BIPARTISAN POLICY CENTER

Background Memorandum: Measuring Likely Participation in an Open-Enrollment Housing Voucher Program for Extremely Low-Income Households

In developing recommendations to address the nation's urgent housing challenges, the Bipartisan Policy Center Housing Commission concluded that the "primary focus of federal housing policy should be to help those most in need." With that principle in mind, the Housing Commission issued a series of recommendations to reform federal rental assistance programs, including a proposal to expand the housing voucher program to ensure that rental assistance is universally available to all extremely low-income (ELI) households — those with incomes at or below 30 percent of area median income (AMI)[1] — that desire it and are otherwise eligible. (Today, households earning up to 80 percent of AMI are eligible to apply for rental assistance but only a share of eligible households are able to be served with current resources.) Under the Housing Commission's proposal, current voucher-holders with incomes above the 30 percent of AMI threshold would continue to receive assistance, but as they turned back their subsidies due to rising household income or other factors, new recipients would be limited to households at or below the 30 percent of AMI threshold. The unmet need would be served through an expanded and reformed housing voucher program.

This infographic illustrates the likely impact of these programmatic changes on the average number of new housing vouchers needed to satisfy the expected demand for them during the 10-year period from 2014 to 2023. Figures cited in this memo and the accompanying infographic are based on estimates by Abt Associates that update an analysis they completed in December 2012.[2] After a description of the methodology, we review how these estimates compare with the 2012 findings.

Methodology

According to the 2011 American Housing Survey, there are 11.1 million ELI renter households of whom about 3.6 million receive some form of rental assistance. How many ELI households would apply for and successfully use rental assistance if the open-enrollment program proposed by the Housing Commission were implemented today?

To answer this question, Abt Associates started by looking at the participation rate for the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps), which may be regarded as a proxy for the likely share of eligible households that would choose to participate in an expanded

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[1] This was the definition of ELI in place when the Housing Commission prepared its recommendations. Based on direction from Congress, on June 25, 2014, HUD revised the definition of extremely low-income households to mean very low–income households whose incomes do not exceed the higher of the Federal poverty level or 30 percent of Area Median Income. The estimates described in this summary are based on the older definition of ELI used in the Housing Commission's report.

[2] Buron, Kaul, Khadduri, and Lubell. "Updated Estimates of Voucher Rental Assistance for Unassisted Households." A Memo from Abt Associates to the Bipartisan Policy Center, August 2014.

housing voucher program.[3] While all qualifying households are assured access to SNAP benefits, between 2001 and 2011 the average participation rate for households with incomes below the poverty line was only 80.8 percent, according to the USDA. Applying this rate, Abt estimated that approximately 8.9 million of the 11.1 million ELI renter households would apply for and be found eligible to receive rental assistance.[4]

Among households that are found eligible for rental assistance, however, not all succeed in using it to lease an affordable unit. A variety of factors can affect the "success rate" of households awarded rental assistance. Voucher holders may be unable to find a participating landlord or a unit that meets the program's quality requirements, they may decline to show up for a required orientation, or they might fail to provide necessary documentation of income. According to HUD's most recent study of voucher success rates, about 70 percent of voucher recipients are able to use their vouchers.[5] While similar studies are not available for public housing and project-based vouchers, recipients of project-based assistance face fewer obstacles than voucher holders, and Abt assumed that about 95 percent of households would be able to use their assistance. Applying a blend of these rates, Abt estimated that of the 8.9 million households that apply for and are found eligible for rental assistance, about 6.7 million households would be able to use it to lease up.

Rather than launching a brand new program, however, the Housing Commission recommended building off of the existing rental assistance programs, augmenting existing resources with housing vouchers as needed to meet the demand. According to the 2011 American Housing Survey, approximately 3.6 million ELI households already have rental assistance, leaving a gap of 3.1 million households that would need to be newly served through an expanded housing voucher program. Some of this gap would be addressed by existing housing vouchers made available as higher-income households transition off of assistance. Abt estimated that, as households with housing vouchers with incomes above 30 percent of AMI transition off the program between 2014 and 2023, the supply of subsidies available for ELI households would increase by about 258,000.[6] As a result, Abt estimates that it would take 2.9 million new vouchers to serve all ELI households through the open enrollment program proposed by the Housing Commission.[7]

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[3] The SNAP participation rate was chosen as a proxy because it reflects a large public benefit available to most of the same households that would be eligible for the open enrollment voucher program proposed by the Housing Commission. Arguments can be made for assuming that participation in a housing voucher program would be higher or lower than this proxy, but it nevertheless appears to be the best proxy available.

[4] Unlike housing programs, SNAP eligibility is based on income relative to the poverty line, rather than the area median income. In 2011, the poverty threshold for a family of four was $23,021, while the income threshold for an ELI family was, on average, $19,260 (30 percent of the U.S. median family income of $64,200).

[5] Meryl Finkel and Larry Buron, "Study on Section 8 Voucher Success Rates," U.S. Department of Housing and Urban Development, 2001.

[6] This is the average of the estimated number of subsidies that become available each year during the 10-year period.

[7] In FY 2014, Congress appropriated $35.4 billion to fund HUD's three main rental assistance programs: housing choice vouchers, public housing and project-based Section 8. It would cost an estimated additional $30.8 billion per year to make housing vouchers available to all extremely low-income households interested in and able to use a housing voucher. This would increase the budget for rental assistance by about 87 percent.

Changes from 2012 to 2014 Analysis

Data and Methodology. These findings update a report completed by Abt Associates in December 2012. The previous report relied on data from the 2009 American Housing Survey (AHS), whereas this analysis uses more recent data from the 2011 AHS. In addition to this updated data, Abt made two changes in the methodology used to estimate program take-up:

1. The 2012 report used the 2009 SNAP participation rate to estimate participation in an open-enrollment housing voucher program. For this updated draft, however, Abt used the average SNAP participation rate over the 10-year period from 2001 to 2011. This modification allowed Abt to account for economic conditions over time, rather than in a single year. Abt used a 10-year period to align with the projections prepared by the Congressional Budget Office.

2. In estimating the likely success rate of a new housing voucher program, the 2012 report focused on the approximately 70 percent success rate found in the most recent study of the Housing Choice Voucher program. However, many currently-assisted households live in public housing or units that receive other types of project-based assistance. For this updated draft, Abt adjusted its formula to account for an estimated 95 percent success rate among households that receive forms of assistance other than vouchers, such as public housing or project-based Section 8 assistance.

Comparison of Findings. In 2012, Abt estimated that 5.8 million ELI renter households would be likely to apply for, and successfully lease up in an open-enrollment housing voucher program (or remain in existing subsidized unit serving ELI households). By 2014, this estimate grew to 6.7 million. Much of this increase can be accounted for by looking at growth in the universe of possible enrollees — extremely low-income renter households.[8] According to the American Housing Survey, between 2009 and 2011, the number of ELI renter households jumped from 9.4 million to 11.1 million — an increase of nearly 1.7 million. Abt adjusted this number to account for the share of these households that would apply for the program (based on SNAP participation rates) and the share that would successfully lease up (based on historical voucher use trends and estimated use of project-based assistance).

As noted above, the new estimates also reflect a change in the estimated participation rate in the expanded voucher program, based on shifting from a single-year SNAP participation rate to a 10-year rate. Abt's 2012 estimates assumed an application rate of 89 percent — the SNAP participation rate in a single year (2009) — whereas its 2014 estimates used an application rate of 80.1. percent—the average SNAP participation rate over a 10-year period from 2001 to 2011. This change lowered the total number of households expected to apply for and be found eligible for a voucher relative to the methodology used in 2012.

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[8] The Housing Commission did not recommend limiting program enrollment to renters; however, this estimate assumes that ELI homeowners would be likely to remain in their own homes.