CONGRESS OF THE UNITED STATES
CONGRESSIONAL BUDGET OFFICE

CBO

Federal Housing Assistance for Low-Income Households

SEPTEMBER 2015

Notes

Numbers in the text and tables may not add up to totals because of rounding.

Unless otherwise indicated, all years referred to in the text, tables, and figures are federal fiscal years (which run from October 1 to September 30). Dollar values, with the exception of those describing 10-year budgetary effects, are expressed in 2014 dollars—unless otherwise specified—and have been adjusted to remove the effects of inflation using the gross domestic product price index. Ten-year budgetary effects are expressed in nominal dollars.

Unless otherwise noted, a low-income household is one with income that is no greater than 80 percent of the median income in a given area.

www.cbo.gov/publication/50782

Contents

Federal Housing Assistance for Low-Income Households

Summary

In 2014, the federal government provided about $50 billion in housing assistance specifically designated for low-income households. That assistance—which is made available both through spending programs and preferential tax treatment—increased by about 15 percent in real (inflation-adjusted) terms between 2000 and 2003. Since that time, such assistance has remained relatively stable at about $50 billion annually (measured in 2014 dollars), with the exception of a temporary boost, mostly in 2010 and 2011, associated with the American Recovery and Reinvestment Act of 2009 (ARRA).

Unlike some means-tested programs (such as the Supplemental Nutrition Assistance Program, or SNAP) that are intended to assist all eligible people who apply, means-tested housing assistance has not been made available to all applicants who are eligible. Currently, only about one-quarter of the eligible low-income population receives housing assistance through federal spending programs. Households that receive assistance are generally required to pay 30 percent of their income toward their housing expenses, a threshold widely described as affordable.

This Congressional Budget Office report discusses the ways in which the federal government provides housing assistance to low-income households, examines how that assistance has changed since 2000, and provides information about the households that receive assistance. In addition, the report assesses policy options for altering that assistance. Some options would provide substantial budgetary savings over the 2016–2025 period considered in CBO's analysis and others would involve substantial costs.

What Housing Assistance Does the Federal Government Provide?

Three spending programs account for the majority of the assistance provided directly to low-income households:

- The Housing Choice Voucher (HCV) program—with $18 billion in spending in 2014—provides federally funded, portable vouchers that recipients use to help pay for housing they choose in the private market.

- Project-based rental assistance (PBRA)—with $12 billion in spending in 2014—provides for federally contracted and subsidized rent in designated buildings that are privately owned and operated.

- Public housing—at a cost of $7 billion in 2014—provides for federally subsidized rent in buildings that are publicly owned and operated.

In addition, the federal government provided about $8 billion in 2014 for other housing programs. Most of that was in the form of grants to state and local governments.

One tax credit, the Low-Income Housing Tax Credit (LIHTC), accounts for most of the assistance provided indirectly to low-income households. It is available to developers of low-income housing and, according to an estimate by the staff of the Joint Committee on Taxation (JCT), accounted for $7 billion in tax expenditures in 2014. Tax expenditures resemble government spending programs in that they provide financial assistance to specific entities or groups of people or for designated activities.

The federal government provided much more support through the tax code, about $130 billion in 2014, for housing not targeted at low-income households—mostly through the tax deductions for mortgage interest payments and for property taxes. Although beyond the scope of this report, that and other types of assistance not focused on low-income households are described in the appendix.

How Has Federal Assistance for Low-Income Housing Changed?

In 2014, federal housing assistance for low-income households was 15 percent greater in real terms than in 2000. Most of that growth had occurred by 2003. Since then, support has consistently been about $50 billion annually (in 2014 dollars), although federal assistance was temporarily higher, mainly in 2010 and 2011, because of funds provided through ARRA. ARRA spending aside, discretionary spending on federal housing assistance declined in real terms by about 6 percent between 2011 and 2014. (Discretionary spending is decided upon annually by lawmakers in the appropriation process and constitutes about 90 percent of federal support for low-income housing.) That decline followed enactment of the Budget Control Act of 2011, which capped total nondefense discretionary spending.

Over time, the composition of federal assistance has changed as lawmakers have relied more on the private sector to provide low-income housing. Since 2000, measured in real terms, spending on the voucher program and project-based assistance has grown by about one-third, spending on public housing has declined by the same fraction, and tax expenditures for the LIHTC have increased.

Whom Do Federal Low-Income Housing Programs Assist?

The federal government's three main spending programs for low-income housing provide assistance to 4.8 million low-income households.[1] Initial eligibility for federal housing programs is limited to households with no more than 50 percent of area median income (AMI), and roughly three-quarters of the assisted households have income of no more than 30 percent of AMI. The households that receive assistance comprise 9.8 million people, or roughly 3 percent of the U.S. population.

Of those households, almost one-half are headed by people who are neither elderly (defined by the Department of Housing and Urban Development as age 62 or older) nor disabled—yet work is the largest source of income for only about half of households headed by such people.

Housing assistance, like many programs that provide support to low-income populations, provides some incentives that may support employment and others that may discourage employment. Recent studies find that the assistance reduces employment by about 5 percent and earnings (an indicator of hours worked) by about 10 percent.

Households that receive assistance are generally required to pay 30 percent of their income toward their housing expenses. In contrast, of the eligible population that does not receive housing assistance—roughly 14 million households—about six out of seven pay more than 30 percent of their income toward housing expenses. Well over half pay more than 50 percent of their income in rent.

How Could Policymakers Change Federal Low-Income Housing Assistance?

With the federal government facing ongoing fiscal challenges and families facing ongoing economic challenges, the Congress may wish to consider options to restructure programs and tax policies that provide housing assistance for low-income households. This report considers four sets of such options. Most of the options affect discretionary spending—the part of the federal budget that lawmakers control through annual appropriation acts. To achieve the budgetary effects estimated for those options, lawmakers would need to enact changes to housing laws and adjust appropriations accordingly. Two options affect tax credits: Lawmakers could achieve budgetary effects for those options solely by enacting the changes to tax law. (Estimates of budgetary effects of all options are expressed in nominal dollars and encompass the 10-year period from 2016 through 2025.)

The options that CBO considered include the following:

- Changing the size or composition of the assisted population.
  - Reducing the number of HCVs by 10 percent starting in 2016 would save $18 billion over the next 10 years, and gradually eliminating all HCVs would save $118 billion, CBO estimates. Increasing the number of HCVs by 10 percent would cost $18 billion, and offering assistance to all of the currently eligible population would cost $410 billion.

1. Information about the number of low-income households that receive, or do not receive, federal housing assistance and the characteristics of those households is based on data from 2013, the most recent year for which such data are available.

- Requiring tenants who are neither elderly nor disabled to work toward leaving assisted housing by participating in a self-sufficiency program would cost roughly $10 billion if the number of assisted households was held constant.

■ Modifying tenants' contributions to rent.

- Increasing or decreasing the share of income that tenants contributed toward rent by 5 percentage points would save or cost $22 billion over the 10-year period, by CBO's estimates. Savings would result if tenants were required to pay 35 percent of their income toward rent; costs would result if tenants were required to pay 25 percent of their income toward rent.

■ Changing the resources available to the local public housing agencies (PHAs) that administer the programs.

- Enhancing the ability of PHAs to borrow money from private sources—for example, by allowing them to commit future appropriations to repay those loans—could enable them to obtain capital for the improvement of public housing properties sooner. This option would not affect the federal budget, but whether funds would be forthcoming would depend on the private sector's willingness to make such loans.

- Requiring the consolidation of PHAs to lower the costs of performing administrative tasks and decreasing funding for the administration of housing assistance could reduce federal spending. CBO does not have sufficient information to estimate the associated effect on the budget.

- Fully funding PHAs' administrative responsibilities according to the formula amounts outlined in appropriation acts and federal regulations would cost $4 billion over the 10-year period compared with maintaining funding in real terms at the 2014 level, CBO estimates.

■ Changing the ways in which housing assistance is provided.

- Replacing PBRA contracts with HCVs might produce budgetary savings, but CBO does not have sufficient information to estimate the associated effect on the budget.

- Providing money for the Housing Trust Fund established by the Housing and Economic Recovery Act of 2008 would lead to an increase in federal spending commensurate with the decision made by lawmakers.

- Repealing the LIHTC would increase revenues by $42 billion from 2016 to 2025, according to an estimate by JCT.

- Introducing a renter's tax credit for low-income households, designed to cost the same as the LIHTC, would reduce revenues by $42 billion from 2016 to 2025.

Federal Housing Assistance Programs for Low-Income Households

In 2014 the federal government provided $51 billion in low-income housing assistance. Three spending programs—the Housing Choice Voucher program, project-based rental assistance, and public housing—together accounted for $36 billion. The federal government also supplied $7 billion in assistance for low-income tenants through the Low-Income Housing Tax Credit.[2] Several other programs together provided an additional $8 billion for federal housing assistance for low-income households, primarily through grants, most of which went to state and local governments. By comparison, the federal government provided much more support for housing that does not depend on the income of the household. That support, which amounted to about $130 billion in 2014, mostly takes the form of preferential tax treatment—that is, tax expenditures—for homeowners.[3] The tax deduction for mortgage interest payments on owner-occupied residences accounts for

2. See Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2014–2018*, JCX-97-14 (August 2014), www.jct.gov/publications.html?func=select&id=5.

3. Estimates of tax expenditures are based on people's behavior with the provisions in place and do not reflect how people would adjust their activities in response to changes in the tax code. Thus, the estimates do not reflect the amount of revenue that would be raised if those provisions were eliminated from the tax code. Also, the total amount of the tax expenditures does not take into account interactions between individual provisions of the tax code.

most of those tax expenditures and accrues mostly to tax filers in the highest income quintile. (See the appendix.)

Housing Choice Vouchers

The Housing Choice Voucher program accounted for $18 billion in federal spending in 2014. Vouchers help tenants pay the rent for housing of their choice.[4] Assisted households pay a portion of their income for rent on units they find in the private housing market—as long as property owners agree to participate in the program—and the vouchers cover the balance of their rent up to limits established by the Department of Housing and Urban Development (HUD).[5] Tenants' rental payments are usually 30 percent of their adjusted household income—gross income less deductions, such as those for dependents and for certain medical and child care expenses. The value of the voucher is the difference between the household's rental payment and the limit on rent, which is typically between 90 percent and 110 percent of fair market rents (FMRs) in the area. The limits on rent are determined each fiscal year by HUD on the basis of area rents charged for standard rental housing. Depending on the area, HUD sets the FMRs (which also include the cost of all tenant-paid utilities, except for telephone, television, and Internet service) so that either 40 percent or 50 percent of area rents fall below it. Tenants can continue to use their vouchers when they change residences.

Project-Based Rental Assistance

Project-based rental assistance accounted for $12 billion in federal spending in 2014. Assisted tenants usually pay 30 percent of their adjusted household income toward rent in designated buildings. The federal government pays the balance of the rent, sometimes according to long-term contracts entered into with property owners who agree to provide the low-income housing. Over 30 years ago, lawmakers repealed the authority to use PBRA funds for new construction or the substantial rehabilitation of housing units generally; however, properties specifically designated for the elderly or the disabled can still be funded.[6] Expiring PBRA contracts may be renewed on an annual or multiyear basis, but payments are subject to annual appropriations.[7]

Public Housing

Public housing accounted for $7 billion in federal spending in 2014. Assisted tenants usually pay 30 percent of their adjusted household income toward rent for units that are publicly owned and operated, typically by a local public housing agency (see Box 1).[8] Public housing is supported through two funds, an operating fund and a capital fund; resources for both funds come from annual appropriations. In 2014, lawmakers provided $4.3 billion for the Public Housing Operating Fund and $2.2 billion for the Public Housing Capital Fund. The operating funds are distributed according to a formula that considers PHAs' costs, including the costs of administration and maintenance. Capital spending includes spending on the development, financing, and modernization of public housing. Generally, however, lawmakers have not appropriated funding for public housing development in the past 20 years; and the development of new public housing units had already slowed significantly during the previous decade in favor of providing assistance through the HCV and PBRA programs.

Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit gave rise to $7 billion in tax expenditures in 2014, according to an estimate by JCT. Tax expenditures resemble government spending programs by providing financial assistance to specific activities, entities, or groups of people. For the LIHTC, the federal government allocates a fixed amount of tax credits to the states on the basis of the number of residents (subject to a per-state minimum). States then distribute the credits on a competitive basis to eligible private developers who construct new housing or

4. The commonly used term "Section 8" housing refers to assistance programs authorized by section 8 of the Housing Act of 1937, which provide payments on behalf of assisted tenants to owners of private buildings. Accordingly, Section 8 assistance encompasses both the Housing Choice Voucher program and project-based rental assistance; nonetheless, some people use it to refer solely to the HCV program.

5. For more information, see Department of Housing and Urban Development, *Housing Choice Voucher Program Guidebook* (April 2001), Chapters 6 and 7, http://go.usa.gov/3ZZr3.

6. For further details, see Department of Housing and Urban Development, "Renewal of Section 8 Project-Based Rental Assistance" (accessed September 3, 2015), http://go.usa.gov/3ZZrT.

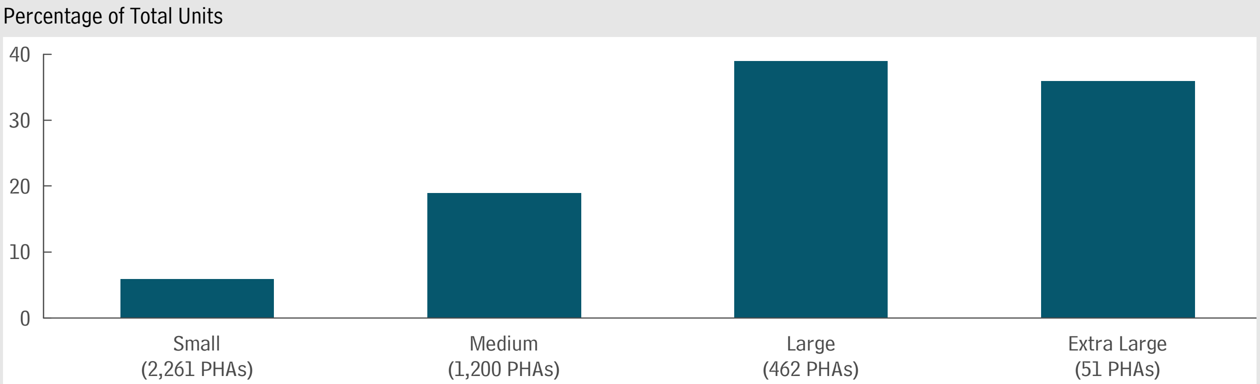
7. 42 U.S.C. §1437f(c)(8)(A) (2012).

8. For more information, see Department of Housing and Urban Development, *Public Housing Occupancy Guidebook* (June 2003), p. 130, http://go.usa.gov/3ZZNk.

Box 1.

The Role of Public Housing Agencies

Share of Low-Income Assisted Housing Units by Size of Administering Public Housing Agency



Source: Congressional Budget Office based on data from the Department of Housing and Urban Development, "Public Housing Agency (PHA) Inventory" (updated March 15, 2015), http://go.usa.gov/3F58w. The most recent available data are current as of December 19, 2012.

Note: A small public housing agency administers fewer than 250 units. A medium-sized PHA administers between 250 units and 1,249 units. A large PHA administers between 1,250 units and 9,999 units. An extra-large PHA administers 10,000 units or more. Total units encompass the Housing Choice Voucher program, project-based rental assistance, and public housing.

Federal housing assistance provided directly to low-income tenants is administered in part by local public housing agencies (PHAs) established by, and operating subject to, state law. PHAs own and operate public housing units, issue housing choice vouchers (HCVs), and in some cases administer project-based rental assistance (PBRA). The jurisdictions of the country's nearly 4,000 PHAs vary widely. Some are regional, as are housing markets, but others cover a city, a county, or only part of a city or county. The number and organization of PHAs within each state reflect the various state policy objectives and different municipal and county governance structures in place when lawmakers first allocated funds for states to establish PHAs through the U.S. Housing Act of 1937. When lawmakers later introduced housing vouchers, the criteria for distributing funds encouraged states to create additional PHAs.

The number of housing units that PHAs administer varies greatly. The New York City Housing Authority is the country's largest PHA and administers nearly 300,000 units. In contrast, there are 64 PHAs in the Greater Boston area, and 34 of those administer fewer than 250 housing units.[1] Large PHAs are responsible for most of the units receiving direct assistance from the federal government, but the majority of PHAs are small.

1. See Department of Housing and Urban Development, "Public Housing Agency (PHA) Inventory" (updated March 15, 2015), http://go.usa.gov/3F58w. The most recent available data are current as of December 19, 2012.

Together, the more than 2,000 PHAs that administer fewer than 250 units each are responsible for only 6 percent of all the units in the combined HCV, PBRA, and public housing programs (see the figure).

PHA operations receive federal funds through a few different avenues. Amounts appropriated for the Public Housing Operating Fund are distributed to PHAs on the basis of a formula that takes into account the characteristics of the projects they administer. Amounts provided for administering the HCV program are based on a formula that takes into account the number of units under lease that are administered by the PHA, the fair market rent of a typical unit in the early 1990s, and an indicator of changes in administrative costs over time.[2] Amounts appropriated for the administration of PBRA are small because PHAs are not responsible for most PBRA contracts.

2. For each unit administered, the formula provides for roughly 7.5 percent of the higher of the FMR for a two-bedroom unit in 1993 or 1994, with all PHAs receiving comparable per-unit rates up to a certain number of units and a slightly lower per-unit rate applied beyond that number. The per-unit rates are adjusted annually using local data about wage rates. See Department of Housing and Urban Development, Office of Public and Indian Housing, "Streamlining Administrative Practices in the Housing Choice Voucher Program," Notice PIH 2012-15 (HA) (February 27, 2012), http://go.usa.gov/3F5EB (PDF, 117 KB); and Section 8(q)(1) of the Housing Act of 1937 (codified at 42 U.S.C. §1437f(q)(1) (2012)).

substantially rehabilitate existing housing and reserve some of the units for low-income households.[9] Developers typically sell the credits to investors to raise capital. Those investors can use the credit to lower their federal tax liability over a period of 10 years.

The LIHTC has been used for more than 40,000 construction projects, and those projects provide almost 90 percent of their units to qualifying low-income households.[10] Tenants of an LIHTC unit reserved for a low-income household pay rent equal to 30 percent of a set portion of the area median income. That portion, either 50 percent or 60 percent of AMI, depends on decisions that the property owner makes about how many units will be reserved for low-income housing and who will be eligible.[11] Surveys have found that about 40 percent of households in units subsidized by the LIHTC also receive some form of direct housing assistance; in those cases, the rent can be determined by the direct assistance program and the tenant contributes 30 percent of household income toward rent.[12] (Federal law requires owners of properties that benefit from the LIHTC to accept vouchers, and owners can enter into project-based rental assistance contracts for properties that benefit from the LIHTC.)

9. For more information, see Office of the Comptroller of the Currency, "Low-Income Housing Tax Credits: Affordable Housing Investment Opportunities for Banks" (March 2014), http://go.usa.gov/39VSd (PDF, 657 KB).

10. See Department of Housing and Urban Development, "Low-Income Housing Tax Credits" (accessed September 3, 2015), www.huduser.org/portal/datasets/lihtc.html.

11. The payment calculation depends on whether the property owner, in qualifying for the credit, chooses to reserve at least 20 percent of the units for households with income at or below 50 percent of AMI or at least 40 percent of the units for households with income at or below 60 percent of AMI.

12. For information about households receiving direct assistance, see Katherine M. O'Regan and Keren M. Horn, "What Can We Learn About the Low Income Housing Tax Credit Program by Looking at the Tenants?" *Housing Policy Debate*, vol. 23, no. 3 (May 2013), pp. 597–613, http://dx.doi.org/10.1080/10511482.2013.772909. For information about rent determination, see Project-Based Voucher Rents for Units Receiving Low-Income Housing Tax Credits, 72 Fed. Reg. 65206 (November 19, 2007), and Department of Housing and Urban Development, "Calculating Rent for Units with Low-Income Housing Tax Credit Allocations Combined With Housing Choice Voucher Assistance Under the Tenant-Based and Project-Based Programs" (November 1, 2002), www.novoco.com/low_income_housing/lihtc/other_guidance.php.

Other Housing Programs

Other smaller housing assistance programs accounted for $8 billion in federal spending and tax expenditures in 2014. About half of the spending, which was provided primarily through grants to state and local governments, supported programs that provide assistance to designated populations, including homeless people and rural residents. Roughly one-third of the spending was associated with the Community Development Block Grant (CDBG) program and the HOME Investment Partnerships Program. (As part of the CDBG program's mandate to support community and economic development efforts, it can provide funds to low-income households to support homeownership; recipients can also use CDBG funds to acquire property for low-income rental housing or to rehabilitate such housing. And the HOME Investment Partnerships Program helps people in low-income households buy and renovate homes, and provides other kinds of support.) Additional support, about one-tenth of the total, took the form of tax expenditures for private activity bonds for rental housing in which a specified percentage of the units are reserved for low-income households.[13]

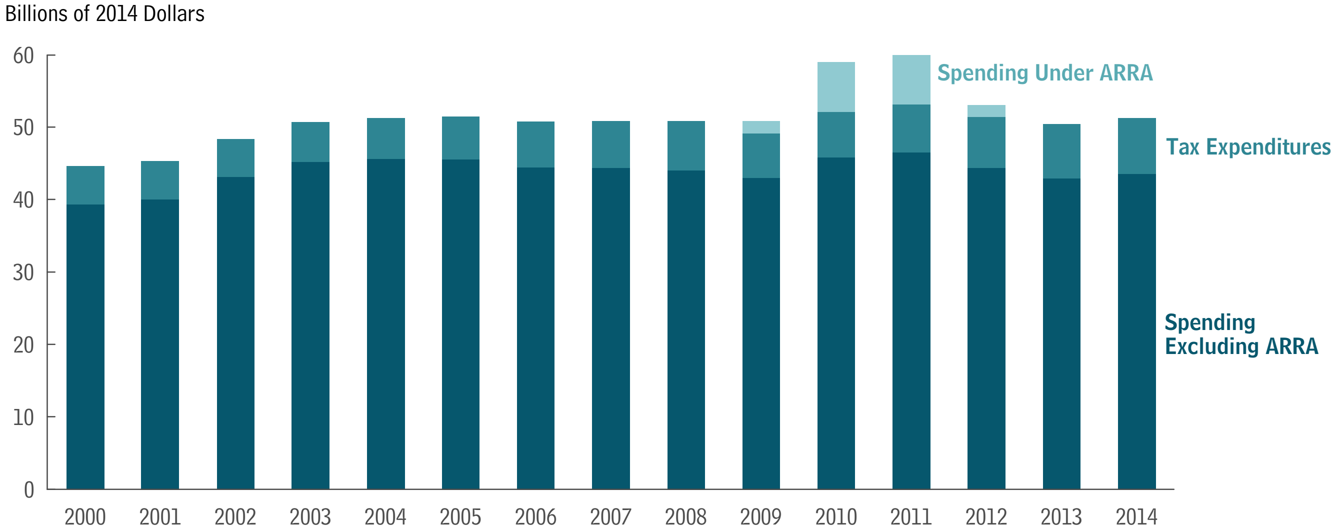
Starting in 2015, Fannie Mae and Freddie Mac are required to allocate an amount equal to a specified percentage of their new mortgage purchases to fund the Housing Trust Fund—which will provide formula grants to state and local governments for the production or preservation of low-income housing.[14] Operation of the trust fund, which was originally authorized by the Housing and Economic Recovery Act of 2008, was delayed when the Federal Housing Finance Agency suspended the allocations by Fannie Mae and Freddie Mac because of their financial difficulties stemming from the housing and foreclosure crisis.

13. A private activity bond is a tax-exempt bond that is issued by or on behalf of a local or state government to finance the project of a private business. Bondholders do not have to pay federal (and often state) income taxes on the interest associated with the bond.

14. The allocation is 65 percent of an amount equal to 4.2 basis points for each dollar of the unpaid principal balance. See sec. 1337 and 1338 of the Housing and Economic Recovery Act of 2008, Public Law 110-289, 122 Stat. 2654, 2711.

Figure 1.

Federal Spending and Tax Expenditures for Low-Income Housing Assistance, 2000 to 2014



Source: Congressional Budget Office based on data from the Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2016: Supplemental Materials,* "Public Budget Database—Outlays" (February 2015), www.whitehouse.gov/omb/budget/supplemental, and the staff of the Joint Committee on Taxation, *Estimates of Federal Tax Expenditures: Fiscal Year* (various years), www.jct.gov/publications.html?func=select&id=5.

Notes: Estimates of federal spending and tax expenditures for low-income housing assistance are expressed in real (inflation-adjusted) dollars. Values are adjusted for inflation using the gross domestic product price index.

Tax expenditures resemble government spending programs in that they provide financial assistance to specific entities or groups of people or for designated activities. The estimates of tax expenditures do not take into account interactions between individual provisions.

ARRA = American Recovery and Reinvestment Act of 2009.

However, the agency reinstated the allocations effective in January 2015.[15]

Changes in Federal Support for Low-Income Housing

Total federal housing assistance for low-income households was 15 percent greater in 2014 than in 2000, after adjusting for the effects of inflation (see Figure 1). Almost all of that growth occurred between 2000 and 2003. Since 2003, total support has been about $50 billion annually (measured in 2014 dollars)—although it was temporarily higher, mainly in 2010 and 2011, because of funds provided by ARRA (see Box 2). In 2011, total federal support reached a high of about $60 billion (in 2014 dollars).

The Budget Control Act of 2011 established annual caps on total discretionary appropriations for nondefense programs, although not for individual programs. In 2011 housing assistance for low-income households—which is provided largely through discretionary spending—accounted for 7 percent of nondefense discretionary spending. In 2014, such assistance still accounted for 7 percent of nondefense discretionary spending; however, after the temporary boost to spending that resulted from ARRA is subtracted, discretionary spending on housing assistance for low-income households was 6 percent less (in real terms) in 2014 than in 2011. Despite the decline in real terms in spending for housing assistance, HUD and PHAs have taken actions to maintain the number of households receiving assistance, but those actions are not necessarily sustainable (see Box 3 on page 10).

15. See Housing Trust Fund Proposed Rule, 75 Fed. Reg. 209 (October 29, 2010) and Federal Housing Finance Agency, "FHFA Statement on the Housing Trust Fund and Capital Magnet Fund" (press release, December 11, 2014), http://go.usa.gov/3BUk5.

Box 2.

Spending for Federal Housing Assistance for Low-Income Households Under the American Recovery and Reinvestment Act of 2009

Under the American Recovery and Reinvestment Act of 2009 (ARRA), spending for housing assistance programs amounted to $17.2 billion (in 2014 dollars). More than one-third of that amount went to projects that had received assistance from the Low-Income Housing Tax Credit (LIHTC). Public housing improvements accounted for about one-quarter of that spending, as did the combination of community development programs and assistance to the homeless. The rest went to owners of project-based rental assistance (PBRA) properties. (The amounts presented below are expressed in 2014 dollars.)

The Tax Credit Assistance Program, created by ARRA, provided $6.0 billion in grants for LIHTC projects. The grants were designed to provide financing for developers that had received tax credits between the third quarters of 2006 and 2009. Those tax credits did not have the intended effect because demand for LIHTCs fell with the economic downturn that began in late 2007 and the collapse of the housing market. The most significant LIHTC investors—large banks, Fannie Mae, and Freddie Mac—incurred substantial losses and therefore had little use for tax credits.[1]

1. ARRA also established a budget-neutral program allowing for the exchange of unused LIHTCs that had been awarded for new construction. The “Section 1602” program allowed states to exchange their unused 2008 tax credits and 40 percent of their 2009 tax credits for grants of 85 cents on the dollar.

ARRA also provided $4.2 billion to the public housing program for capital activities (such as financing and modernization) and management activities. Most of that total was allocated in proportion to previous capital funding for public housing, but one-quarter, or about $1 billion, was distributed on a competitive basis and reserved for priority investments, such as those that leveraged private-sector funds or that financed renovations and energy conservation retrofits.

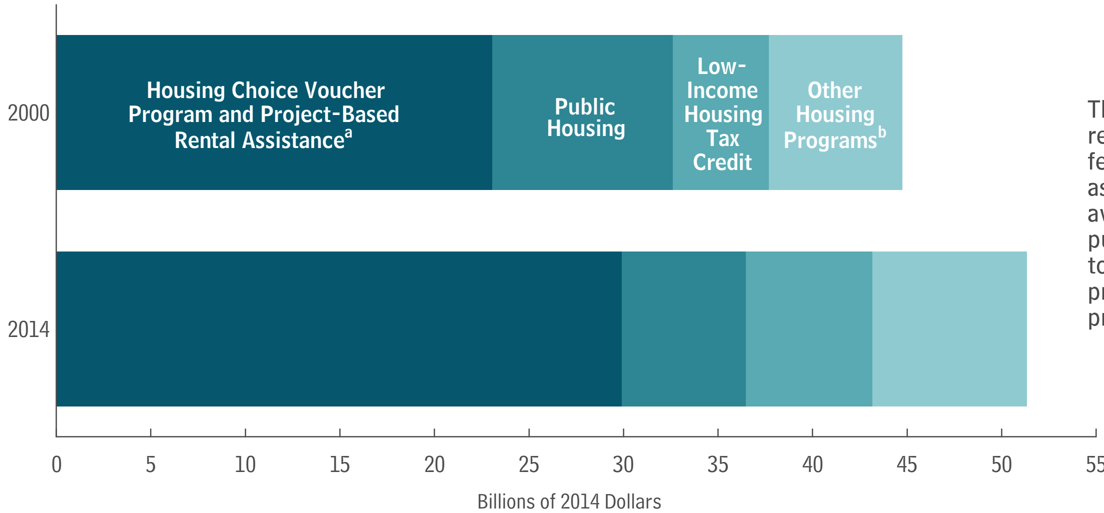
Additionally, ARRA provided $4.7 billion for community development programs that provide low-income housing and for programs that offer assistance to the homeless, including $2.4 billion for the HOME Investment Partnerships Program, $1.6 billion for homelessness prevention and rapid rehousing, $0.5 billion for the Native American Housing Block Grant program, and $0.3 billion for low-income housing support made available through the Community Development Block Grant program.

Finally, ARRA provided $2.4 billion for the owners of properties receiving project-based rental assistance. Of that amount, $2.1 billion went toward renewing existing contracts on a traditional 12-month cycle rather than the shorter cycles that the Department of Housing and Urban Development had been using to maintain support for those contracts. The remainder was directed toward grants or loans for investments designed to reduce energy costs, reduce water use, improve indoor environmental quality, or provide other environmental benefits.

As a result of legislation enacted in the mid-1970s, the composition of resources directed to federal housing assistance began to shift away from support for public housing and toward support for privately oriented programs—HCV, PBRA, and the LIHTC. That trend has continued in recent years (see Figure 2). Over the 2000–2014 period, real spending for public housing declined by about one-third, or $3.0 billion. During that same period, real spending for HCVs and PBRA increased by about one-third, or $6.9 billion. In addition, since 2000, tax expenditures for the LIHTC have increased by $1.7 billion (in real terms). As a result of those changes in spending, the private sector undertakes more of the building, ownership, and operation of low-income housing. The change in the composition of spending has also reduced the geographic concentration of low-income households and given tenants a greater range of housing options from which to choose.

Figure 2.

Federal Spending and Tax Expenditures for Low-Income Housing Assistance by Program, 2000 and 2014



The composition of resources directed to federal housing assistance has shifted away from support for public housing and toward support for privately oriented programs.

Source: Congressional Budget Office based on data from Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2016: Supplemental Materials,* "Public Budget Database—Outlays" (February 2015),www.whitehouse.gov/omb/budget/supplemental, and the staff of the Joint Committee on Taxation, *Estimates of Federal Tax Expenditures: Fiscal Year* (various years), www.jct.gov/publications.html?func=select&id=5.

Note: Estimates of federal spending and tax expenditures for low-income housing assistance are expressed in real (inflation-adjusted) dollars. Values are adjusted for inflation using the gross domestic product price index.

a. Before 2005, the Housing Choice Voucher program and project-based rental assistance were accounted for jointly in the federal budget as "Rental Assistance."

b. The category "Other Housing Programs" includes spending targeted by type of recipient (Homeless Assistance, Native American and Hawaiian Assistance, Housing Opportunities for Persons With AIDS, Section 521 and Section 515 assistance for rural rental housing, and Section 502 and Section 504 assistance for rural housing) and spending targeted on the basis of the issue being addressed (HOME Investment Partnerships and Community Development Block Grant support for low-income households—not including spending for disaster recovery). In addition, the category includes tax expenditures for private activity bonds for rental housing in which a percentage of the units are reserved for low-income households. That category does not include spending for Housing Counseling Assistance (to provide any individual or family with advice on seeking, financing, maintaining, renting, or owning a home) or for the Congregate Housing Services Program (which offers grants to provide meals and other supportive services to elderly or disabled residents in federally subsidized housing).

The decline in real spending for public housing and the increase in resources for the privately oriented programs reflect both legislative choices and economic influences. In terms of legislative choices, lawmakers regularly appropriated funds to provide additional housing choice vouchers, such as those specially designed to assist certain populations (veterans, for instance). Growth in tax expenditures for the LIHTC also reflects actions by lawmakers to expand that program. In addition, lawmakers did not initially index for inflation the LIHTC's population-based state allocations (or the alternative state minimum allocations) but began to do so in 2004.[16] In terms of economic influences, the real cost of providing a given number of vouchers through the HCV program rises when rents increase and income-based rental contributions from tenants fall. In 2010, for example, the inflation-adjusted median monthly rent was 11 percent higher than its 2000 level, and renters' inflation-adjusted median income was 12 percent lower (see Figure 3 on page 12). Lawmakers have typically provided enough funding to support all previously existing vouchers.

16. See Mihir Desai, Dhammika Dharmapala, and Monica Singhal, "Tax Incentives for Affordable Housing: The Low Income Housing Tax Credit," in Jeffrey R. Brown, ed., *Tax Policy and the Economy,* vol. 24 (University of Chicago Press, August 2010), pp. 181–205, www.nber.org/chapters/c11971.pdf (452 KB); Steven Maguire, *Tax-Exempt Bonds: A Description of State and Local Government Debt*, Report for Congress RL30638 (Congressional Research Service, June 19, 2012), p. 14; and Government Accountability Office, *Low-Income Housing Tax Credits: Agencies Implemented Changes Enacted in 2008, but Project Data Collection Could Be Improved,* GAO-13-66 (December 6, 2012), www.gao.gov/products/GAO-13-66.

Box 3.

Spending for Federal Housing Assistance for Low-Income Households Since Enactment of the Budget Control Act of 2011

The Budget Control Act of 2011, as amended by subsequent legislation, established annual caps through 2021 on total discretionary appropriations for nondefense programs, although it did not specify caps on appropriations for individual programs. Typically, discretionary spending accounts for about 90 percent of federal support for housing assistance for low-income households, and in 2011 that spending amounted to about 7 percent of total nondefense discretionary spending. Discretionary spending on federal housing assistance for low-income households declined by 14 percent in real (inflation-adjusted) terms, from $50.5 billion to $43.6 billion (in 2014 dollars), between 2011 and 2014. However, much of that decline was attributable to the end of temporary increases in spending associated with the American Recovery and Reinvestment Act of 2009 (ARRA). Not including ARRA spending, discretionary spending on federal housing assistance for low-income households fell by 6 percent over the 2011–2014 period, from $46.6 billion to $43.6 billion (in 2014 dollars).

Despite that decline in discretionary spending in real terms, the number of assisted households changed little over the period (see the table). That outcome reflects actions taken by the Department of Housing and Urban Development (HUD) and by public housing agencies (PHAs), but those actions are not necessarily sustainable over a longer period.

CBO did not determine which actions were most important in preventing a decline in the number of assisted households. Actions by HUD included signing leases for project-based rental assistance contracts that were in effect for less than 12 months. Such contracts allowed HUD to support, at least temporarily, more households than would have been possible if a larger share of contracts were for a full 12 months. HUD has requested an additional $1 billion in funding for fiscal year 2016 to return to contracts of 12-month duration.[1] HUD also prioritized improvement in occupancy rates of subsidized units. After 2011, the occupancy rate in public housing increased by 1 percentage point (to 96 percent), and the occupancy rate for units under PBRA increased by almost half a percentage point (to 95.2 percent).[2]

PHAs also took steps to avoid a decline in the number of assisted households. For example, in some cases PHAs used their accumulated reserves—subsidy funds received in excess of program expenses in previous years—to finance continued support for assisted households. In some cases, PHAs reduced the maximum amount of rental assistance provided

1. See Department of Housing and Urban Development, *Congressional Justifications: FY 2016* (February 2015), p. 23-1, http://go.usa.gov/3KwsV.
2. See Department of Housing and Urban Development, *FY 2013 Annual Performance Report and FY 2015 Annual Performance Plan* (July 2014), pp. 10 and 35, http://go.usa.gov/3F5uw (PDF, 2.35 MB).

Continued

Eligible Households and Federal Assistance

Federal housing assistance for low-income tenants serves about one-quarter of the roughly 20 million households that are eligible. Unlike the means-tested federal support provided to people through programs such as SNAP (formerly known as the Food Stamp program)—which are intended to assist all eligible individuals with specific amounts of income or assets who apply—means-tested housing assistance has not been made available to all applicants who are eligible.

Federal programs are not designed to direct the limited amount of housing assistance exclusively to the lowest-income households; however, federal rules require that a

Box 3. **Continued**

Spending for Federal Housing Assistance for Low-Income Households Since Enactment of the Budget Control Act of 2011

Number of Households That Benefited From Housing Choice Vouchers, Project-Based Rental Assistance, or Public Housing, 2011 to 2014

Millions

Fiscal Year	Housing Choice Vouchers	Project-Based Rental Assistance[a]	Public Housing	Total
2011	2.18	1.52	1.08	4.79
2012	2.21	1.51	1.09	4.81
2013	2.19	1.51	1.09	4.79
2014	2.18	1.50	1.08	4.76

Source: Congressional Budget Office based on data from the Department of Housing and Urban Development, *Annual Performance Plan Fiscal Years 2012–2013* (February 2012), p. 29, http://go.usa.gov/3MqWT (PDF, 1.90 MB); Department of Housing and Urban Development, *FY 2013 Annual Performance Report and FY 2015 Annual Performance Plan* (July 2014), p. 37, http://go.usa.gov/3F5uw; and Todd M. Richardson, Department of Housing and Urban Development, Office of Policy Development and Research, personal communications (January 22, 2015, and March 6, 2015).

Note: This table reflects most of the discretionary spending on housing assistance for low-income households—about 85 percent in 2014, for example—but lawmakers also provide for such spending through Community Development Block Grants, the Department of Agriculture (rural housing), Home Investment Partnerships, Homeless Assistance, Housing Opportunities for Persons With AIDS, and Native American and Hawaiian Assistance.

a. Households receiving project-based rental assistance include those benefiting from housing for the disabled (Section 811) and housing for the elderly (Section 202).

through housing choice vouchers.[3] The value of the voucher is generally between 90 percent and 110 percent of the fair market rent (established by HUD) for an appropriate unit. A PHA may, with HUD's approval, base the value of the voucher on a percentage of fair market rent outside of that 90 percent to 110 percent range. Reductions in the value of the voucher mean that a given amount of federal funds can subsidize more units—but they imply an increase in the assisted household's contribution toward rent, unless the tenants can find and move to a less expensive unit.

3. See testimony of John Rhea, Chairman, and Cecil House, General Manager, New York City Housing Authority, before the Public Housing and Finance Committees of the New York City Council, *Oversight—Proposed NYCHA Actions to Address the Impact of Federal Sequestration* (June 13, 2013), http://go.usa.gov/3FNWT (PDF, 155 KB).

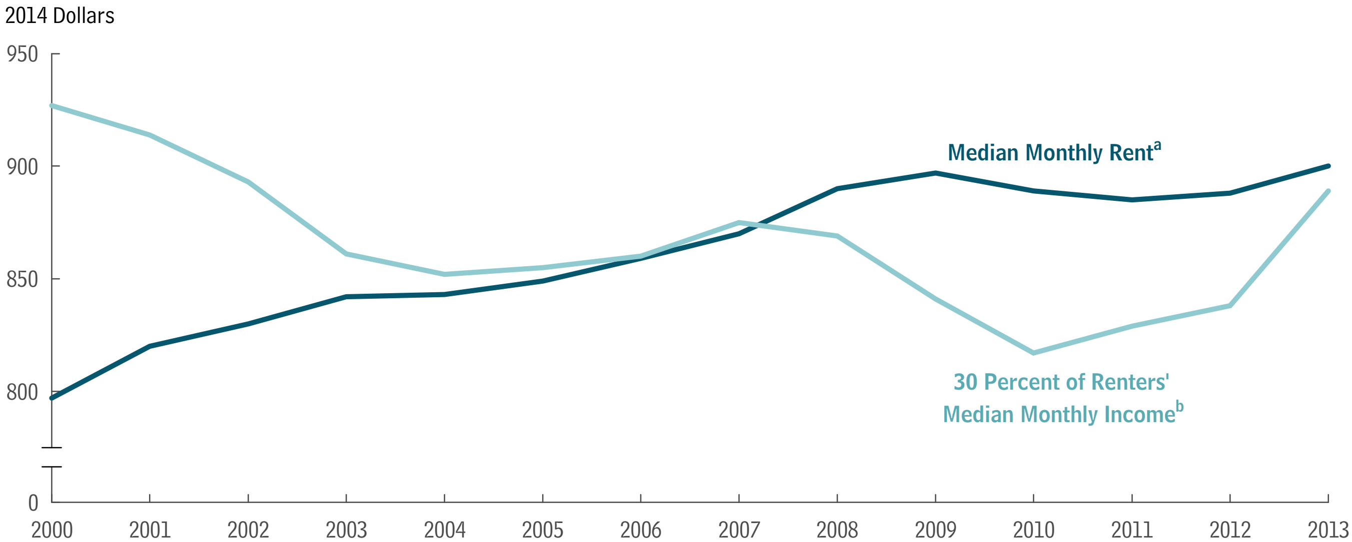
specified minimum percentage of the newly assisted households in the HCV, PBRA, and public housing programs have income of 30 percent of area median income or below (see Table 1). Local public housing authorities may establish their own additional selection requirements.

Households That Receive Federal Assistance

About 5 million households receive federal housing assistance directly through the HCV program, PBRA, or public housing. Those households consist of 9.8 million people, or roughly 3 percent of the U.S. population. The income limit used to determine initial program eligibility is typically no more than 50 percent of AMI. Most of the households receiving assistance have income of no more than 30 percent of AMI, a benchmark that ranged

Figure 3.

Median Monthly Rent and Income for All Renters, Calendar Years 2000 to 2013



Source: Congressional Budget Office based on calendar year data from the Census Bureau's Current Population Survey, Annual Social and Economic Supplement, and American Housing Survey; and on data from the Bureau of Labor Statistics.

Note: Values are adjusted for inflation using the gross domestic product price index.

a. Median monthly rent excludes the portion covered by assistance programs and includes utilities. It does not include rents of lodgers (members of households who pay rent to another household member) or of households that pay no rent.

b. Tenants receiving assistance directly from the federal government typically contribute 30 percent of their household income toward rent. Renters' median monthly income does not include the income of people renting in group quarters (such as dormitories or nursing homes) or of households that pay no rent.

between $7,800 and $36,600 for a family of four in 2013, depending on the area.[17] (By comparison, the federal poverty guideline—commonly referred to as the federal poverty level, or FPL—was $23,550 for a family of four in 2013. The FPL is used in determining financial eligibility for several assistance programs unrelated to housing.)[18]

17. See Department of Housing and Urban Development, "FY 2013 Income Limits" (effective December 11, 2012), www.huduser.org/portal/datasets/il/il13/index.html. HUD's income determination generally takes into account the income of all adult household members, including cash assistance provided through Temporary Assistance for Needy Families, and any unearned income attributable to a minor, such as child support and TANF payments. It does not include in-kind benefits, such as those provided through SNAP or Medicaid. The HUD income limits specified in this paper are for a four-person household; that information forms the basis for HUD's calculation of income limits for other household sizes. Amounts in this section are expressed in 2013 dollars to facilitate direct comparison with the published benchmarks and the most recently available demographic data for assisted households.

The average subsidy received by those households in 2013 was $7,600. Gross income per household averaged roughly 25 percent of AMI across the three programs: It averaged about $13,800 in the public housing program, about $13,100 in the HCV program, and about $12,000 in the PBRA program. In PBRA, which has the lowest average household income, half of the households are headed by people who are elderly and close to 20 percent by those who are disabled (see Table 2). Correspondingly, nearly 70 percent of the households receiving PBRA get the largest part of their income from sources that support people who are less likely to be able to work because of age or disability. Those sources include pensions, Social Security, and Supplemental Security Income (SSI), which provides cash assistance to people who are disabled, elderly, or both and who have low income and few assets.

18. See Department of Health and Human Services, "Annual Update of the HHS Poverty Guidelines" (January 24, 2013), http://go.usa.gov/3BUuz. Alaska and Hawaii have separate guidelines.

Table 1.

Eligibility Rules and Outcomes for Federal Low-Income Housing Assistance

Program	Eligibility for Newly Assisted Households (Based on the Relationship Between Gross Household Income and Area Median Income, or AMI)	Percentage of Newly Assisted Households That Must Have Gross Income of 30 Percent of AMI or Below	Percentage of Assisted Households That Had Gross Income of 30 Percent of AMI or Below in 2013
	Assistance Provided Directly to Tenants		
HCV	50 percent of AMI or below[a]	75	76
PBRA	50 percent of AMI or below[b]	40	75
Public Housing	80 percent of AMI or below	40	72
	Assistance Provided Indirectly to Tenants Through Property Owners		
LIHTC	Property owner chooses between: 50 percent of AMI or below and 60 percent of AMI or below[c]	0	40

Source: Congressional Budget Office based on the Department of Housing and Urban Development, *Housing Choice Voucher Program Guidebook* (April 2001), Chapters 4 and 5, http://go.usa.gov/3ZZr3; Section 8 Project-Based Assistance Programs: Admission, 24 C.F.R. §5.653; Department of Housing and Urban Development, Public Housing Occupancy Guidebook (June 2003), pp. 23 and 34, http://go.usa.gov/3ZZNk; Internal Revenue Code 26 U.S.C. §42(g)(1) (2010); Lynn Rodgers, Department of Housing and Urban Development, personal communication (August 6, 2014); Katherine M. O'Regan and Keren M. Horn, "What Can We Learn About the Low Income Housing Tax Credit Program by Looking at the Tenants?" *Housing Policy Debate*, vol. 23, no. 3 (May 2013), pp. 597–613, http://dx.doi.org/10.1080/10511482.2013.772909.

Note: HCV = housing choice voucher; LIHTC = Low-Income Housing Tax Credit; PBRA = project-based rental assistance.

a. Households with gross income of 80 percent of AMI or less are eligible if they have been receiving continued support since entering an assistance program at 50 percent of AMI or less or if they have been displaced as a result of the prepayment of a mortgage or voluntary termination of a mortgage insurance contract.

b. A limited number of units can be rented to households with gross income of 80 percent of AMI or less.

c. The applicable payment calculation depends on choices made by the property owner in qualifying for the tax credit.

In contrast, about half of the households served by HCVs and by public housing are headed by people of working age who are able-bodied. Of those households headed by working-age, able-bodied people, only about one-half receive the largest portion of their income from work. The remainder consist of households for which the largest source of income is Temporary Assistance for Needy Families (TANF) and state-funded cash assistance (representing about one-quarter of the households); households for which the largest portion of income comes from other sources, such as child support (representing about one-fifth of the households); and households for which the largest source of income comes from pensions, Social Security, and SSI.

The household characteristics of people receiving indirect assistance through the LIHTC are not well documented. Currently, over 2 million LIHTC units exist for low-income households, but tenants may also receive other forms of federal low-income housing assistance. Studies examining a sample of households benefiting from that tax credit in the late 1990s indicated that tenants in those households had higher average income and were more likely to be working than people in households receiving direct assistance.[19]

Households That Do Not Receive Federal Assistance

About three-quarters of the roughly 20 million renter households that are eligible for direct housing assistance

19. See General Accounting Office (now the Government Accountability Office), *Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program,* GAO/GGD/RCED-97-55 (March 28, 1997), www.gao.gov/products/GGD/RCED-97-55; and Department of Housing and Urban Development, *Assessment of the Economic and Social Characteristics of LIHTC Residents and Neighborhoods* (prepared by Abt Associates, February 2000), Exhibits 3-4 and 3-19, www.abtassociates.com/reports/20008744902172.pdf (458 KB).

Table 2.

Characteristics of Households Receiving Housing Choice Vouchers, Project-Based Rental Assistance, or Public Housing Assistance, 2013

		Demographics by Household Type					Households' Largest Source of Income			
Program	Number Assisted (Millions)	Elderly[a]	Disabled[b]	Able-Bodied, Nonelderly	With Children	Without Children	Pension, Social Security, SSI[c]	Work	TANF and State-Funded Cash Assistance[d]	Other[e]
					Percentage of Households					
HCV	2.2	21	28	51	48	52	50	28	12	11
PBRA	1.5	50	18	32	26	74	67	16	4	13
Public Housing	1.1	31	21	48	40	60	50	28	12	10
All Three Programs	4.8	32	23	44	39	61	55	24	9	11
					Millions of People					
HCV	5.2	0.6	1.1	3.4	3.7	1.5	1.9	1.9	0.8	0.6
PBRA	2.3	0.8	0.3	1.2	1.1	1.2	1.2	0.6	0.1	0.4
Public Housing	2.3	0.4	0.4	1.5	1.5	0.8	0.8	0.9	0.4	0.3
Total	9.8	1.9	1.8	6.1	6.3	3.5	3.8	3.3	1.4	1.4

Source: Congressional Budget Office based on data from the Department of Housing and Urban Development, Inventory Management System/PIH Information Center (IMS/PIC) and Tenant Rental Assistance Certification System (TRACS) (August 2014), and Department of Housing and Urban Development, *FY 2013 Annual Performance Report and FY 2015 Annual Performance Plan* (July 2014), p. 37, http://go.usa.gov/3F5uw.

Note: HCV = Housing Choice Voucher; PBRA = project-based rental assistance; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families.

a. The head of the household, or his or her spouse, is age 62 or older.

b. The nonelderly head of the household, or his or her spouse, is disabled.

c. SSI guarantees a minimum amount of income for people who are elderly, blind, or disabled.

d. State-funded cash assistance programs generally serve people without minor children who are not elderly and do not qualify for SSI.

e. The category "Other" includes child support, medical reimbursement, Indian trust benefits, other nonwage sources, and unemployment benefits.

from the federal government do not receive it.[20] (The number of eligible households reflects those with income of no more than 50 percent of AMI—the limit primarily used to determine initial program eligibility for most of the direct assistance. It does not, however, include homeless people because it is difficult to obtain an accurate count of that population.) States also fund housing assistance programs but, compared with the federal government, direct a much smaller amount of spending to them—state programs tend to provide temporary help for people with mental illness or other disabilities, people who are homeless, or people at risk of becoming homeless.[21]

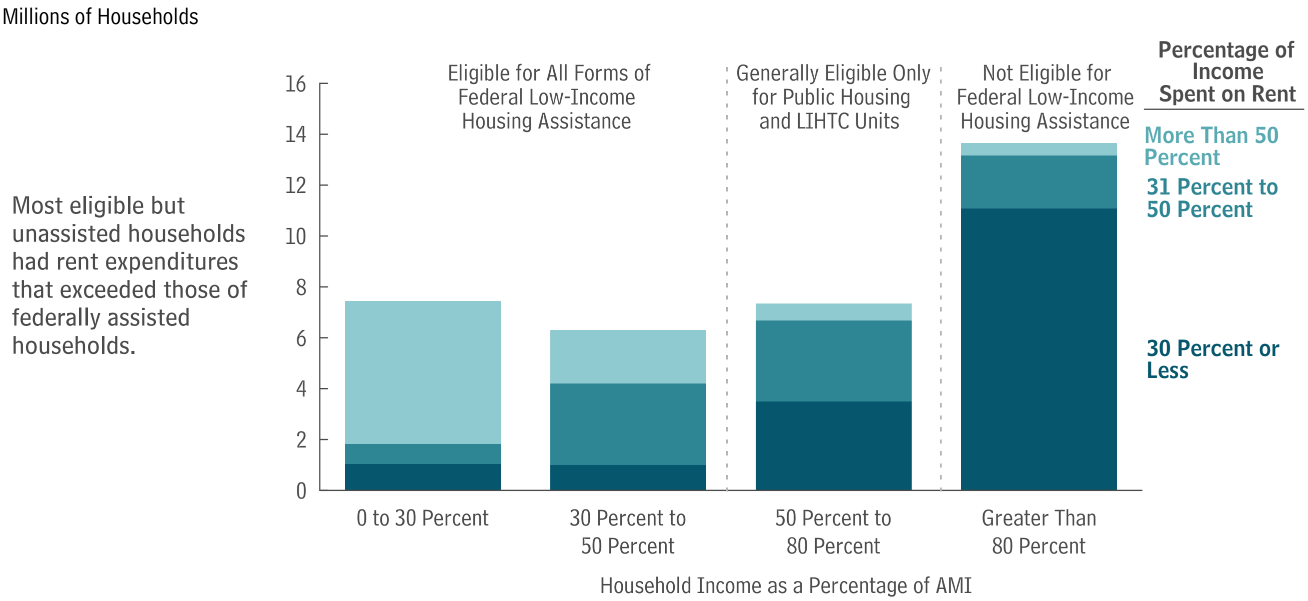
Most of the eligible but unassisted households (14 million in 2013) had rent expenditures that exceeded those of federally assisted households. That was the case for more than 80 percent of eligible but unassisted households with income equal to 50 percent or less of AMI. In contrast, the country's higher-income households spend a smaller share of their income on rent: Nearly half of

20. See Department of Housing and Urban Development, *Worst Case Housing Needs: 2015 Report to Congress* (May 1, 2015), Table A-1A, www.huduser.org/portal/publications/affhsg/wc_HsgNeeds15.html.

21. See Rachel Bergquist and others, *State Funded Housing Assistance Programs* (Technical Assistance Collaborative, April 2014), http://tinyurl.com/neze642.

Figure 4.

Households That Rent but Do Not Receive Federal Low-Income Housing Assistance, by Income and Rent Expenditure, 2013



Source: Congressional Budget Office based on data from Department of Housing and Urban Development, *Worst Case Housing Needs: 2015 Report to Congress* (April 2015), Table A-1A, p. 30, www.huduser.org/portal/publications/affhsg/wc_HsgNeeds15.html.

Note: AMI = area median income; LIHTC = Low-Income Housing Tax Credit.

households with income between 50 percent and 80 percent of AMI and about four-fifths of households with income exceeding 80 percent of AMI spend no more than 30 percent of their income on rent (see Figure 4).

Moreover, in 2013, 7.7 million households had what HUD describes as "worst-case housing needs," meaning that they had income of no more than 50 percent of AMI, were eligible for but did not receive federal housing assistance, and were paying more than half of their income in rent (or living in severely substandard conditions). That number was nearly 50 percent higher than a decade earlier but lower than the number in 2011 (see Figure 5). The trend in recent years reflects the influence of the recession and the ongoing recovery. About 35 percent of the households with worst-case housing needs in 2013 included children and nearly 20 percent included a head of household or spouse who was age 62 or older. The remaining 45 percent consisted mostly of nonelderly people living alone.[22]

22. See Department of Housing and Urban Development, *Worst Case Housing Needs: 2015 Report to Congress* (May 1, 2015), Table A-1A, www.huduser.org/portal/publications/affhsg/wc_HsgNeeds15.html.

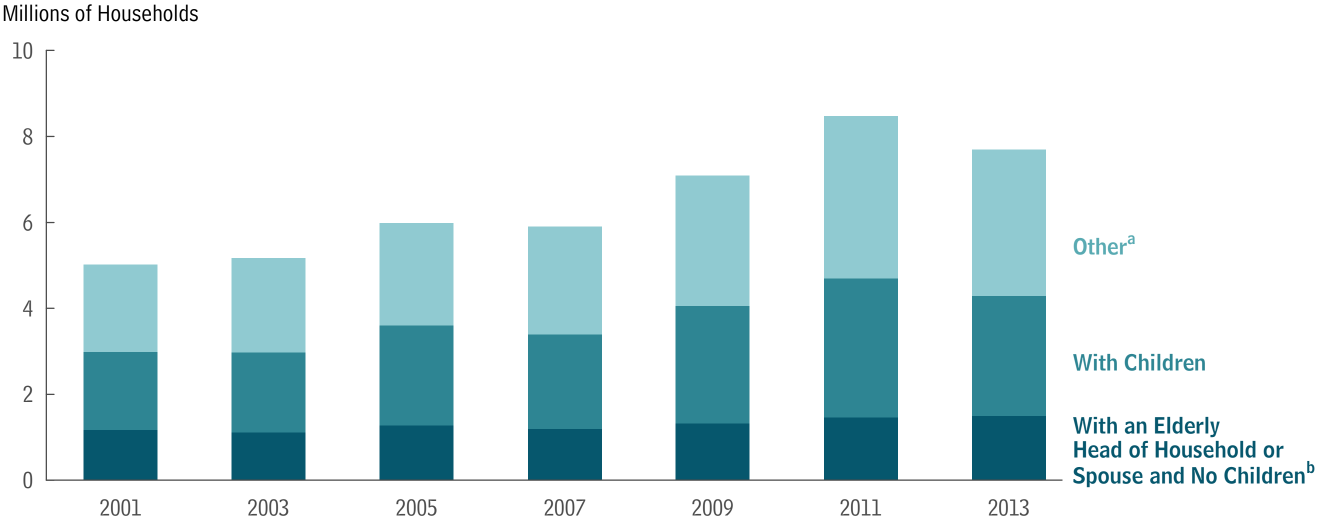
Households spending more of their income on housing have less to devote to other goods and services than people who spend less of their income for that purpose. Among households ranking in the lowest quarter of income in 2013, those spending more than 50 percent of their income on housing spent about three-fifths as much on food, about one-third as much on health care, and about one-third as much on transportation compared with those who spent 30 percent or less of their income on housing.[23] A 2014 survey of parents who spent more than 30 percent of household income on shelter found that, of the 75 percent making sacrifices to cover housing costs, about one-sixth had cut back on healthy food, about one-sixth had cut back on health care, about one-tenth had moved to a neighborhood that was less secure, and about one-tenth had moved to a neighborhood that had worse schools.[24]

23. See Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing 2015* (2015), Table A-3, www.jchs.harvard.edu/research/state_nations_housing.

24. See MacArthur Foundation, "How Housing Matters: The Housing Crisis Continues to Loom Large in the Experiences and Attitudes of the American Public" (prepared by Hart Research Associates, April 2014), p. 21, http://tinyurl.com/pbbs3bo (PDF, 1.15 MB).

Figure 5.

Eligible Households That Did Not Receive Federal Low-Income Housing Assistance and Met HUD's Definition of "Worst-Case Housing Needs," 2001 to 2013



Source: Congressional Budget Office based on data from the Department of Housing and Urban Development, *Worst Case Housing Needs: Reports to Congress* (various years), www.huduser.org/portal/taxonomy/term/43.

Note: The Department of Housing and Urban Development (HUD) defines households with worst-case housing needs as those that have income of no more than 50 percent of area median income, are eligible for but do not receive federal housing assistance, and are paying more than half of their income in rent (or live in severely substandard conditions). Only about 3 percent of households characterized as having worst-case needs are identified as such solely because of substandard conditions; in all, about 6 percent of households with worst-case needs live in substandard conditions. In contrast to the data reflected in Table 2 on page 14, data describing households with worst-case needs are collected in the Census Bureau's American Housing Survey, which does not offer consistent information over time about households with one or more disabled members.

a. The category "Other" consists mostly of nonelderly people living alone.

b. The head of the household, or his or her spouse, is age 62 or older.

Federal Housing Assistance and Employment

Federal housing programs, with limited exceptions, do not require that recipients engage in work-related activity. Like many programs that provide cash and in-kind benefits to low-income populations, federal housing assistance introduces incentives that tend to discourage employment. However, such assistance might also facilitate employment by providing housing stability and more opportunities. Ultimately, empirical studies find some reduction in work in response to federal housing assistance.

Work Requirements and Support for Work. For the most part, no work requirements or time limits are associated with receiving housing benefits.[25] In the public housing program, however, able-bodied tenants of working age, who are not working or are otherwise exempt, must participate in community service or self-sufficiency activities for eight hours per month. Residents who have not satisfied that requirement have an opportunity to do so; failure to comply can result in termination of assistance and eviction.

The voluntary Family Self-Sufficiency (FSS) program, established in 1990, provides federal support for participants who agree to work toward leaving the HCV program or public housing by increasing their earned income

25. A few PHAs do, however, have the authority to impose such requirements. The Moving to Work program allows for exemptions from most federal housing rules to help achieve the program's goals, and some of the roughly 40 participating PHAs are experimenting with rent and eligibility rules to encourage self-sufficiency. For example, under federal housing rules, minimum rents of up to $50 are typically charged to assisted tenants for whom 30 percent of income is less than that amount, but PHAs in San Diego and Portland, Oregon, have programs that increase those minimum rents over time for households that receive supportive services to help tenants increase their income.

over a period of five years. Generally, subsidized tenants face a disincentive to increase their earnings because they pay a fixed percentage of their income toward rent. However, in the FSS program, any changes in household rent that are the result of a participant's growing income are credited to an escrow account that the tenant can use for any purpose when he or she successfully completes the program. Federally paid program coordinators work with private and public providers who help households plan for self-sufficiency by offering continuing education, job training, counseling, and other assistance, such as child care and transportation.

A 2009 study of the FSS program found that participants' average annual income increased by about 20 percent within four years compared with their income before participation. However, compared with others in the FSS program, participants in the study had higher income, employment rates, and educational attainment to begin with, and the study did not assess how their income would have changed if they had not participated in the program.[26] In March 2012, HUD commissioned an evaluation of the effectiveness of a variety of FSS programs in a diverse set of cities and local contexts; the results of that assessment are not yet available.[27]

26. See Department of Housing and Urban Development, *Evaluation of the Family Self-Sufficiency Program: Prospective Study* (prepared by Abt Associates and Planmatics, February 2011), p. 25, www.huduser.org/portal/publications/affhsg/eval_fssp.html. On average, upon enrollment, participants in the study had annual income that was 14 percent higher than that of the general FSS population, higher employment rates (69 percent compared with 51 percent), and higher educational attainment (75 percent had at least a high school diploma compared with 57 percent). For additional studies of changes in income for people in the FSS program, see Department of Housing and Urban Development, *Evaluation of the Self-Sufficiency Program: Retrospective Analysis, 1996 to 2000* (prepared by Westat, April 2004), www.huduser.org/portal/publications/econdev/selfsufficiency.html; Edgar O. Olsen and others, "The Effects of Different Types of Housing Assistance on Earnings and Employment," *Cityscape,* vol. 8, no. 2 (2005), pp. 163–187, www.huduser.org/periodicals/cityscpe/vol8num2/ch8.pdf (267 KB); and Nandita Verma and others, *Working Toward Self-Sufficiency: Early Findings From a Program for Housing Voucher Recipients in New York City* (MDRC, December 2012), www.mdrc.org/publication/working-toward-self-sufficiency.

27. See MDRC, *The Family Self-Sufficiency Program Demonstration* (MDRC, 2012), www.mdrc.org/project/family-self-sufficiency-program-demonstration#overview.

Effects on Work. Housing assistance provides recipients with incentives that influence their willingness to work, in terms of both employment and the number of hours worked. Some incentives may discourage work and others may facilitate it.

One set of incentives tends to reduce the amount of time that people work. Housing assistance allows recipients of such benefits to maintain their standard of living while working less, an incentive known as the income effect. Because an increase in a household's income from working is partially offset by a reduction in the value of their housing benefits, housing assistance may also make spending time on activities other than work more desirable, which is termed the substitution effect. For example, if the monthly labor income of a household increased by \$100, its housing benefits would be reduced by \$30—the equivalent of a 30 percent marginal tax on earnings from work (but other policies might also affect people's effective marginal tax rate).[28] Because, on net, additional work provides less income than it would have otherwise, households have less incentive to work than they would have if they were not receiving assistance.

But in other ways, housing assistance may facilitate work. Housing assistance might encourage employment by providing a more stable housing arrangement for people with low income. If assistance reduces a household's spending on rent, that may facilitate work by freeing household resources for child care and transportation expenses. Housing assistance can also help people in low-income households move to areas closer to potential employers or to areas where neighbors can provide more contacts to potential employers.

Recent studies of housing assistance indicate that beneficiaries of housing assistance tend to work less. One study estimated that among able-bodied adults of working age, a housing choice voucher reduces employment, as measured by quarterly employment, by 6 percent and earnings, which are influenced by the number of hours worked, by 10 percent over a period of eight years; the

28. The marginal tax rate is the percentage of an additional dollar of earnings that is paid in taxes or offset by reductions in benefits from government programs. For a detailed discussion of how increases in earnings can cause reductions in assistance provided through cash and in-kind benefits to people of reduced means, see Congressional Budget Office, *Effective Marginal Tax Rates for Low- and Moderate-Income Workers* (November 2012), www.cbo.gov/publication/43709.

size of the effects grew over time.[29] That study found no evidence that receiving a housing voucher increased residential stability or the proximity to employed neighbors.

Another study found that housing vouchers reduce recipients' employment by 5 percent to 8 percent and earnings by about 12 percent in the first year, but that the effects dissipated over time.[30] The authors attribute the first-year effects to the disruption of moving. The study used a comparatively small sample of households, all of which included people who were eligible for, were receiving, or had recently received TANF benefits. People who participate in both TANF and housing assistance programs may experience less of a disincentive to work than people who receive only housing assistance. That effect may arise because TANF provides families with cash assistance and other forms of support, such as child care, while encouraging states to have recipients engage in work-related activities.

A third study, which also included some households that had applied for or received TANF benefits, found no statistically significant change in employment over a five-year period; however, in the first year after receiving a voucher, household earnings declined by 12 percent. That reduction in earnings dissipated over time and was not statistically significant after five years.[31] Earlier studies examining the effect of housing assistance on work activity yielded mixed results, but many used methods of analysis that appear to result in statistical bias.

29. See Brian A. Jacob and Jens Ludwig, "The Effects of Housing Assistance on Labor Supply: Evidence From a Voucher Lottery," *American Economic Review,* vol. 102, no. 1 (February 2012), pp. 272–304, www.aeaweb.org/articles.php?doi=10.1257/aer.102.1.272. Although the data do not directly measure the number of hours worked, the only other explanations for reduced earnings would be that the decline in employment was concentrated among relatively high earners or that assisted residents shifted to jobs that paid less.

30. See Michelle Wood and others, "Housing Affordability and Family Well-Being: Results From the Housing Voucher Evaluation," *Housing Policy Debate,* vol. 19, no. 2 (January 2008), pp. 367–412, http://dx.doi.org/10.1080/10511482.2008.9521639.

31. See Deven Carlson and others, "Long-Term Earnings and Employment Effects of Housing Voucher Receipt," *Journal of Urban Economics*, vol. 71, no. 1 (January 2012), pp. 128–150, http://tinyurl.com/ndevvs2.

Policy Options

Lawmakers could alter a number of features of federal housing assistance for low-income households in ways that would either expand such support, which in some cases would increase spending, or reduce such support, which in some cases would achieve budgetary savings. Aspects of low-income housing assistance that might be changed include:

- The size or composition of the assisted population,
- Tenants' contributions to rent,
- The resources available to PHAs, or
- The ways in which low-income housing assistance is provided.

CBO has estimated the budgetary effects of a number of such options over the 2016–2025 period (see Table 3).[32] Those effects, expressed in nominal dollars, range from 10-year savings of over $100 billion to 10-year costs of more than $400 billion.

Some options could be combined so as not to significantly alter budgetary expenditures. Policymakers could, for example, consider offsetting the cost of one policy (such as increasing the share of the low-income population that receives direct housing assistance) with another that generates savings (such as requiring assisted tenants to make a greater contribution toward rent or repealing the LIHTC). In structuring policies, lawmakers might also wish to consider other objectives, such as providing assistance to certain populations (for example, housing arrangements that might reduce homelessness), or designing policies that provide assistance without introducing incentives for low-income households to favor renting over homeownership.

32. The options discussed here do not apply to programs managed by the roughly 40 PHAs participating in the Moving to Work program. That program allows PHAs to seek exemption from most federal housing rules to reduce costs, increase efficiency, promote tenants' self-sufficiency, and increase housing choices. Participating PHAs can blend funding streams for different programs, experiment with rent and eligibility rules, and adhere to modified reporting requirements. Currently, 0.3 million households (representing about 6 percent of all directly subsidized units) are served by PHAs that participate in the program.

Table 3.

Policy Options for Federal Low-Income Housing Assistance and Estimated Budgetary Effects, 2016 to 2025

Policy Option	10-Year Budgetary Effects (Billions of dollars)
Change the Size or Composition of the Assisted Population	
Reduce the number of housing choice vouchers (HCVs)	
Reduce the number of HCVs by 10 percent	-18
Gradually eliminate HCVs for households with income over 30 percent of area median income (AMI)	-20
Gradually eliminate all HCVs	-118
Increase the number of HCVs	
Increase the number of HCVs by 10 percent	18
Gradually provide HCVs for all households with income of no more than 30 percent of AMI	290
Gradually provide HCVs for all eligible households	410
Require participation in a work support program and give priority to applicants who work[a]	10
Change Tenants' Contributions to Rent	
Increase the share of income that tenants pay in rent[a]	-22
Reduce the share of income that tenants pay in rent[a]	22
Change the Resources Available to Public Housing Agencies (PHAs)	
Increase PHAs' access to private funds[b]	0
Require consolidation of PHAs and decrease funds for their administrative costs	No Estimate
Increase funds for the administration of housing assistance	4
Change the Ways in Which Assistance Is Provided	
Replace project-based rental assistance contracts with HCVs	No Estimate
Provide more money for the Housing Trust Fund to expand low-income housing	No Estimate
Repeal the Low-Income Housing Tax Credit	-42
Introduce a renter's tax credit	42

Sources: Congressional Budget Office and the staff of the Joint Committee on Taxation.

Note: Estimates of the budgetary effects are expressed in nominal dollars.

a. The option holds constant the number of households served.

b. Because this option is designed to avoid creating obligation in advance of appropriations, it would be budget neutral.

Options That Would Change the Size or Composition of the Assisted Population

The resources currently provided to federal housing assistance programs for low-income households are not sufficient to serve all eligible households, and little distinction exists between the circumstances of the low-income households that are offered housing assistance and those that are not. Lawmakers could change the number of low-income households that receive housing assistance by reducing or increasing the number of vouchers provided in the HCV program, for example, or lawmakers could alter the composition of the population receiving aid by giving waiting-list priority to households with a working adult.

Reduce the Number of Housing Choice Vouchers. To illustrate ways to decrease costs associated with the HCV program, which accounted for $18 billion in federal spending in 2014, CBO analyzed the budgetary effects of reducing appropriations for the program by:

- Retiring 10 percent of all outstanding HCVs, by not reissuing them to new participants when households leave the program;
- Gradually restricting assistance to households with income of no more than 30 percent of AMI; or
- Eliminating all outstanding vouchers over a period of 10 years.

Retiring 10 percent of HCVs in 2016 would reduce federal spending by $18 billion from 2016 through 2025. A onetime reduction of that magnitude in the number of vouchers—about 190,000—could most likely be achieved without affecting households now served by the program. Tenants leave the HCV program each year, in some cases because of the dissolution of their family or because of a violation of program rules; in other cases, tenants leave because changing circumstances make them better off without a voucher. In 2013, roughly 300,000 voucher-subsidized households left the program. To the extent that sufficient funds are available, all of the vouchers that were used by households leaving the program are reissued to eligible households on waiting lists for federal housing subsidies. Hence, retiring HCVs would increase the amount of time that eligible but unassisted households would have to wait for a voucher. PHAs report that households newly assisted by the HCV program in 2013 had been waiting for assistance for an average of 23 months.[33] That figure probably understates the amount of time that households have to wait for assistance because many PHAs limit the size of their waiting lists by periodically closing them to new applicants.

Alternatively, lawmakers could gradually reduce the number of vouchers over a period of 10 years by retiring the vouchers of households with income of more than 30 percent of AMI as the tenants leave the program or have their vouchers canceled. Newly assisted households would be eligible for HCVs only if their income was no more than 30 percent of AMI. CBO estimates that such a policy change would reduce federal spending by $20 billion from 2016 through 2025. Such an approach would achieve budgetary savings without affecting the lowest-income households, but ultimately it would remove about half a million vouchers and an important source of support for tenants who, because of their higher income, might have been more likely to achieve self-sufficiency in the future had they received assistance.

Another option would be for lawmakers to end the program by eliminating all outstanding vouchers over a period of 10 years. Federal spending would be reduced by $118 billion from 2016 through 2025. Along with much larger budgetary savings than the options just discussed, this option would result in a much greater reduction in the resources available for the support of low-income households and, correspondingly, a greater increase in the possibility of overcrowding and homelessness: By 2025, about 2 million vouchers would be eliminated if the HCV program was terminated. An unresolved question is whether the substantial decrease in spending on housing assistance would lower unsubsidized rents, including those paid by low-income households, by reducing demand for housing. Very few empirical studies are available that examine the effect of vouchers on rents. This report summarizes the existing research—most of which suggests that the number of vouchers does not affect overall rents—in the following discussion about increasing the number of vouchers.

Increase the Number of Housing Choice Vouchers. Lawmakers could also choose to spend more money and assist more people, for example, by:

- Increasing the number of available vouchers by 10 percent,
- Offering assistance to all households with income of no more than 30 percent of AMI, or
- Offering assistance to all households with income of no more than 50 percent of AMI.

Regardless of the size of the increase in the number of available vouchers, more households that would not receive assistance under the current program, even though they are eligible for it, would be served—but at an added cost. CBO estimates that a onetime 10 percent increase in the number of vouchers would assist roughly 200,000 additional households and cause federal spending to increase by a total of $18 billion from 2016 through 2025. Offering vouchers gradually over a period of 10 years to all households with income of no more than 30 percent of AMI would ultimately assist roughly 4.5 million additional households at a cost of $290 billion from 2016 through 2025. Offering vouchers to all households with income of no more than 50 percent of AMI would ultimately assist about 8 million additional

33. See Department of Housing and Urban Development, "Picture of Subsidized Households" (accessed July 29, 2015), www.huduser.org/portal/datasets/picture/yearlydata.html.

households and would cause federal spending to increase by $410 billion from 2016 through 2025.[34]

In addition to the cost, another drawback is that providing more vouchers might lead to higher rents by increasing demand for housing. Rent increases would mean that subsidies from the voucher program were to some extent accruing to property owners instead of assisted households, and those increases could also affect rents paid by low-income households that do not receive assistance. The limited research on this question, including some of the most recent work, suggests that an increase in the number of vouchers might not affect the overall rents for dwellings comparable to the subsidized units.[35] However, one study found that additional vouchers could affect rents for some units in the near term, depending on the rent charged for a unit before the voucher expansion.[36] According to that analysis, when additional vouchers were provided in areas where the housing supply was relatively inflexible, units for which the rent had been near the maximum allowed by HUD had rents that moved closer to that maximum. That study suggested that newly assisted households increase their demand for higher-quality units (those with rents near the maximum allowable amount for the HCV program) and decrease their demand for lower-quality units. An earlier analysis also found that increases in the number of vouchers in the mid-1970s through the mid-1990s were associated with rent increases for unsubsidized households in the lowest-income neighborhoods, but that analysis did not account for other factors that may have explained the rent increases—such as changes in the quality of rental units over that period.[37]

Require Participation in a Work Support Program and Give Waiting-List Priority to Applicants Who Work. For the most part, no work requirements are associated with the federal government's low-income housing assistance and that assistance is not targeted specifically to the working poor. Lawmakers could make participation in the Family Self-Sufficiency program mandatory for able-bodied heads of households of working age who receive direct housing assistance—of whom there are approximately 2.1 million. If successful completion of that program led to their departure from assisted housing, lawmakers could require PHAs to offer that assistance to people on the waiting list who are already working and thus might be more likely to achieve self-sufficiency.

If the federal government expanded the FSS program and changed the waiting-list policy for PHAs, while holding constant the overall number of assisted households, net federal spending would increase by about $10 billion from 2016 through 2025, CBO estimates. The estimated cost includes $12 billion in greater federal spending to compensate staff who develop FSS contracts, help participants obtain jobs and services, provide ongoing case management, and maintain escrow accounts. The estimated budgetary effect also reflects $2 billion in federal costs associated with the rent payments that PHAs would usually retain but instead would put in escrow accounts held for the tenants when tenants' incomes increased. (CBO is unaware of research that demonstrates that participating in the program affects participants' income; therefore, the estimate does not include such an effect.) Finally, the estimated budgetary effect reflects $4 billion in federal savings associated with replacing FSS participants who leave the housing assistance programs with households that

34. Those estimated increases in participation reflect CBO's judgment about whether households would know of the available assistance and whether the benefits of participating would outweigh the costs. Households, for example, might consider whether participation would require an increase in their out-of-pocket housing expenses, a move, or a shift in status from homeowner to renter. Property owners might consider how participation would influence their ability to maintain occupancy and receive timely compensation; they might also take into consideration the transaction costs of complying with the program's requirements, such as quality inspections.

35. See Michael D. Eriksen and Amanda Ross, "Housing Vouchers and the Price of Rental Housing," *American Economic Journal: Economic Policy*, vol. 7, no. 3 (August 2015), pp. 154–176, http://tinyurl.com/oogjz57; C. Lance Barnett, "Expected and Actual Effects of Housing Allowances on Housing Prices," *Real Estate Economics*, vol. 7, no. 3 (September 1979), pp. 277–297, http://tinyurl.com/neapdts; and Raymond J. Struyk and Marc Bendick Jr., eds., *Housing Vouchers for the Poor: Lessons From a National Experiment* (Urban Institute Press, 1981).

36. See Michael D. Eriksen and Amanda Ross, "Housing Vouchers and the Price of Rental Housing," *American Economic Journal: Economic Policy* , vol. 7, no. 3 (August 2015), pp. 154–176, http://tinyurl.com/oogjz57.

37. See Scott Susin, "Rent Vouchers and the Price of Low-Income Housing," *Journal of Public Economics*, vol. 83, no. 1 (January 2002), pp. 109–152, http://dx.doi.org/10.1016/S0047-2727(01)00081-0; and Edgar O. Olsen, "Housing Programs for Low-Income Households," in Robert A. Moffitt, ed., *Means-Tested Transfer Programs in the United States* (University of Chicago Press, 2003), pp. 365–442, http://papers.nber.org/books/moff03-1.

include working adults. Such households have higher income and therefore make larger rent payments than the average household receiving assistance under current law.

An advantage of giving waiting-list preference to households with employed adults is that the assistance might enable those households to ultimately become self-sufficient. In addition, such an approach would free up resources to serve more of the eligible population. It would also introduce an incentive for members of households not receiving assistance to seek employment and thereby move up on the PHA's waiting list for housing assistance. But a disadvantage of awarding more housing assistance to tenants who work is that it would divert support from lower-income households that are also eligible for such assistance, households whose other housing options might be worse than those of the higher-income households. Moreover, a key difficulty with expanding FSS is placing participants in jobs that pay enough to allow them to become more self-sufficient. Another challenge is that the FSS program relies on organizations that provide services—such as child care, transportation, and adult education—to help participants increase their income, but support for these organizations is sometimes unstable, which might limit the services that the FSS program can access. If access to those services was reduced, FSS participants could find it more difficult to acquire the skills and support that would help them become self-sufficient.

Options That Would Change Tenants' Contributions to Rent

To save money, lawmakers could require that tenants who receive housing assistance pay a larger share of their income toward rent. Alternatively, to provide greater support to assisted households, lawmakers could allow tenants who receive housing assistance to pay a smaller share of their income toward rent. In 1968, lawmakers stipulated that households would pay no more than 25 percent of income toward rent in federally assisted housing; in 1981, that payment amount was increased to 30 percent of household income. CBO has estimated the budgetary effects of changing that percentage to 35 percent or 25 percent.

Other options that could be designed to increase or decrease tenants' total contributions toward rent include establishing tiered rents that are based on income or household status—specifically, whether the household is headed by an elderly, disabled, or nonelderly and nondisabled person—or establishing flat rents that are unrelated to income. CBO did not estimate the budgetary effects of such alternatives.

Increase the Share of Income That Tenants Pay in Rent. Together, the three direct assistance programs—HCV, PBRA, and public housing—accounted for $36 billion in federal spending in 2014. To reduce such spending, lawmakers could gradually increase payments made by tenants who participate in those programs from 30 percent to 35 percent of adjusted household income over a period of five years. Doing so, while holding constant the number of participants, would reduce spending by $22 billion from 2016 through 2025. This option would reduce the preferential treatment accorded to low-income households that receive federal rental assistance. Most renters who are eligible for, but do not receive, federal low-income housing assistance pay more than 30 percent of their income in rent. Only about one in seven unassisted renters with the lowest income (30 percent or less of AMI) and one in six of those with somewhat higher income (between 30 percent and 50 percent of AMI) paid 30 percent or less of their income in rent in 2013.

One disadvantage of this option is that assisted households would have fewer resources to support other purchases, such as those associated with food, health care, and transportation. Another disadvantage is that the increase in the effective marginal tax on tenants' earnings would discourage work.

Reduce the Share of Income That Tenants Pay in Rent. To increase the support to households in the HCV, PBRA, and public housing programs, lawmakers could gradually decrease tenants' payments from 30 percent to 25 percent of adjusted household income over a period of five years. Doing so, while holding constant the number of participants, would increase spending by $22 billion from 2016 through 2025.

This option would benefit some low-income tenants who receive direct housing assistance—many of whom are in poverty—by reducing their expenditures on rent, giving them more resources to support other purchases. Also, the reduction in the effective marginal tax rate on tenants' earnings would encourage work. However, this option would increase the preferential treatment accorded to low-income households that receive federal rental assistance and would have no effect on the many households that are eligible for but do not receive assistance; about three-quarters of those households with income no higher than 30 percent of AMI devote more than half of their income toward rent.

Options That Would Change the Resources Available to PHAs

A number of housing assistance properties, both publicly and privately owned, could benefit from rehabilitation. According to HUD's estimates from 2010, potential capital expenditures to repair and replace items (such as windows, kitchens, bathrooms, and roofs) and to enhance energy and water efficiency at public housing properties were about $25 billion (in 2010 dollars) and projected to grow at a rate of $3 billion annually.[38] Lawmakers could increase PHAs' access to private funds for capital spending. Lawmakers could also consider whether consolidation of PHAs would yield desirable administrative efficiencies that could be combined with reduced appropriations. In addition, lawmakers could consider whether to appropriate amounts sufficient to fully provide for the formula-determined payments that support PHAs' administrative responsibilities.

Increase PHAs' Access to Private Funds. Lawmakers could, without affecting the federal budget, augment PHAs' ability to borrow money from private sources by allowing them to pledge a greater share of future appropriations to repaying loans. At present, with approval from HUD, a PHA can borrow private capital to develop or modernize public housing by pledging no more than one-third of its expected future capital fund appropriations to debt-service payments.[39] From fiscal year 2000 through the end of fiscal year 2015, HUD had approved the allocation of $4.5 billion (in nominal dollars) to debt-service payments through the Capital Fund Financing Program.[40]

The advantage of borrowing from the private sector in this way is that it enables PHAs to obtain capital for public housing improvements sooner. Enabling them to do more such borrowing could increase the long-term efficiency of capital spending by preventing significant physical deterioration that would ultimately be more costly to repair. Such borrowing has trade-offs, however: More of the funds appropriated in the future would be committed to the repayment of loans, and the pressure to maintain or increase such funding would be greater. Moreover, because the pledge of repayment is subject to the future appropriation of funds by the Congress (the federal government neither guarantees nor provides full faith and credit for these transactions), there is no assurance that funds sufficient to repay the loans would be appropriated in future years; HUD's approvals for borrowing and the costs of such borrowing would have to reflect that uncertainty.

Lawmakers could also increase access to private funds by authorizing an expansion of the Rental Assistance Demonstration Program. Under that program, PHAs convert public housing to project-based rental assistance or to project-based HCVs. The property owners can then renovate or redevelop the units using private sources of financing—such as conventional mortgages—and the LIHTC. By the end of 2014, HUD had received applications for the conversion of more than 176,000 units but had authority to approve the conversion of only 60,000 units.[41]

An advantage of this option is its potential for improving the condition of properties used to provide housing assistance. One drawback of the option is that the potential for expanding the program might be limited by the number of public housing properties that were capable of attracting private investment.

Require Consolidation of PHAs and Decrease Funds for Their Administrative Costs. Lawmakers could require PHAs—particularly smaller ones—that serve related or

38. See Department of Housing and Urban Development, *Capital Needs in the Public Housing Program* (prepared by Abt Associates, November 2010), http://go.usa.gov/3Frdz (PDF, 1.03 MB).

39. A PHA can also pledge up to 100 percent of capital funds that it projects will be awarded to it solely for developing new public housing to replace units that have been demolished or sold—such funds are known as replacement housing factor grants. In total, however, a PHA cannot pledge more than 50 percent of its overall projected capital funding, which includes both the basic capital fund grants and any replacement housing factor grants. (PHAs may pledge more than one-third of the capital and replacement housing factor funds that they have received at the time their capital fund financing proposal was approved.) For program information, see Use of Capital Funds for Financing, 24 C.F.R. §905 Subpart E (2010).

40. The first project was approved in November 2000. See Department of Housing and Urban Development, "Capital Fund Financing Program (CFFP): List of Transactions Approved to Date" (accessed July 29, 2015) http://go.usa.gov/3KWKJ.

41. See Department of Housing and Urban Development, "Rental Assistance Demonstration (RAD), Program Information: Information on Applications, Reservations, and Waiting List" (accessed July 29, 2015), http://portal.hud.gov/hudportal/HUD?src=/RAD/info.

adjacent rental markets to consolidate their operations. Consolidation could generate budgetary savings because lawmakers appropriate funds for PHAs, in part, on the basis of the costs associated with administering housing units. The administrative duties of PHAs, such as those associated with managing waiting lists, hiring inspectors, and preparing and submitting financial reports to the federal government, might be executed at lower cost if PHAs benefited from economies of scale by joining together.

The data suggest that potential candidates for consolidation exist. More than 800 PHAs in metropolitan areas each administer fewer than 250 low-income housing units, as do almost 1,500 PHAs in nonmetropolitan areas. In both cases, at least 20 percent of those small PHAs are not the only ones in their area.

The Congress has recently taken steps to encourage the consolidation of some PHA operations.[42] However, CBO has not estimated the associated reductions in federal spending because of a lack of sufficient information. One potential disadvantage of consolidation is that PHAs risk losing local control and discretion over housing programs.

Increase Funding for PHAs' Administration of Housing Assistance. Over the past decade, appropriations for the administration of housing assistance have been less than the amounts indicated by the funding formula—averaging about 80 percent of those amounts.[43] If lawmakers were to appropriate amounts sufficient to fully provide the formula-determined payments that support PHAs' administrative responsibilities (see Box 1 on page 5), doing so—while holding constant the number of households served—would increase federal spending by $4 billion from 2016 to 2025 compared with maintaining funding, in real terms, at its 2014 level.

One potential advantage of such a policy change is that adequate funding for PHAs' administrative tasks would help housing support programs run more smoothly—by minimizing delays in the processing of new participants or in the inspections required before a unit is occupied, for example. The formula amounts outlined in appropriation acts aim to take into account changes in administrative costs over time. In recent years, as administrative funding has fallen below formula amounts, PHAs have pointed to rising costs (associated with increased voucher portability, additional reporting and other requirements, and employees' health care) as evidence of the need for increased funding.[44] A potential disadvantage of implementing such a policy, however, is that the formula amount for administrative payments might not accurately reflect the costs to PHAs of efficiently performing their required tasks.[45]

Options That Would Change the Ways in Which Assistance Is Provided

Lawmakers could also explore whether housing assistance would be delivered more effectively by shifting support toward certain programs, eliminating programs, or introducing new programs. For instance, policymakers could replace PBRA contracts with HCVs, provide more money to the states through the Housing Trust Fund, repeal the LIHTC, or introduce a renter's tax credit.

Replace PBRA Contracts With HCVs. Lawmakers could stop appropriating funds for the renewal of contracts for project-based rental assistance and provide tenants with

42. PHAs have been allowed, since 1998, to consolidate operations while maintaining their own boards of directors. In July 2014, HUD proposed a rule to treat PHAs with consolidated operations as one agency for the purposes of financial reporting by and auditing of HCV programs. In addition, the Consolidated Appropriations Act, 2014, allows PHAs with consolidated operations to submit combined reports for public housing. See Government Accountability Office, *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies*, GAO-12-300 (March 19, 2012), www.gao.gov/products/GAO-12-300; Department of Housing and Urban Development, Office of Policy, Program and Legislative Initiatives, *Rebalancing HUD's Oversight and Small PHAs' Regulatory Burdens* (prepared by IBM Business Consulting Services, 2008); Streamlining Requirements Applicable to Formation of Consortia by Public Housing Agencies, 79 Fed. Reg. 40019 (proposed July 11, 2014); and sec. 212 of the Consolidated Appropriations Act, 2014, P.L. 113-76.

43. See Department of Housing and Urban Development, *Fiscal Year 2013 Budget: Justifications for Estimates* (2012), http://go.usa.gov/3KkDH, *FY 2014 Congressional Justifications* (2013), http://go.usa.gov/3KkW4, *FY 2015 Congressional Justifications* (2014), http://go.usa.gov/3KkZF, and *FY 2016 Congressional Justifications* (2015), http://go.usa.gov/3KkB3.

44. See Government Accountability Office, *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies*, GAO-12-300 (March 19, 2012), www.gao.gov/products/GAO-12-300.

45. A recently released draft report by HUD explores the costs of administering the HCV program. See *Housing Choice Voucher Program Administrative Fee Study* (prepared by Abt Associates, April 2015), www.huduser.org/portal/hcvfeestudy.html.

vouchers instead. On the basis of the limited available evidence about the extent to which PBRA rents or HCV rents are above market rates, it is unclear whether replacing PBRA contracts with HCVs would generate significant savings.[46] It is generally acknowledged that some of the original long-term PBRA contracts involved rents that exceeded market levels. By one estimate, about 4,500 of the original PBRA contracts involved above-market rents.[47] However, most of the original long-term contracts have expired. Currently, only about 1,200 of the approximately 17,000 existing PBRA contracts are funded from long-term appropriations, and almost all of those long-term contracts (some of which may involve above-market rents) will expire by the end of 2021.[48]

Further, evidence of above-market rents among long-term contracts that have not yet expired is limited. The federal Mark-to-Market program was enacted to reduce the subsidy costs for most PBRA properties as the original contracts came up for renewal. As of the summer of 2003, owners of nearly 1,200 properties had successfully completed the process for the Mark-to-Market program; of those, less than 20 percent (representing no more than 5 percent of the total units in the Mark-to-Market program) received authorization to charge above-market rents (to maintain operations in areas with shortages of low-income housing). On average, those "exception rents" were about 20 percent above market rents.[49]

A potential advantage of using HCVs to replace PBRA contracts is that annual rent increases might be subject to greater market discipline. In the HCV program, a rent increase requested by a property owner goes into effect only if the PHA approves it as reasonable on the basis of rents for comparable private market units in the area. Rent increases in the PBRA program are generally based on an operating cost adjustment factor, which is currently calculated for each state by HUD, using publicly available indexes, as the sum of weighted average changes in costs for wages, employees' benefits, property taxes, insurance, supplies and equipment, fuel oil, electricity, natural gas, and water, sewer, and trash services.[50] In some years, however, rent increases for some PBRA properties may reflect market rates as determined by a rent comparability study conducted every five years.[51]

A potential disadvantage of ending project-based rental assistance in favor of housing choice vouchers is that it could reduce the supply of low-income housing. The existence of PBRA units for low-income households is guaranteed for the term of the contract, regardless of changes in the area's housing costs. In contrast, landlords in strong housing markets might not have sufficient incentives to accept vouchers. Project-based rental assistance might also better facilitate the production of low-income housing for people who could benefit from concentrated services, such as the elderly or people with disabilities. Another possible disadvantage of not renewing PBRA contracts—and providing tenants with vouchers instead—is the risk that such a policy could impose additional costs on the federal government. Specifically, making such a change could reduce the number of assisted tenants in project-based properties, and those that could not attract enough unassisted tenants could default on federally insured loans (such as those held by most of the roughly 2,500 properties that, to date, have undergone rent reductions and mortgage restructurings in the Mark-to-Market program).[52]

Provide More Money for the Housing Trust Fund to Expand Low-Income Housing. Providing a fixed amount of mandatory funding for the Housing Trust Fund (HTF)

46. See Robert A. Collinson and Peter Ganong, "The Incidence of Housing Voucher Generosity" (May 2015), http://dx.doi.org/10.2139/ssrn.2255799.

47. See Department of Housing and Urban Development, *Evaluation of the Mark-to-Market Program* (prepared by Econometrica and Abt Associates, August 2004), pp. ix, 27–28, 39–40, www.huduser.org/portal/publications/PUBASST/evalm2m.html.

48. Robert Barrick, Department of Housing and Urban Development, personal communication (June 26, 2014). Data do not include Section 202 project-based housing for the elderly or Section 811 project-based housing for people with disabilities.

49. See Department of Housing and Urban Development, *Evaluation of the Mark-to-Market Program* (prepared by Econometrica and Abt Associates, August 2004), pp. x, 27–28, 39–40, www.huduser.org/portal/publications/PUBASST/evalm2m.htm; sec. 514(g) of Multifamily Assisted Housing Reform and Affordability Act of 1997, P.L. 105-65, 111 Stat. 1384, 1395.

50. Notice of Certain Operating Cost Adjustment Factors, 77 Fed. Reg. 63324 (October 16, 2012), 78 Fed. Reg. 56911 (September 16, 2013), 79 Fed. Reg. 59502 (October 2, 2014). Over the past few years, the average operating cost adjustment factor has been about 2 percent.

51. See Department of Housing and Urban Development, *Section 8 Renewal Policy Guide* (May 18, 2012), http://go.usa.gov/3KBHG.

52. See Department of Housing and Urban Development, "M2M Status Report" (April 13, 2015), http://go.usa.gov/3KBHz.

would result in a commensurate increase in federal spending beyond the roughly $3 billion that CBO estimates will result from contributions made by Fannie Mae and Freddie Mac over the 2016–2025 period. (Expressed in 2014 dollars, the average subsidy for households receiving assistance through the HCV program, PBRA, or public housing in 2013 was $7,700.) The HTF is for use by state-designated grant recipients to preserve or produce low-income housing. Under current law, 80 percent of such a grant must be used for rental housing. (Up to 10 percent can be used to support homeownership and up to 10 percent can be used for administrative and planning costs.) At least 75 percent of the funds for rental housing must benefit households with income at or below 30 percent of AMI (a condition that applies in other low-income housing assistance programs) or income at or below the federal poverty level. Regulations set the maximum rent for the subsidized units differently depending on a household's income. If a household's income is no greater than 30 percent of AMI, maximum rent is the greater of 30 percent of the FPL or 9 percent of AMI. If a household's income exceeds 30 percent of AMI but not 50 percent of AMI, maximum rent is 15 percent of AMI. Such rent restrictions have to remain in place for at least 30 years.[53]

An advantage of providing additional money for the HTF is that it would allow the federal government to assist more of the eligible low-income population. In addition, the HTF is the only active federal spending program that supports creating new units for low-income households, given that lawmakers repealed the authority to use PBRA funds for new construction or the substantial rehabilitation of housing units over 30 years ago. Project-based subsidies might help preserve low-income units in areas where landlords are less willing to accept HCVs because of growing strength in the housing market.

A potential disadvantage of providing assistance through the HTF is that the housing it would support could be difficult to afford for those earning substantially less than 30 percent of AMI, in contrast with direct assistance programs (such as the voucher program) in which tenants' rent contributions are determined on the basis of an individual household's income. Thus, certain low-income households might require additional forms of assistance to be able to benefit from assistance provided through the HTF.

Repeal the LIHTC. According to an estimate by JCT, repealing the Low-Income Housing Tax Credit would increase revenues by $42 billion from 2016 through 2025.[54]

One advantage of relying less on the LIHTC would be that other methods of supporting the provision of low-income housing are more effective in economic downturns and thus less susceptible to fluctuations in macroeconomic conditions. For example, with the collapse of the housing market during the recent economic downturn, the investors that bought the most tax credits—large banks, Fannie Mae, and Freddie Mac—incurred substantial losses that reduced their taxable income and limited their ability to take tax credits. The decline in the market value of the credits made it harder for developers to obtain project financing at a time when several factors, such as increased unemployment and home foreclosures, heightened the demand for low-income housing.

A disadvantage of repealing the LIHTC is that those credits could offer advantages over vouchers in helping to preserve low-income units for the term of the contract even in areas that experience growing strength in their housing markets. As areas become more desirable, landlords might be less willing to accept vouchers. In addition, by helping to produce and preserve low-income rental housing, the LIHTC can help improve neighborhoods.[55] For example, one study of LIHTC developments completed between 1991 and 2000 in New York City found that the use of LIHTCs to replace abandoned buildings and construct buildings on empty lots in blighted neighborhoods led to increased property values

53. Housing Trust Fund Interim Rule, 80 Fed. Reg. 5199 (January 30, 2015).

54. Revenue estimates, unlike estimates of tax expenditures, take into account the interaction between tax provisions and people's behavioral responses to a change in the tax code.

55. See Joint Center for Housing Studies of Harvard University, *Long-Term Low Income Housing Tax Credit Policy Questions* (November 2010) http://tinyurl.com/mxa7ktm; Nathaniel Baum-Snow and Justin Marion, "The Effects of Low Income Housing Tax Credit Developments on Neighborhoods," *Journal of Public Economics*, vol. 93 (January 2009), pp. 654–666, http://tinyurl.com/k2m7ldp; and "Diamonds in the Rough: The Best of Times and Worst of Times for Preservation Deals," *Tax Credit Advisor* (June 2012), http://tinyurl.com/k2dk5b7.

within a few blocks of the newly constructed buildings' location. Although the positive effects diminished somewhat over time, they remained significant five years after completion of the projects.[56]

An unresolved question in evaluating the effects of the LIHTC is whether, by subsidizing providers of housing instead of households, it represents a relatively costly way to provide for low-income housing. Although the evidence is limited, one study of the LIHTC in one medium-sized metropolitan area estimated that about one-third of the subsidy provided through the credit translated into savings on rent for low-income households, and two-thirds of the subsidy was kept by housing providers.[57]

Introduce a Renter's Tax Credit. If lawmakers wished to expand support for low-income housing, they could establish federal tax credits for renters with low income. For example, introducing a renter's tax credit that was designed to cost the same as the LIHTC would reduce tax receipts by $42 billion from 2016 through 2025.

56. See Ingrid Gould Ellen and others, "Does Federally Subsidized Rental Housing Depress Neighborhood Property Values?" *Journal of Policy Analysis and Management*, vol. 26, no. 2 (Spring 2007), pp. 257–280, http://dx.doi.org/10.1002/pam.20247.

57. See Gregory S. Burge, "Do Tenants Capture the Benefits From the Low-Income Housing Tax Credit Program?" *Real Estate Economics*, vol. 39, no. 1, pp. 71–96 (Spring 2011), http://tinyurl.com/05bja93.

The advantage of a renter's tax credit, which would provide assistance similar to that offered through the HCV program, is that it could allow tenants to rent a unit of their choice in the private market. As with a voucher, the nonrefundable credit could be transferred to property owners—many of whom would have sufficient tax liability to claim the credits. A property owner could also pass the credit through to a mortgage lender in exchange for reduced mortgage payments. That would allow entities that do not pay taxes—such as nonprofits, real estate investment trusts, and pension funds—to participate.

A potential disadvantage of this option is that the administrative costs would be greater than those of providing housing assistance through vouchers. Eligibility determinations could be handled by public housing agencies in the same way under both approaches, but claimants would have more complicated tax filings and the government's administration of the tax code would be more complicated, especially if the tax credits were transferred to third parties. In addition, the budgetary costs of providing assistance through a renter's tax credit would be less transparent than the costs of providing housing assistance through appropriations for the HCV program. Because tax expenditures appear in the federal budget in the form of reduced revenues rather than increased spending, they make the budget and scope of the government's activities appear smaller.

Appendix: Federal Support for Housing That Is Not Focused on Low-Income Households

In addition to providing support for low-income housing, the federal government also provides support for housing in general. Most of that assistance is made available through provisions in the tax code—deductions, exclusions, and excess depreciation—that primarily benefit households with higher income. Moreover, the federal government provides mortgage assistance through loan guarantees and insurance.[1]

Tax Expenditures

Together, tax-code provisions that support housing resulted in estimated tax expenditures of $130 billion in 2014 (see Table A-1).[2] Tax expenditures resemble government spending programs by providing financial assistance to specific activities, entities, or groups of people.

Tax Deduction for Mortgage Interest

The federal tax deduction for mortgage interest payments accounted for about $68 billion in tax expenditures in 2014, according to an estimate by the staff of the Joint Committee on Taxation (JCT).[3] The deduction is limited to payments on the first $1 million of a household's mortgage debt and $100,000 for other debt (such as a home-equity loan).

Relative to other taxpayers, lower-income households receive the least benefit from the current itemized deduction, for several reasons. First, taxpayers with lower income are more likely to be renters than are taxpayers with higher income, who are more likely to be homeowners. Second, lower-income households are less likely than higher-income households to have sufficient deductions to make itemizing worthwhile; for taxpayers with only small amounts of deductions that can be itemized, the standard deduction—which is a flat dollar amount—provides a larger tax benefit. Third, the value of itemized deductions is greater for people in the higher income tax brackets. And fourth, the value of the mortgage interest deduction is greater for people who have larger mortgages.

Dividing the nation's households into five groups of equal size, arrayed by before-tax income, the Congressional Budget Office estimates that households in the top quintile received about three-fourths of the benefit of the mortgage interest deduction in 2013. Those in the quintile just below received most of the rest of such benefits (see Table A-2). Only a small percentage of the benefit went to households in the middle quintile, and even those households had income that was about four times greater than the average income of households receiving means-tested federal housing assistance.

1. Also, under authority provided in the Emergency Economic Stabilization Act of 2008 (Division A of Public Law 110-343), which established the Troubled Asset Relief Program (TARP), the Treasury will ultimately disburse $28 billion through several housing programs that help homeowners avoid foreclosure, CBO estimates. Although many of the programs' participants have low income, the programs do not specifically target that population. The programs are temporary, however, and therefore are not included in this appendix. See Congressional Budget Office, *Report on the Troubled Asset Relief Program—March 2015* (March 2015), www.cbo.gov/publication/50034.

2. Estimates of tax expenditures are based on people's behavior with the provisions in place and do not reflect how people would adjust their activities in response to changes in the tax code. Thus, the estimates do not reflect the amount of revenue that would be raised if those provisions were eliminated from the tax code.

3. See Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2014–2018*, JCX-97-14 (August 2014), www.jct.gov/publications.html?func=select&id=5. All estimates in this appendix that are attributed to JCT are from this source.

Table A-1.

Tax Expenditures That Are Not Focused on Low-Income Housing, 2014

Federal Tax Provision	Estimated Tax Expenditure (Billions of dollars)
Deduction for Mortgage Interest	68
Deduction for Property Taxes	32
Exclusion From Taxable Income of Capital Gains on Sales of Principal Residences	24
Depreciation of Rental Housing in Excess of the Alternative Depreciation System[a]	5
Exclusion From Taxable Income of Interest on Qualified Private Activity Bonds for Owner-Occupied Housing	1
Deduction for Mortgage Insurance Premiums	1
Total[b]	130

Source: Congressional Budget Office based on data from the staff of the Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2014–2018* (August 2014), www.jct.gov/publications.html?func=select&id=5.

a. Under the alternative depreciation system, the income tax deduction—which acknowledges the deterioration of residential rental property—may be evenly distributed over a period of 40 years.

b. The total tax expenditure estimate does not take into account interactions between individual provisions.

Tax Deduction for Property Taxes

The federal tax deduction for property taxes accounted for about $32 billion in tax expenditures in 2014, according to estimates by JCT. Homeowners who itemize deductions can deduct from their federal taxes the local (or state) property taxes that they pay on their homes. As with the federal tax deduction for mortgage interest, lower-income households generally receive a smaller benefit from this deduction than those with higher income.

Exclusion of Capital Gains on Sales of Principal Residences

This exclusion accounted for about $24 billion in federal tax expenditures in 2014, according to estimates by JCT. Generally, when taxpayers sell assets they pay capital gains taxes on any profits they realize from the sale; but homeowners can exclude from their taxable income up to $250,000 ($500,000 if they file jointly) in capital gains on the sale of their house if it has been their principal residence for two of the preceding five years and if they have not claimed this exclusion for the sale of a different home during the preceding two years. As with the previous two types of federal support for homebuyers provided through the tax system, lower-income households generally receive a smaller benefit from this exclusion than taxpayers with higher income and more expensive homes.

Depreciation of Rental Housing in Excess of the Alternative Depreciation System

JCT estimates that excess depreciation for rental housing accounted for about $5 billion in tax expenditures in 2014. Depreciation is an income tax deduction that acknowledges the deterioration of most types of tangible property used for business or investment by allowing a taxpayer to recover the cost (or other basis) of that property. Under the Alternative Depreciation System, residential rental property would be depreciated in equal amounts over a period of 40 years. However, residential rental property owners typically use the General Depreciation System, which provides for the depreciation to be evenly distributed over a shorter period of 27.5 years. CBO did not attempt to assess how this provision affects lower-income households.

Exclusion of Interest Earned on Qualified Private Activity Bonds for Owner-Occupied Housing

The exclusion from taxable income of interest on qualified private activity bonds for owner-occupied housing accounted for $1.2 billion in tax expenditures in 2014, according to estimates by JCT. Such bonds (known as single-family mortgage revenue bonds or qualified mortgage bonds) are issued by state and local governments to finance mortgage loans on single-family homes.

Tax Deduction for Mortgage Insurance Premiums

The federal tax deduction for mortgage insurance premiums accounted for $0.6 billion in tax expenditures in 2014, according to estimates by JCT. Premiums are fully deductible for taxpayers with adjusted gross income of no more than $100,000; however, the deduction phases out for taxpayers with income of more than $100,000, and

Table A-2.

Mortgage Interest Deduction: Share of Tax Expenditures by Income Group, 2013

Quintile	Percent
Highest	73
Fourth	18
Middle	6
Second	2
Lowest	*

Source: Congressional Budget Office. For more information, see *The Distribution of Major Tax Expenditures in the Individual Income Tax System* (May 2013), Table 2, www.cbo.gov/publication/43768.

Note: * = between zero and 0.5 percent.

those with income of more than $109,000 are not eligible for the deduction.[4] This provision expired at the end of 2014.

Mortgage Loan Guarantees and Insurance

In addition to the support provided through the tax code, the federal government provides mortgage assistance through loan guarantees (Fannie Mae and Freddie Mac are the largest providers of those guarantees) and mortgage insurance.

Mortgage Loan Guarantees

Fannie Mae and Freddie Mac, originally chartered as government-sponsored enterprises, were established to ensure a stable supply of credit for residential mortgages nationwide. They buy mortgages from financial institutions that make such loans, thus ensuring that those institutions have funds to originate new mortgages. Fannie Mae and Freddie Mac pool the loans they purchase to create mortgage-backed securities to sell to investors and guarantee those securities against defaults on principal and interest payments by borrowers.

In 2013, CBO projected that Fannie Mae and Freddie Mac would issue about $1.2 trillion in loan guarantees in 2014, with a subsidy cost to the government of $6.7 billion over the lifetime of those loans.[5] CBO's estimates are measured on a fair-value basis—an accounting procedure that comprehensively reflects the cost to the government.[6]

Mortgage Insurance

The Federal Housing Administration (FHA) provides insurance for single-family and multifamily home mortgages issued by private lenders to borrowers who lack the savings, credit history, or income to qualify for conventional mortgages. According to the rules for budgetary accounting prescribed in the Federal Credit Reform Act of 1990, insurance on mortgages issued in 2014 and 2015 for single-family homes will produce estimated budgetary savings of about $16 billion. In contrast, on a fair-value basis, the insurance will cost the government an estimated $2 billion. The fair-value measure of the cost of that insurance more comprehensively accounts for the subsidy that is accruing to mortgage lenders and homeowners who have insured mortgages.[7] The Census Bureau reports that in 2013, only 6 percent of owner-occupied housing units with FHA mortgage insurance had income below federal poverty guidelines.[8]

4. See Internal Revenue Service, "Instructions for Schedule A (Form 1040)" (January 5, 2015), www.irs.gov/pub/irs-pdf/i1040sca.pdf (636 KB).

5. See Congressional Budget Office, "Federal Programs that Guarantee Mortgages—Baseline Projections" (May 2013), www.cbo.gov/publication/43882. (The actual volume of the loan guarantees in 2014 was about $710 billion; see Fannie Mae, "Monthly Summary: Total Book of Business Components" [October 2014], Table 1, www.fanniemae.com/portal/about-us/investor-relations/monthly-summary.html; and Freddie Mac, "Monthly Volume Summary: Total Mortgage Portfolio" [October 2014], Table 1, www.freddiemac.com/investors/volsum.) For a detailed explanation of the differences in how CBO and the Administration's Office of Management and Budget account for the activities of Fannie Mae and Freddie Mac in the budget, see Congressional Budget Office, *Transitioning to Alternative Structures for Housing Finance* (December 2014), pp. 14–15, www.cbo.gov/publication/49765.

6. For an explanation of the fair-value approach, and how it compares with the way that federal credit programs and loan guarantees are accounted for in the budget, see Congressional Budget Office, *Budgetary Estimates for the Single-Family Mortgage Guarantee Program of the Federal Housing Administration* (September 2014), www.cbo.gov/publication/45740.

7. Francesca Castelli and others, *Modeling the Budgetary Costs of FHA's Single-Family Mortgage Insurance*, Working Paper 2014-05 (Congressional Budget Office, September 2014), www.cbo.gov/publication/45711; and Congressional Budget Office, *Budgetary Estimates for the Single-Family Mortgage Guarantee Program of the Federal Housing Administration* (September 2014), www.cbo.gov/publication/45740.

8. Census Bureau, "American Housing Survey, National Summary Tables—AHS 2013" (accessed July 29, 2014), Table C-14B-00, www.census.gov/programs-surveys/ahs/data.html.

List of Tables and Figures

Tables

Figures

About This Document

This report was prepared at the request of the Chairman of the Senate Budget Committee. In keeping with the Congressional Budget Office's mandate to provide objective, impartial analysis, the report makes no recommendations.

Natalie Tawil wrote the report in close collaboration with Chad Chirico and with guidance from Joseph Kile and Chad Shirley. Elizabeth Cove Delisle provided estimates of the budgetary effects of options that would change spending. The staff of the Joint Committee on Taxation provided estimates of the budgetary effects of options that would change tax laws. Nadia Karamcheva contributed to the discussion of spending subsequent to the Budget Control Act. Chung Kim provided research assistance. Christina Hawley Anthony, Sheila Dacey, Molly Dahl, Kathleen FitzGerald, Janet Holtzblatt, Robert McClelland, Susanne Mehlman, Sam Papenfuss, and Mitchell Remy provided useful comments on various drafts of the report.

Raphael Bostic of the University of Southern California, Edgar Olsen of the University of Virginia, and Mark Shroder of the Department of Housing and Urban Development also offered helpful comments. The assistance of external reviewers implies no responsibility for the final product, which rests solely with CBO.

Jeffrey Kling and Robert Sunshine reviewed the report, Loretta Lettner edited it, and Maureen Costantino and Jeanine Rees prepared it for publication. An electronic version is available on CBO's website (www.cbo.gov/publication/50782).

Keith Hall
Director

September 2015