paid an average of \$332 monthly in rent.<sup>14</sup> This assistance leaves assisted households with more income to spend on other necessities.

FIGURE 5

### Characteristics of Those Assisted by HUD Housing Assistance Programs

*Assisted households are very low income, and are more likely to be elderly and/or disabled than families with children*



**Source:** 2016 data from "Picture of Subsidized Households," HUD, accessed December 1, 2017, <https://www.huduser.gov/portal/datasets/assthsg.html>.

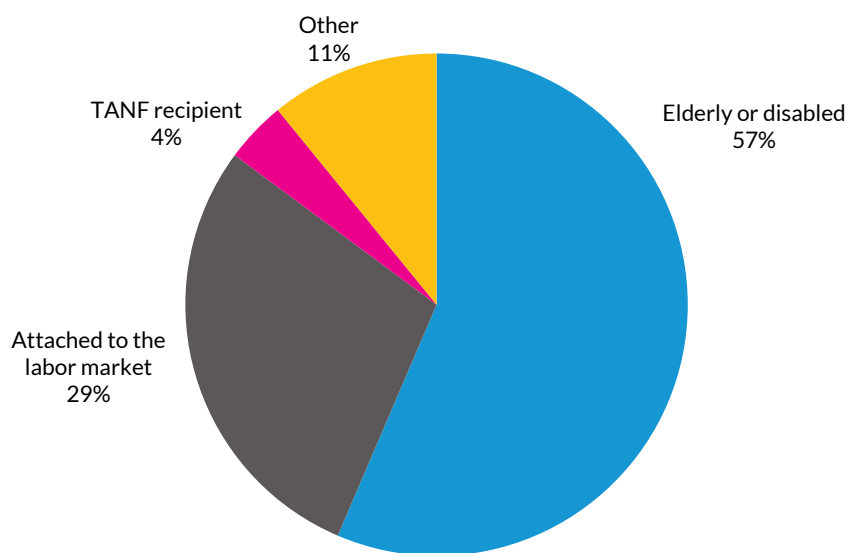
**Notes:** HUD = US Department of Housing and Urban Development. Values are calculated for heads or heads of household and spouses.

Families with children constitute an increasingly small share of assisted households today; most are elderly or disabled adults. As highlighted in figure 5, of the 4.7 million households assisted by HUD in 2016, 58 percent were headed by an adult over age 50 and 38 percent by an adult over age 62. Thirty-four percent of heads of households under age 62 had a self-reported disability, as did 43 percent of those over age 62. Only 37 percent of households were composed of adults (or an adult) with children.<sup>15</sup>

**FIGURE 6**

**Ability to Work of Housing Assistance Program Participants**

*The majority of assisted households are elderly or disabled, while 29 percent are working or recently worked*



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**Source:** Fischer (2016).

**Notes:** TANF = Temporary Assistance for Needy Families. Figure uses 2015 and 2016 US Department of Housing and Urban Development (HUD) administrative data. Figure includes households in the Housing Choice Voucher program, project-based rental assistance programs, and public housing programs. “Elderly or disabled” households have a household head or spouse age 62 or older or that had a disability. “Attached to the labor market” means the household worked in 2015, worked in 2016, or received unemployment insurance in 2016. “TANF recipient” households report TANF as their primary source of income, are not currently working, and are already subject to work requirement through TANF. “Other” households could work but do not currently. Data do not include those who might be subject to work requirements through the Supplemental Nutrition Assistance Program, as HUD only collects data on TANF, disability, and “other cash assistance.” See the HUD Tenant Data Collection Form, HUD-50058, November 2013, accessed December 15, 2017, <https://www.hud.gov/sites/documents/HUD50058.PDF>.

Only a small share of households that receive housing assistance are able to work but do not already do so (Fischer 2016). A recent analysis from the Center on Budget and Policy Priorities,

presented in figure 6, found that most assisted households in public housing, voucher programs, and project-based rental assistance housing are (a) working already or worked or received unemployment benefits in the prior year (29 percent), (b) cannot work because of they are elderly or disabled (57 percent), or (c) are subject to work requirements through TANF (4 percent). As little as 11 percent of all HUD-assisted households appear to be able to work but are not connected to the labor market.

## History of Reform: A Precursor to Current Proposals

Many significant changes in housing assistance programs over the past several decades have occurred through both tax reform and budget appropriations. These changes sought to increase flexibility in housing assistance provision, leverage private sector resources, and maintain or reduce federal budget outlays. Three of the largest initiatives include the Low-Income Housing Tax Credit (LIHTC), the Moving to Work (MTW) demonstration, and the Rental Assistance Demonstration (RAD) program. The first program is governed by the tax code rather than the federal budget; the latter two programs were born out of past budgetary reforms.

- **The LIHTC** was authorized through the Tax Reform Act of 1986, and it allocates federal income tax credits (9 percent over the first seven years) for states to award competitively to equity investors in affordable housing properties. It also allows for a smaller credit (4 percent) without competition to any qualified investment in an affordable housing development funded by tax-exempt private activity bonds. In exchange, properties are required to meet affordable rent requirements for at least 15 years. On average, the LIHTC program has historically produced or preserved around 100,000 affordable rental units annually. Because this program is not targeted to the lowest-income households, a significant proportion of tenants also need vouchers to help make their rents more affordable (O'Regan and Horn 2012).
- **The MTW** demonstration was authorized in 1996 through the Omnibus Consolidated Rescissions and Appropriations Act. The 39 housing authorities chosen to participate can merge their public housing and voucher funding. They are also granted significant flexibility to use those funds and receive waivers to many existing regulations. Agencies participating in the MTW demonstration have adopted various strategies of encouraging work among workable households, including new rent standards, minimum rents, work requirements, time limits, and work incentives and supports such as intensive case management and job training (Khadduri et al. 2014). For example, nine agencies have adopted work requirements to date (Levy, Edmonds, and Simington forthcoming). There has been little evaluation to date of the impact of MTW demonstration innovations on the outcomes of affected residents. Meanwhile, as directed by Congress, HUD is set to expand the MTW demonstration to

another 100 housing authorities soon and evaluate the impacts of policy changes they propose to implement.

- **The RAD** program was launched via the Consolidated and Further Continuing Appropriations Act of 2012. The RAD program works by shifting public housing units from the public housing program (Section 9) to project-based rental assistance programs (described previously), either Section 8 or project-based vouchers. This shift allows housing authorities to use the land value as collateral—something not allowed in the public housing program—to finance renovations, demolition, and new construction by raising equity investments and taking out loans. It also provides a more stable source of rental assistance than the public housing capital and operating funds, which have faced severe cuts over time. Initially only 60,000 public housing units were accepted into the demonstration, but it has now expanded to 225,000 units, or over 20 percent of existing units. The president’s 2018 budget makes all remaining public housing units eligible. This expansion has occurred despite a lack of evidence on properties’ long-term financial outlook or how residents are affected (Econometrica 2016).

The enacted Tax Cuts and Jobs Act, some proposed reforms in the president’s budget, and congressional plans threaten the future performance of these programs. The Tax Cuts and Jobs Act decreased the corporate tax rate from 35 percent to 21 percent, likely reducing the number of affordable homes produced and preserved, according to the National Low Income Housing Coalition.<sup>16</sup> This change, in turn, may weaken the feasibility of converting public housing through RAD because housing agencies often use the LIHTC to leverage private investment to recapitalize, renovate, and build new units. In addition, a reduction in LIHTC development and preservation in some communities may decrease the availability of affordable apartments for voucher households in the future.

Proposed expansions to the MTW demonstration and RAD also raise some concerns. As precursors to changes suggested in the president’s budget, tax reform bills, and other policy proposals, the lack of research on their outcomes and impacts is troublesome. Little evidence exists on how these programs have affected participating properties, agencies, assisted households, and communities.

## Lack of Evidence for Proposed Reforms

Many of the housing assistance policies proposed in the president’s budget emphasize the importance of work and build on earlier efforts to incentivize work across several public benefit programs,

including TANF and SNAP (Falk, McCarty, and Aussenberg 2016). The suggestion that households may need incentives to work comes from an economic argument that public assistance may be a disincentive to work if the benefits substitute for earned income. Some evidence suggests this may be true for some who receive housing assistance (box 1), but as described previously, most assisted households who can work already do. Households who are required to pay a certain percentage of their income on rent encounter a marginal tax rate of 30 percent: for every additional dollar earned, 30 cents go toward an automatic rent increase (Collinson, Ellen, and Ludwig 2015). This could be construed as a built-in disincentive to work. Unless income is stable and financial shocks can be eliminated, increasing income and losing housing assistance can be a risky endeavor for vulnerable households who might find themselves without a job and a home. There is some evidence, described in the next section, that there are methods of addressing this disincentive.

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#### BOX 1

##### **Is Housing Assistance a Disincentive to Work?**

It is unclear whether housing assistance serves as a disincentive to work. Many studies have looked at a sample of households who live in public housing; receive a voucher; or live in private, assisted multifamily housing. Some have found no solid relationship between public housing, welfare receipt, and employment (Owens and Baum 2009; Shroder 2002; Susin 2005; Reingold 1997; Reingold, Van Ryzin, and Ronda 2001; Newman, Holupka, and Harkness 2009). Others have found that housing assistance has a negative effect on earnings (Olson et al. 2005) and may increase TANF participation (Jacob and Ludwig 2012), while some say that these effects may lessen over time (Carlson et al. 2009) and can vary by population and change over time (Shroder 2010). Much of this research suffers from design flaws that make it difficult to prove impacts.

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Given these challenges, it is not surprising that despite many attempts to reform how housing agencies operate and housing assistance is delivered, little evidence exists that these reforms increase program efficiency or the self-sufficiency of program participants. And when participants' incomes do increase, the change has generally not been large enough to decrease reliance on housing assistance. We review the evidence below across three areas of potential policy changes being considered by the current administration that emphasize increasing the number of assisted households working, improving their earnings and assets, making them pay more for rent, and threatening them with a reduction in or loss of assistance if they cannot meet new work requirements.

## Work Incentives and Supports

Work incentives and support services promote employment and asset building by helping residents save money and by linking residents to training, education, and other supports, such as transportation and child care. Incentives help families transition to work by phasing out benefits more slowly and allowing families to keep a larger share of their increased earnings. Incentive programs temporarily disregard all or some of the new earnings so rents stay flat or increase more slowly (Collinson, Ellen, and Ludwig 2015).

For a small number of households, housing assistance is paired with supportive services, which typically aim to help households increase self-sufficiency through employment. The goal is to increase incomes and therefore decrease the need for housing assistance. Several federal programs fund these supports; some housing authorities also partner with local nonprofits to provide similar services. As with housing assistance programs, eligibility and the services these programs provide varies. These programs are not available in every jurisdiction and can be implemented differently in each.

1. **The Family Self-Sufficiency (FSS) program** helps approximately 72,000 families in public housing, voucher, and project-based rental assistance programs increase their earned income and reduce dependency on TANF and housing assistance. Participants voluntarily sign a five-year contract for participation and work with the administering local housing authority or private owner to connect with employment-related services. Any increases in the family's rent as a result of increased earned income are placed in an interest-bearing escrow account. Once a participant "graduates" (i.e., reaches 12 consecutive months without receiving TANF payments and achieves the goals in their FSS contract), they may access the escrow and use it for any purpose.
2. **Jobs-Plus** aims to reduce welfare receipt among public housing residents by providing employment-related services, freezing rents temporarily so workers can keep their additional earnings, and implementing community peer-support strategies. Unlike FSS, Jobs-Plus targets all working-age, nondisabled public housing residents at demonstration sites. It was piloted in six sites, where it reached just over 2,100 residents, and it has since expanded to 24 housing authorities.
3. **The Resident Opportunities and Self-Sufficiency – Service Coordinator (ROSS) program** provides local housing authorities with funds to hire service coordinators to (1) connect public housing residents to employment-related services to increase earned income, (2) reduce or eliminate residents' need for benefit and cash assistance, and (3) make progress toward residents' economic independence and housing self-sufficiency, or, for elderly or disabled residents, toward independent living. Participation is voluntary, no financial incentives are offered, and the program has no graduation criteria.

Though the administration purports to support programs that promote self-sufficiency, the budget proposes holding funding steady (FSS program), scaling back (Jobs-Plus), or cutting (ROSS program) these three major federal work incentives and support services programs (National Low Income Housing Coalition 2017).

Evidence shows that incentive programs boost incomes for those who are already working but are less successful at moving the unemployed into jobs. Most households that successfully graduated from the FSS program were employed at time of enrollment and saw their earnings increase substantially (de Silva et al. 2011). In contrast, those who left the program early were less likely to be employed and had lower earnings and less education at the time of enrollment. An experiment in New York City increased earnings and reduced TANF receipt among participating households by adding an incentive for sustaining full-time employment, but it did not significantly help participants further their education, get a job, or leave housing assistance (Verma et al. 2017). Similar FSS program results were found in Lynn and Cambridge, MA, where participants saw increased incomes and improved credit scores accompanied by decreases in cash assistance (Geyer et al. 2017). Finally, although Jobs-Plus participants significantly increased their earnings and sustained those earnings over time, those who were not receiving cash assistance when they enrolled were more successful in gaining employment than those who were (Bloom, Riccio, and Verma 2005; Riccio 2010). The results on improved and sustained earnings were so successful that HUD has reinvested in additional Jobs-Plus pilot sites since 2015.

Another support strategy is directly providing intensive job training and placement services. This approach addresses specific barriers to employment, including low educational attainment, lack of job-specific skills, job readiness, and asymmetric information about job openings. Housing assistance programs have limited capacity to provide direct services to residents. Aside from FSS and Jobs-Plus, few resources are provided to public housing authorities to provide intensive case management and services such as job training and education to residents seeking jobs. To address this problem, some housing authorities partner with local government agencies (such as school systems, workforce boards, community colleges, and federally qualified health clinics) or private social service agencies to provide services to their residents. MTW demonstration agencies can use the flexibility granted to them to contract with providers to serve their residents. Many agencies also offer providers rent-free space on their properties in efforts to colocate housing and support programs.

A final approach is to coordinate access to job training, education, and other social supports within the community rather than providing them directly to assisted households. This approach relies on referrals to services in the community; it assumes that relevant services already exist and



have the capacity to absorb more participants and that the key barrier to accessing jobs and training is just a lack of information. The ROSS program uses this structure, funding service coordinators who work on site to connect residents with community resources; it has not yet been evaluated for outcomes or impacts.

## Rent Increases

One proposed policy change intends to reduce the costs of housing assistance to the federal government by increasing the rents for assisted households. This proposal includes changing the current rent standard from 30 percent of adjusted income to 35 percent of gross income. It also includes setting a mandatory minimum rent of \$50 per household. The Center on Budget and Policy Priorities estimates that up to 4 million households could see increased rents, with households earning less than \$7,500 annually experiencing at least a 30 percent hike (Fischer, Sard and Mazzara 2017). Those arguing for this proposal claim that increased employment and earnings that result from the new work requirements policies would offset the burden on residents. But the reality is that the majority of assisted residents are older adults or people with disabilities on fixed incomes, raising the question of which “hardships” would make households exempt from meeting new rent requirements.

## Sanctions and Time Limits

In general, the purpose of imposing sanctions on recipients of public assistance is to minimize any disincentives to work. Sanctions can include requiring work in exchange for public benefits, placing time limits on household eligibility, and reducing or eliminating assistance for noncompliance. These types of sanctions are rare in housing assistance programs, primarily because cutting off housing assistance often forces a family to move out of an assisted unit or out of a unit that becomes too expensive for them without housing assistance. Imposing sanctions could lead to doubling up with family or friends, homelessness, or other insecure living arrangements.

There are currently no across-the-board work requirements or time limits on housing assistance. There has, however, been a community service requirement for public housing residents since the Quality Housing and Work Responsibility Act of 1998,<sup>17</sup> which requires that able-bodied, nonexempt household heads that are not currently working spend at least eight hours per month providing community service or engaging in self-sufficiency program activities (Congressional Research Service 2016b).

Housing sanctions that can lead to the eviction of a vulnerable household are hard to implement. Although public housing authorities are supposed to sanction households that do not meet the current community service requirement by not renewing the lease when it expires, there is no evidence that they do so. In 2016, 3 percent of public housing residents (48,000 people) were noncompliant with the community service requirement, while another 4 percent (83,000 people) were pending verification (Congressional Research Service 2016b). The Charlotte Housing Authority, a Moving to Work demonstration site, has implemented a work requirement. Although evictions have not increased as a result, the program provides for both increased case management and a gradual benefit reduction for noncompliant households; eviction is an option only after a year and a half of continual noncompliance (Rohe, Web, and Frescoln 2015).<sup>18</sup>

No across-the-board time limits exist, and they may not apply to many households who receive assistance regardless. The median lengths of stay in both the public housing and Housing Choice Voucher programs were 4.7 years and 3.1 years, respectively (Lubell, Shroder, and Steffen 2003). Evidence suggests that households that lose their assistance before they are ready experience increased hardship and instability. Smith and colleagues (2014) used data from the experimental Moving to Opportunity demonstration—which helped public housing residents in five cities move to low-poverty communities while others used unrestricted vouchers or stayed in public housing—to show that households that lost their housing assistance faced higher levels of housing instability and homelessness compared with those that left assistance programs when their incomes rose.

Time-limited rent assistance, known as rapid rehousing, is provided to households experiencing homelessness to help them exit shelter quickly. In a recent study, homeless households gained temporary benefits through rapid rehousing programs because they exited shelter faster than those who do not receive rapid rehousing assistance. This short-term rent assistance, however, was not a replacement for long-term housing assistance—rapidly rehoused households reported a higher number of moves, more incidences of living doubled-up with family or friends, and more recurrences of homelessness once assistance ends than those who received a permanent housing voucher (Gubits et al. 2015).

Finally, losing housing assistance has the potential to increase a household's need for other public benefit programs. Households that have involuntarily exited TANF because they reached the time limit report being worse off than they were while on TANF, having immediately lower incomes, and relying heavily on other public assistance programs (Farrell et al. 2008; Lindhorst and Mancoske 2006).

## Conclusion

In a time when only one in five eligible renter households actually receive federal assistance, any reduction to federal funding for public housing or vouchers threatens the well-being of millions of low-income households. The administration's proposed budget cuts and many of the other proposed reforms to housing assistance—minimum rents, rent increases, time limits, work requirements, and others—are not new, but the evidence on how these changes have or will affect the availability of housing assistance and the livelihoods of those eligible for it remains scattered and thin. And there is little discussion of the fact that most of these proposals assume that recipients are able-bodied adults capable of work; increasingly, however, most are elderly and disabled. What we do know is that housing assistance plays a critical role in stabilizing low-income households and promoting positive health and educational outcomes. Instead of cutting funds for assistance, the administration and Congress should be considering ways to expand access to stable, affordable housing. And before proposing policy reforms for housing assistance programs, we need to expand the evidence on what works and what doesn't, focusing on impacts on those households that receive housing assistance as well as those most severely in need of such assistance. Key questions to answer include the following:

- Eligibility:
  - » How should we determine need for housing assistance?
  - » In the absence of housing assistance as an entitlement, what subgroups should be prioritized for housing assistance and for what reasons?
  - » How should waiting lists be created and organized?
- Assistance structure:
  - » How should “affordable” be defined—30 percent of income, or more? Less?
  - » How should subsidies be structured (depth and duration) to both maximize the number of households that can be served and provide stability? Should these structures vary based on characteristics of the household?
- Income and employability:
  - » What is self-sufficiency? Does it mean being able to afford housing without assistance?
  - » Why are people who could be working not working? What barriers to work need to be overcome, and how?
- Work and support services:
  - » Which services are most important in contributing to sustained employment and increased earnings?

- » What happens to work incentive and support program graduates beyond graduation? How successful are they in reducing or ending their participation in housing assistance and other public benefit programs over the long term?
- » Who fails to meet work requirements and lose their housing assistance (“negative leavers”), why, and what happens to them?
- » What is the public cost of transitioning more households to work versus continuing to provide housing assistance?
- » What are the best practices for coordinating and delivering services for adults? For children and youth?

Housing assistance plays a critical role in protecting the health and well-being of low-income households. At a time when the nation is in the grip of an unprecedented affordable housing crisis and when the recently enacted Tax Cuts and Jobs Act will deepen that crisis, proposals to cut housing assistance or to make the low-income households who receive it shoulder more of the cost seem short-sighted. As we have argued, what we need is a serious review of our affordable housing policy with a focus on what works and what does not to support informed policy choices.

# Notes

1. “Picture of Subsidized Households: 2016,” US Department of Housing and Urban Development, accessed December 15, 2017.
2. Center on Budget and Policy Priorities, “[Policy Basics: Non-Defense Discretionary Programs](#),” last updated August 14, 2017, accessed December 15, 2017.
3. The initial large cut in nondefense discretionary programs is to balance a proposed increase in defense spending of approximately the same amount.
4. All programs discussed in this paper are funded through HUD. We do not consider housing assistance from the US Department of Agriculture through Section 521 Rental Assistance because that program is not significantly affected by the president’s budget proposal. Eligibility criteria, rent calculations, and program administration also vary significantly from HUD housing assistance programs. We also do not include the homeless specific McKinney-Vento homeless assistance programs funded by HUD.
5. Some housing authorities also allow vouchers to be used toward mortgage payments on a new home, but this is rare. A HUD study found that 3,400 households did so in the first six years of the program (HUD 2006).
6. A newer provision allows local housing authorities to convert a portion of their tenant-based vouchers to project-based vouchers that function as a hybrid between a voucher and the project-based housing assistance programs described below. The largest difference is that a household living in a unit with a project-based vouchers can move out of the unit and continue receive housing assistance.
7. National Low Income Housing Coalition News Alert. *Statement by National Low Income Housing Coalition President and CEO Diane Yentel – Final Tax Bill Will Harm Efforts to End Homelessness and Housing Poverty in America*. December 20, 2017.
8. For HUD’s methodology for defining areas and determining income limits, see “[Income Limits](#),” US Department of Housing and Urban Development, accessed December 15, 2017.
9. This may overestimate the number of waiting households who may be allowed to be on multiple waiting lists at the same time in some jurisdictions.
10. Larry Collins, “[For First Time in Six Years, Fort Worth Voucher Waitlist Opens](#),” NBC5 (Fort Worth, TX), November 14, 2017; and Doug Smith, “[Up to 600,000 Expected to Apply when L.A. Reopens Section 8 Housing List This Month after 13 Years](#).” LA Times, October 1, 2017.
11. “Picture of Subsidized Households: 2016.”
12. “[Denial of Admission and Termination of Assistance for Criminals and Alcohol Abuser](#),” 24 CFR § 982.553 (2011), and 66 Fed. Reg. 28805 (May 24, 2001) as amended at 73 Fed. Reg. 72345 (Nov. 28, 2008) and 75 Fed. Reg. 66264 (Oct. 27, 2010).
13. “Picture of Subsidized Households: 2016.”
14. “Picture of Subsidized Households: 2016.”
15. “Picture of Subsidized Households: 2016,”
16. National Low Income Housing Coalition News Alert. *Statement by National Low Income Housing Coalition President and CEO Diane Yentel – Final Tax Bill Will Harm Efforts to End Homelessness and Housing Poverty in America*. December 20, 2017.
17. Quality Housing and Work Responsibility Act of 1998, Pub. L. No. 105-276, 112 Stat. 2519 (1998).
18. Note that Rohe, Web, and Frescoln (2015) did not track voluntary move outs.

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# Errata

This report was updated on January 4, 2018. The title of figure 3 was corrected; the figure does not also show housing assistance recipients who have access to work support services.

This report was updated again on October 4, 2018. Figure 3 and text referencing it on page 8 were amended to show the correct number of low-income households with housing needs. When originally published, the figure mistakenly listed the total number of renters with housing needs.

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## STATEMENT OF INDEPENDENCE

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