



Highlights of [GAO-06-405](#), a report to the Chairman, Subcommittee on Housing and Community Opportunity, Committee on Financial Services, House of Representatives

### Why GAO Did This Study

Annual appropriations for the Department of Housing and Urban Development's (HUD) Section 8 programs—a key federal tool for subsidizing rents of low-income households—have increased sharply in recent years, raising concerns about their cost. Section 8 pays the difference between a unit's rent and the household's payment (generally 30 percent of adjusted income). Section 8 includes a voucher program administered by public housing agencies (PHA) that allows eligible households to use vouchers to rent units in the private market and a project-based program administered by property owners who receive subsidies to rent specific units to eligible households. In both programs, contracts between HUD and the administrators specify the duration and amount of the subsidy.

GAO assessed Section 8 trends from fiscal years 1998 through 2004 and examined (1) annual budget authority and outlays for each program; (2) factors that have affected outlays; and (3) the estimated impact of factors, such as market rents, on the average rental subsidy per voucher household.

[www.gao.gov/cgi-bin/getrpt?GAO-06-405](http://www.gao.gov/cgi-bin/getrpt?GAO-06-405).

To view the full product, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678 or [WoodD@gao.gov](mailto:WoodD@gao.gov).

## RENTAL HOUSING ASSISTANCE

### Policy Decisions and Market Factors Explain Changes in the Costs of the Section 8 Programs

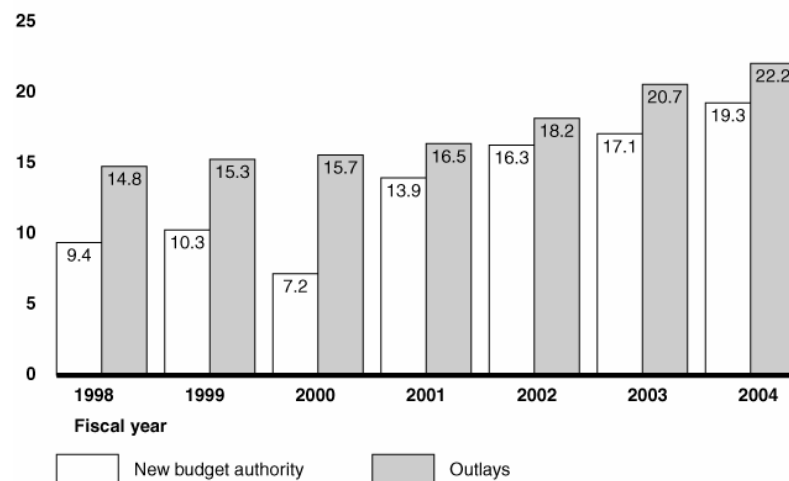
#### What GAO Found

From 1998 through 2004, annual budget authority for Section 8 grew from \$9.4 billion to \$19.3 billion (105 percent, or 82 percent after adjusting for inflation), while outlays grew from \$14.8 billion to \$22.2 billion (50 percent, or 33 percent after inflation adjustment). The steep rise in budget authority was partly due to the additional funding needed to cover the cost of renewing long-term contracts. GAO estimates that voucher outlays grew by 93 percent from 1998 through 2004 (71 percent after inflation adjustment), accounting for almost all of the growth in total Section 8 outlays. Estimated project-based outlays grew by 6 percent (and actually declined after inflation adjustment) over this period.

GAO estimates that about 43 percent of the growth in voucher outlays from 1998 through 2004 stemmed from policy decisions that increased the number (from 1.6 million to 2.1 million) and use of vouchers, while over half of this growth was due to an increase in the average rental subsidy per household. For the project-based program, a modest increase in the average rental subsidy per household drove the growth in outlays but was partly offset by a reduction of 62,000 in the number of units.

On the basis of statistical analysis of cost data, GAO estimates that growth in the average annual rental subsidy per voucher household from 1999 through 2004 is primarily explained by changes in market rents (about one-half of the growth), PHAs' decisions to increase the maximum subsidized rents (about one-quarter), and lagging growth in assisted household incomes (about 16 percent.) Household and neighborhood characteristics, while important cost determinants, did not vary enough to cause a substantial change in the average rental subsidy per household.

**Annual Budget Authority and Outlays for Section 8, 1998-2004**  
Nominal dollars in billions



Source: HUD budget data.