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Housing Voucher Utilization Data:
Methodology & Discussion of Voucher Policy Issues

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

The historical Housing Choice Voucher utilization data may be used in many ways. First and foremost, the data make clear the considerable impact that the program has in helping low-income families in thousands of communities to obtain stable housing at an affordable cost.

But the data tell other important stories, too. For example, the data show that voucher funding policies play a critical role in encouraging or discouraging housing agencies to use funds efficiently to serve families. In 2003 and 2004, state and local housing agencies used nearly 97 percent of their authorized vouchers to serve families. By 2006, just two and a half years later, the percentage of vouchers in use had fallen to less than 90 percent, a decline that represents a loss of assistance for more than 150,000 low-income families. This dramatic loss of assistance is reflected in the voucher utilization data of most housing agencies in every state.

The primary cause of these losses was a series of unwise changes that Congress made in voucher renewal funding policies, as explained below in Section 3. To its credit, Congress reversed course beginning in 2007, putting in place improved policies and restoring a commitment to renewing vouchers in use every year. These recent changes have fostered a partial recovery of voucher utilization, which is also evident in the voucher utilization data of most agencies from 2007 forward. Yet additional policy improvements – many of which are included in Section 8 voucher reform legislation – are needed to fully stabilize the program and strengthen incentives for agencies to serve more families with available funds. (For more information on Section 8 voucher reform, see Barbara Sard's recent testimony before the House Subcommittee on Insurance, Housing, and Community Opportunity.)

Other factors besides voucher funding policy also influence voucher utilization, and data users should be aware of these. For example, Hurricane Katrina caused a sharp drop in voucher utilization at a number of Gulf Coast agencies, as the storm caused extensive displacement and damage to the rental housing stock.

Finally, housing agencies' management of the program is also important, and we encourage stakeholders to use the voucher data 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 have 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, it is important that housing agencies use scarce resources as effectively as possible.

2. Methodology and Explanation of Terms

The number of **"Authorized Vouchers"** that housing agencies can use is a number set and approved by HUD, and reflects the historical allocation of funding by Congress. It is not a reflection of current relative need. The authorized voucher data for each agency were downloaded from HUD's Resident Characteristics Report (RCR), and other HUD sources. The figures represent our estimate of each agency's calendar year average.

"Vouchers in Use" represents average housing vouchers leased during the calendar year, as reported by housing agencies to HUD's Voucher Management System (VMS). All Housing Choice vouchers, including those issued under the veterans' supportive housing (VASH) program, were included in the figures for authorized vouchers and vouchers in use. Section 811 (i.e., 5-year mainstream) vouchers were excluded from the data, to the extent that we were able to identify them. The data may not reflect corrections submitted by agencies after HUD released the data, but do reflect adjustments by CBPP to correct for obvious errors.

"Percent of Authorized Vouchers in Use" is equal to total vouchers in use divided by total authorized vouchers.

We calculated the **number of additional families that could be served in 2011** from Center estimates of each agency's 2011 renewal funding, reserve (i.e., "net restricted asset") balances as of the end of 2010, and per-voucher costs for 2011. These calculations were based on data from VMS and other sources. The figures do not take into account vouchers funded through the $150 million in contingency funds provided under the 2011 funding law, or additional vouchers that agencies participating in the Moving to Work demonstration could make available.

The estimates of the number of additional families that could be served are intended to facilitate investigation and discussion of options for using voucher funds to serve more families, and are not intended as a prescription for local action. This is because our calculation assumes that agencies will use 100 percent of their reserve funds to assist families (capped at 100 percent of each agency's authorized level), which would be an imprudent course of action, as changes in program funding and costs can be unpredictable (as discussed below in more detail). It is thus best to think of the estimates as an ideal upper limit on the number of families that could be served.

"Low-income renter households with severe housing cost burdens" are defined as renter households with incomes below 80 percent of area median income (as indicated by HUD's published income limits) and housing costs that exceed 50 percent of income. The figures are based on the Center's analysis of data from the 2009 American Community Survey.

Agencies marked with a single asterisk **(*)** were funded according to their agreements with HUD under the Moving to Work demonstration for one or more years between 2004 and 2011; such agencies are permitted to shift voucher funds to support public housing, and MTW agencies were excluded from the calculation of "additional vouchers funded" in 2011. Agencies marked with a double asterisk **(**)** were potentially affected by Hurricanes Katrina and Rita in 2005. Leasing data for these agencies may be unusually low in some years due to reporting problems, an actual decline in leasing resulting from the dislocation of voucher holders, or the use of voucher funds for other purposes (such as the rehabilitation of damaged public housing) under special waiver authority granted temporarily by Congress. Agencies marked with a triple asterisk **(***)** received VASH vouchers in one or more years from 2008 to 2010. These agencies' utilization rates may be temporarily reduced due to the typically lengthy lease-up period for these vouchers.

"N/A" indicates the agency did not administer vouchers during that year or that the data reported for the year are incomplete.

3. 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 more money by putting more vouchers to use (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 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 94 percent of the

[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. Oct. 6, 2008. http://www.cbpp.org/cms/index.cfm?fa=view&id=809.

renewal funding for which they were eligible in 2005 and 2006, respectively. Moreover, the 2005 law instructed HUD to reduce agency reserves from 8.3 percent (one month's worth) to just 1.9 percent (one week's worth) of annual funds by the end of FY 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. 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.

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 2011, 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, Congress has reduced uncertainty among agencies about the future course of policy and encouraged them to improve voucher utilization. As a result, utilization has increased nationally and at most agencies since 2007.

While voucher utilization has improved since 2007, a number of factors have hindered a full recovery, and voucher utilization remains 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 and 2009. Specifically, Congress directed HUD in 2008 and 2009 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. These frequent changes created problems, although the basic policy is sound if Congress makes its use predictable. Implementation of the reserve-offset policy was particularly troublesome in 2009, when HUD did not notify housing agencies of their funding levels, including the impact of the reserve-offset, until May, almost half way through the funding year. In addition, agencies' reserve-offset amounts were calculated based on data available as of December 2008, five months earlier. In effect, agencies were notified in May that they would have to rely on reserve balances to renew vouchers in use, whether or not those reserve balances were still available (many agencies had used reserves to lease up additional vouchers in early 2009). Finally, Congress provided enough funding in 2009 to cover only 99.1 percent of agencies' renewal funding eligibility (post-offset), which meant that every agency started with nearly a 1 percent shortfall. The net result was that approximately 400 housing agencies faced serious shortfalls in funding in the second half of 2009. These and many other agencies again reverted to more cautious program management in the face of financial uncertainty, reducing overall voucher utilization in 2010.

For 2010, Congress provided 99.5 percent of the funding needed to renew vouchers in use in fiscal year 2009, while in 2011 only 98.8 percent of renewal funding needs were met (Table 1). For 2010 and 2011, there was no limit on the reserve amount that agencies could have or an offset for agencies with high reserve amounts.   As this memo is being written, Congress is considering legislation to fund the voucher program in 2012; please check our web site for updates.

Table 1: Housing Choice Voucher Renewal Funding Proration Factor, by Year

Year	Pro-ration Factor
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)

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

Policymakers have learned much about voucher renewal funding policy over the past eight 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 to 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, 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 six 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. Some but not all of these important permanent changes in voucher renewal funding policy are included in the draft Section 8 Savings Act circulated in the House. For more information on these and other policy recommendations are discussed in Barbara Sard's recent testimony before the House Subcommittee on Insurance, Housing, Insurance, and Community Opportunity.

4. Other Resources

Introduction to the Housing Voucher Program, May 15, 2009

Testimony: Barbara Sard, Vice President for Housing Policy, Before the House Financial Services Subcommittee on Housing and Community Support, June 23, 2011

Section 8 Rental Assistance Programs Are Not Growing as Share of HUD Budget
Proposed Reforms Would Make Section 8 Even More Efficient, July 20, 2011

House and Senate Funding Bills Risk Loss of Rental Assistance For Thousands of Low-Income Families, October 12, 2011