

State Housing-Choice Vouchers as a Solution to the Housing Crisis:

Potential Vulnerabilities and Possible Alternatives

by River Dufour

THE FEDERAL HOUSING VOUCHER PROGRAM

As the global pandemic shrinks in the rearview mirror and federal Emergency Rental Assistance money dries up, millions of American families are returning to reliance on housing-choice vouchers to address their housing needs. The federal housing-choice voucher program (better known as Section 8) is a rental assistance program that assists very low-income people, the elderly, and the disabled, in affording housing in the private market. The program is run by the US Department of Housing and Urban Development (HUD) and is administered through public housing authorities. Eligible applicants are placed on a waitlist. Once a household is issued a voucher, they usually have 8 months to find a suitable unit (this varies by housing authority); it must fall within a specified range of what HUD deems fair market rent, comply with federal safety standards, and have a landlord willing to cooperate with a housing authority to rent to voucher holders. Once a voucher holder has found a suitable unit, the administering housing authority pays a subsidy directly to the landlord equaling about 70 percent of the monthly rent, and the voucher recipient pays the difference (usually around 30 percent of their monthly income). This is the largest rental assistance program in the United States and served over 2.3 million households (CBPP 2021).

Unfortunately, Section 8 doesn't come close to meeting the needs of most communities. Many housing authorities have waitlists of more than 1,000 households. In larger cities where housing is expensive, the problem is even worse. In 2021, San Diego had 109,088 applicants on the waiting list. That same year, New York City had 41,656. Even this doesn't fully represent the demand for vouchers, as many housing authorities have closed their waitlists to new applicants altogether. In fact, New York City's list has been closed since 2007. For those lucky enough to get on a list, they may wait from 5 to 14 years before they receive a voucher. In the meantime, nearly 80 percent of applicants on these waitlists are living with extremely low incomes, either below the federal poverty line or earning less than 30 percent of their area median income—and the majority of these families spend more than half of their income on rent (Acosta and Guerrero 2021). Living with such a high rent burden, these families are constantly forced to decide between paying rent and paying for medicine, medical appointments, or groceries. These are the conditions that are motivating legislators around the country to find different housing solutions for America's lowest-income households.

STATE 8

Considering the inadequacies of the federal housing choice voucher program, and the dire conditions

in which eligible families are living, legislators have argued that Maine should supplement the federal voucher program with a state-run housing-choice voucher program (hereafter referred to as *State 8*). This year, multiple bills were introduced with this intention, the broadest being LD 1710—An Act to Establish the Maine Rental Assistance and Guarantee Program and Amend the Laws Regarding Tenants and the Municipal General Assistance Program. Despite all being carried over into the next legislative session, this kind of program has significant support and will likely continue to be championed by some legislators in the coming years. As such, in this commentary I explore the potential viability of such a program and consider the vulnerabilities of this strategy for addressing the housing crisis in Maine.

AREAS OF CONCERN

The need for housing assistance is clear. With impossibly long Section 8 waitlists and millions of Americans on the brink of homelessness every month, there is urgency to deliver assistance. However, supplementing the existing Section 8 program with a parallel state-funded program may not be the most effective solution. There are two principal concerns regarding the creation of a State 8 program. First, because Section 8 recipients need to find their own suitable units, housing vouchers don't function well in a tight housing market. Second, the elasticity of Maine's state budget would leave an expensive program like this vulnerable to being cut in the event of a downturn, which would have serious ramifications for the hundreds of families that may come to rely on this subsidy for reliable housing.

A healthy housing market works as a big cycle. For example, young families move from 1- or 2-bedroom apartments to larger homes, and empty-nester adults downsize. This motion relies on a sufficiently high vacancy rate for homes and apartments. In July 2023, the chairwoman of the Lewiston Housing Committee reported a vacancy rate in the Lewiston-Auburn area of “essentially zero” (Rice 2023). This means, at any given time, there are virtually no apartments available for rent. The Lewiston-Auburn area is an extreme example, but the rental market is tight across the entire state. The stock of houses on the market is also severely depleted. From 2016 to 2019, the housing inventory in Maine consistently fluctuated between 7,000 and 14,000 active listings every year. Following the influx of remote workers after the pandemic, Maine’s housing inventory has been as low as 1,500 homes and has not exceeded 3,500 homes even during peaks in the market.¹

These circumstances make it difficult for everyone to find housing, let alone voucher recipients whose options are further restricted by HUD fair market rent standards. In fact, many people who are issued a voucher are unable to find a unit before their voucher expires, meaning they cannot participate in the program. Unfortunately, there is no data publicly available about the successful usage of newly issued vouchers. However, the Maine State Housing Authority (MSHA) has some figures that provide insight. MSHA collects data on the reasons why ongoing participants of Section 8 exit the program (e.g., death, noncompliance, changed subsidy program, etc.). They found that in 2022 140 of the 458 total instances where voucher recipients left the program involved participants who were terminated because their vouchers expired during an attempted voluntary

move (Gallagher and Cloutier 2023). Considering that ongoing program participants have more support than persons entering the program, it is reasonable to assume that new voucher recipients have a comparable or even lower success rate of finding suitable units. These data illustrate how the problems stemming from our tight housing market penetrate beyond new recipients of vouchers; it affects ongoing Section 8 program participants as well. Clearly, Mainers all over the state are facing challenges finding affordable housing even with a Section 8 voucher in hand, raising questions about the efficacy of throwing more vouchers at the problem.

Beyond questions about the effective use of state housing vouchers, there should be significant concern about the longevity of a State 8 program. Federal Section 8 vouchers are not very vulnerable to spending cuts. As seen during the pandemic, and the Great Recession 2008 before that, the federal government can maintain its level of spending and even increase it during recessions and carry the deficit forward into future fiscal years. As a result, funding for federal Section 8 has been reliable and has even increased substantially since 2000, even adjusting for inflation (Center on Budget and Policy Priorities, 2021).² Conversely, most state and local governments are constitutionally obligated to balance their budgets every year (NCSL 2010). This obligation can create challenges. Because Maine state revenues are quite elastic from year to

FIGURE 1: Housing Inventory Active Listings in Maine, July 2016–January 2024



Note: Not seasonally adjusted

Source: <https://fred.stlouisfed.org/series/ACTLISCOUME>

year, during economic recession, the state budget shrinks substantially. After the dot-com bubble burst in 2000, Maine lost nearly \$1 billion in revenue over two years. Worse, after the housing market crash, Maine’s budget reduced from \$9.8 billion in 2007 to \$6.2 billion in 2009—a reduction of more than one-third.³ When state revenues shift this dramatically, legislators have to scramble to cut billions of dollars. Thousands of state employees are furloughed, and programs are defunded or cut altogether. This is the risk that a state-run housing voucher program would be exposed to. There are many programs that help people get on their feet, and eventually become self-sufficient to support their own housing needs, Section 8, though, is more tailored to support people long term. For this reason, without being tied to a specific, reliable funding mechanism, this program would be subject to future budget negotiations and cuts, which would leave State 8 recipients in a permanent precarity. LD 1710, for example, was written to fund a state housing voucher program for two years and assumes Maine will be in a financial position to allocate further funding two years from now. That’s a risky gamble

when the wager is maintaining housing for hundreds of low-income Mainers.

VIABLE ALTERNATIVES

Rising housing costs are a result of scarcity. There simply is not enough housing to meet demand. For the time being, state resources should be spent to bring housing costs down by creating incentives for the development of dense housing for all income levels. Fortunately, policymakers are working on this. In 2023, MSHA had over 3,200 affordable units in their development pipeline (MSHA 2023). These developments, though, will take years to plan and construct.

To address the immediate needs of low-income households, state resources should go towards funding transitional or bridge programs like Maine's STEP program. This program offers up to 24 months of assistance to help families at risk of homelessness to bridge a period of financial hardship. It is more targeted, and turnover rates are much faster, meaning applicants don't wait nearly as long as they do for housing vouchers. The best case for funding transitional programs lies in their flexibility. If STEP doesn't receive funding in a few years, program participants won't lose crucial assistance they were counting on. Additionally, legislators interested in housing-choice vouchers should explore ways to improve the efficacy of the voucher currently in circulation. MSHA has made efforts to broaden participation and open more units to voucher holders through their Landlord Incentive Program. MSHA offers a leasing incentive of \$750 when landlords offer a lease to a new Section 8 tenant, offers funds to partially reimburse landlords for repairs to meet inspection standards, reimburses damage beyond normal wear and tear up to \$6,000 a year, and provides security deposits for

first-time voucher holders (Cloutier and Bernier n.d.). Furthermore, there are navigator programs that help persons experiencing homelessness to go through the voucher program. These navigators work mostly in shelters and act as facilitators between program participants, housing authorities, and landlords. They assist with applications, fill out paperwork, and find suitable units. Efforts to increase funding for or awareness of these programs could help program participants successfully use Maine's existing allocation of vouchers.

The existing patchwork of state and federal housing programs leaves millions of American families on the brink of homelessness. States are feeling the pressure to supplement Section 8 vouchers with their own state-funded programs. Though supported by legitimate arguments, State 8 would be an untimely, vulnerable addition to the existing patchwork of solutions—its tenuous existence determining the fate of however many hundred families come to rely on it for safe, warm housing. The federal government is much better situated to provide reliable funding for long-term housing assistance. It will certainly take time for the housing supply to meet the great demand. Until then, policymakers will need to improve the function of existing programs and deploy transitional assistance to households with the most need to weather the national housing crisis.

NOTES

- 1 "Homeownership and Vacancy Rates by State: Maine." [https://fred.stlouisfed.org/release/tables?rid=144&eid=258530&od=-;Housing Inventory: Active Listing Count in Maine.](https://fred.stlouisfed.org/release/tables?rid=144&eid=258530&od=-;Housing%20Inventory%3AActive%20Listing%20Count%20in%20Maine) <https://fred.stlouisfed.org/series/ACTLISCOUME>
- 2 <https://www.cbpp.org/public-housing-funding-has-dropped-while-section-8-funding-has-responded-to-cover-rising-needs>
- 3 "Maine Government Tax and Revenue Chart." https://www.usgovernmentrevenue.com/revenue_chart_1995_2010MEB_24slil1lmcny_F0t

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