



Missing the Target: Pennsylvania Emergency Rental Assistance Shorts Communities with Greatest Need

Philadelphia, Allegheny, Dauphin, Lehigh, and Erie Counties shorted the most.

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To arrest the spread of the COVID-19 virus, parts of the U.S. economy shut down starting March 2020, including many restaurants, bars, hotels, and other businesses that employ large numbers of low-wage workers. Income losses among families that live paycheck-to-paycheck made emergency rental assistance, targeted to renters most in need, along with eviction moratoriums, vital to prevent spiking homelessness and the spread of COVID-19 that would result from displacement.

The coronavirus relief act that was passed in December 2020 contained a total of \$848 million in Emergency Rental Assistance dollars (“ERA 1” assistance) for Pennsylvania: \$278 million was allocated directly by the federal government to cities (Philadelphia and Pittsburgh) and (17) counties with a population of more than 200,000; and \$564 million in funds to the state, which were then distributed using a formula contained in Pennsylvania’s Act 1 of 2021.¹

This briefing paper shows that the State of Pennsylvania failed to distribute the \$564 million in federal rental assistance based on need. The state used a population-based formula for allocating funds to Pennsylvania’s 67 counties. This formula considered neither the number of rental households in each county nor the cost of rental housing. These flaws hit counties that contain cities with a double whammy: these counties have more rental households relative to their populations and higher-than-average rents. As a result, counties with cities—especially Philadelphia, Allegheny, Dauphin, Lehigh, and Erie Counties—received far less in total assistance than they would have had a fair funding formula for rental assistance been used that is based on the number of rental households and on rental costs.

This briefing paper highlights this misallocation so that the state better targets American Rescue Plan (ARP) funds for emergency rental assistance (“ERA 2” assistance) to places with the greatest need. Our main findings include:

- There is tremendous variation from county to county in the proportion of households who rent. For example, the share of households that rent ranges from 14% in Forest County to 47% in Philadelphia.
- Because of the variation in the share of households that rent in each county, counties with a lower share of renting households received more funds per rental household. Forest County received \$2,072 in ERA1 funds per rental household, 5.5 times the funds per rental household than Philadelphia.

¹ This Act allocated state ERA funds in a certain formula – making sure each county received total ERA funds (state distributed plus federal) that was equal to their county’s state population share. See Act 1 of 2021:

<https://www.legis.state.pa.us/cfdocs/Legis/LI/uconsCheck.cfm?txtType=HTM&yr=2021&sessInd=0&smthLwInd=0&act=0001>.

- The five counties shorted the most (Philadelphia, Allegheny, Dauphin, Lehigh, and Erie) would have received collectively \$82.4 million more in funding had the state’s allocation taken into consideration the share of rental households in each county. Philadelphia would have received \$101 million rather than \$57 million (an additional \$44 million) and Allegheny County would have received an additional \$25 million.
- When you factor in the price of rent, these funding disparities worsen. Philadelphia’s aid per rental household was \$853 less than the state average two-bedroom fair market rent for a month; Forest County’s aid over this period was \$1,350 *more than* the average monthly 2-bedroom fair market rent.
- Considering only the number of rental households—not taking account differences in rental costs—counties with large Black population shares were shorted the most. Counties with the highest Black population share received just two-thirds (\$417 per rental household) what counties with the smallest Black population shares received (\$624 per rental household).

The American Rescue Plan contains another \$720 million in Emergency Rental Assistance funds—“ERA 2” assistance. The state will distribute \$500 million, and \$220 million will go directly to cities or counties with populations over 200,000. Informed by the analysis in this briefing paper, we recommend that the state distribute these funds using a fair funding formula that considers both the number of rental households and rental costs.

Overview of Emergency Rental Assistance Funds Distributed Via the Coronavirus Response and Consolidated Appropriation Act of 2021

As noted, Pennsylvania received a total of \$848 million for Emergency Rental Assistance (ERA) through the federal Coronavirus Response and Consolidated Appropriation Act of 2021, signed into law on December 27, 2020.² We refer to these funds as ERA1 assistance. ERA funds in the American Rescue Plan we refer to as ERA2. The federal government directly allocated roughly one third of ERA1 assistance to local governments with populations over 200,000, totaling \$278 million—i.e., the cities of Philadelphia and Pittsburgh and 17 counties in Pennsylvania. The federal government provided two-thirds of the rental assistance to the State of Pennsylvania (\$564 million) to allocate. The Pennsylvania Department of Human Services received \$5.7 million for administration of the emergency assistance.

Table 1

Breakdown of ERA1 Funding to Pennsylvania	
Direct Federal Payments to Counties (with population >200,000)	\$278 million
DHS Administration Cap	\$5.7 million
State Payments to Counties	\$564 million
Pennsylvania’s Total Allocation	\$848 million
Source: Pennsylvania Budget and Policy Center analysis of House Appropriations data, https://houseappropriations.com/Topic/BudgetYears/592	

² The March 2020 CARES Act did not contain direct financial assistance to renters, although it did appropriate \$17.4 billion to the Department of Housing and Urban Development (HUD) for [existing programs](#) including rent assistance, public housing, housing grants and vouchers, and assistance to minority and disadvantaged communities. Source: <https://www.americanactionforum.org/insight/the-cares-act-and-housing-assistance-a-users-guide/#ixzz6xoC5yhMo>.

The federal government distributed \$23.8 billion in federal ERA1 funds to states based on each state's share of the total U.S. population. Pennsylvania has 3.88% of the U.S. population and received 3.5% of these funds (slightly less than our share of the population due to a statutory requirement that no state receive less than \$200 million).³ As highlighted in this [Washington Post article](#), this federal distribution led to inequities across states. States with a higher share of rental households received fewer funds per rental household than states with lower shares.⁴ This resulted in more funds being available for individuals living in more rural, whiter states.⁵ In effect, the federal government misallocated funds in a manner similar to Pennsylvania (although not as badly as Pennsylvania because the allocation of funding to states by the federal government was not adjusted to offset the impact of direct funding to places with populations of more than 200,000).

In Pennsylvania, the federal government provided funds directly to localities with more than 200,000 in population—i.e., 17 counties in Pennsylvania and the city of Philadelphia and the city of Pittsburgh.⁶ The state took the direct payments into account when distributing the state's \$564 million to counties, so the share of funding (state plus federal) to each county equaled each county's population share. (For our county-level analysis, we combine direct payments to the cities of Pittsburgh and Philadelphia with the payments to Allegheny and Philadelphia Counties.⁷) Pennsylvania did not take into consideration the number of rental households in each county or rental costs. This led to an inequitable distribution of rental assistance funds in the state. Below, we detail the extent of this funding inequity.

The Shares of Rental Households in Each County Vary Widely

Renters make up a higher proportion of households in some counties than others, and therefore those counties need more funds. As Figure 1 below shows, the percent of households that rent in each county varies tremendously, ranging from 14% of Forest County's households compared to 47% of Philadelphia's households. Counties that contain Pennsylvania's larger cities have higher percentages of households that rent, with the largest cities generally having the highest share of households that rent. In the counties that house Philadelphia, Pittsburgh, Harrisburg, Allentown, Scranton, Erie, and Lancaster, rental households make up roughly a third or more (32% or more) of households.

³ <https://home.treasury.gov/system/files/136/Emergency-Rental-Assistance-Data-and-Methodology-1-11-21.pdf>.

⁴ <https://www.washingtonpost.com/outlook/2021/02/01/rental-relief-federal-inefficient-distribution/>.

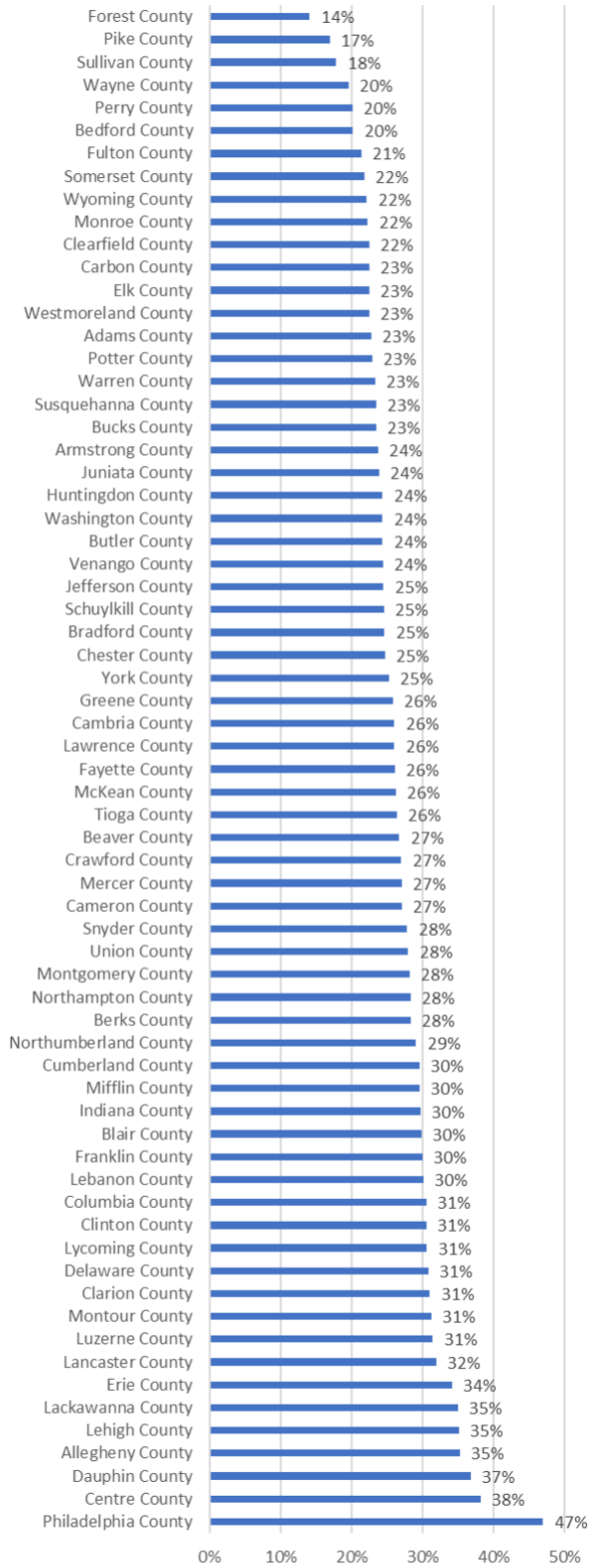
⁵ <https://www.usatoday.com/story/news/nation/2021/02/10/covid-rent-relief-emergency-rental-assistance-not-enough-big-states/4413471001/>.

⁶ <https://home.treasury.gov/system/files/136/Emergency-Rental-Assistance-Payments-to-States-and-Eligible-Units-of-Local-Government.pdf>.

⁷ Philadelphia received one payment since its city and county are one in the same.

Figure 1

The percent of households that rent in each county varies tremendously
 Percent of total households in each county that are renters



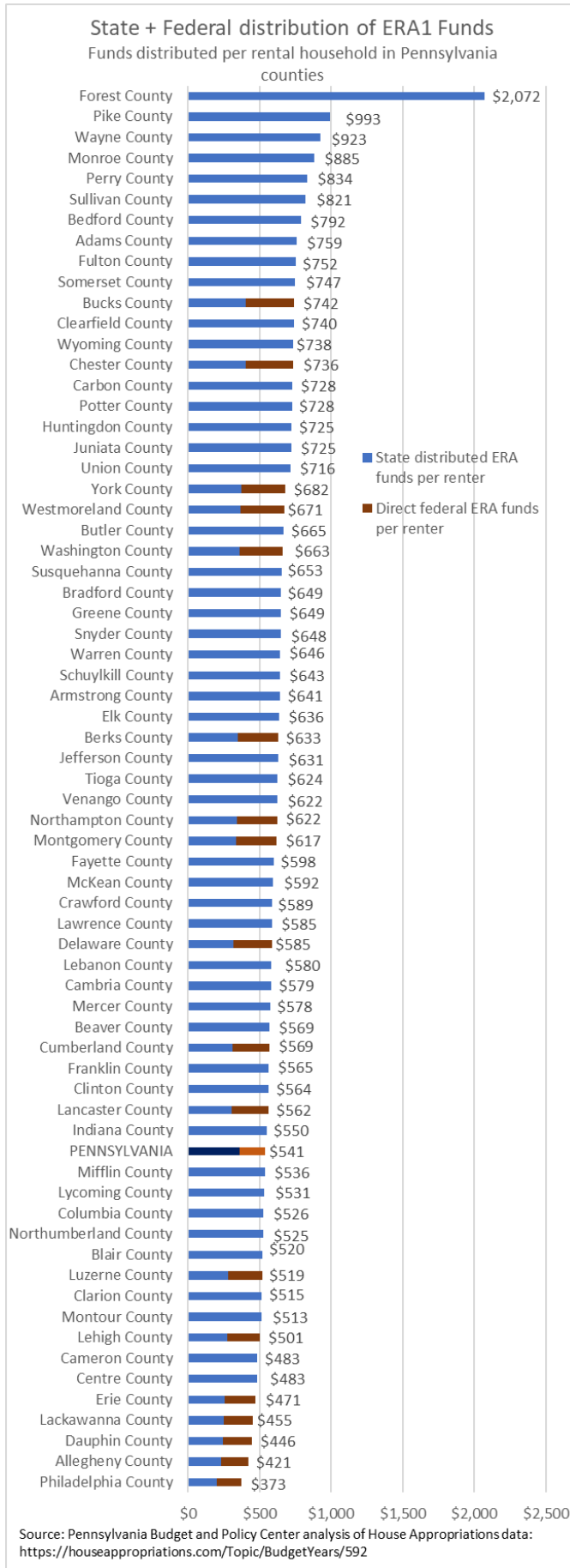
Source: Pennsylvania Budget and Policy Center analysis of National Low Income Housing Coalition data .

ERA1 Funds Per Rental Household Varied Tremendously Based on County

Because of the variation in the share of households that rent in each county, counties with a lower share of rental households received more funds per rental household. Figure 2 shows funds per rental household in each county. The brown bars in the lower part of the figure indicate the direct payments to those counties and to the cities of Philadelphia and Pittsburgh.

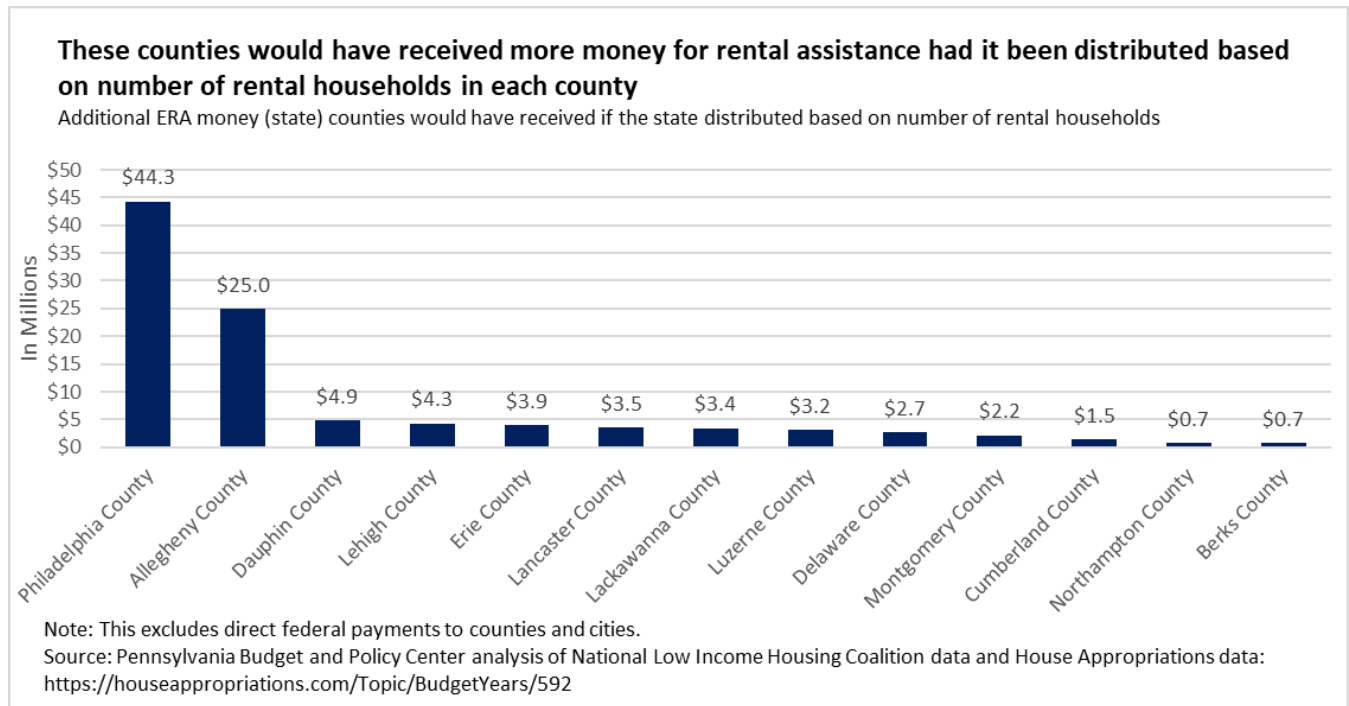
As you can see, ERA1 funds were distributed inequitably. Forest County, admittedly an outlier, received \$2,072 per rental household on one end of the spectrum, about 5.5 times the funds per rental household that Philadelphia received (\$373) and about five times the funds per rental household in Allegheny County (\$421). The Pennsylvania average ERA1 funding (state + federal) was \$541 per rental household.

Figure 2



Had ERA1 funds considered each county’s number of rental households, the funds would have been distributed differently and more equitably. Figure 3 shows the counties that would have received more money if the state had distributed funds based on the number of rental households. Philadelphia, for example, received \$57 million from the state in ERA1 funds. Had the number of rental households been considered rather than population, the city would have received \$44 million additional dollars. Allegheny County received \$44 million from the state in ERA1 funds—it would have received an additional \$25 million.

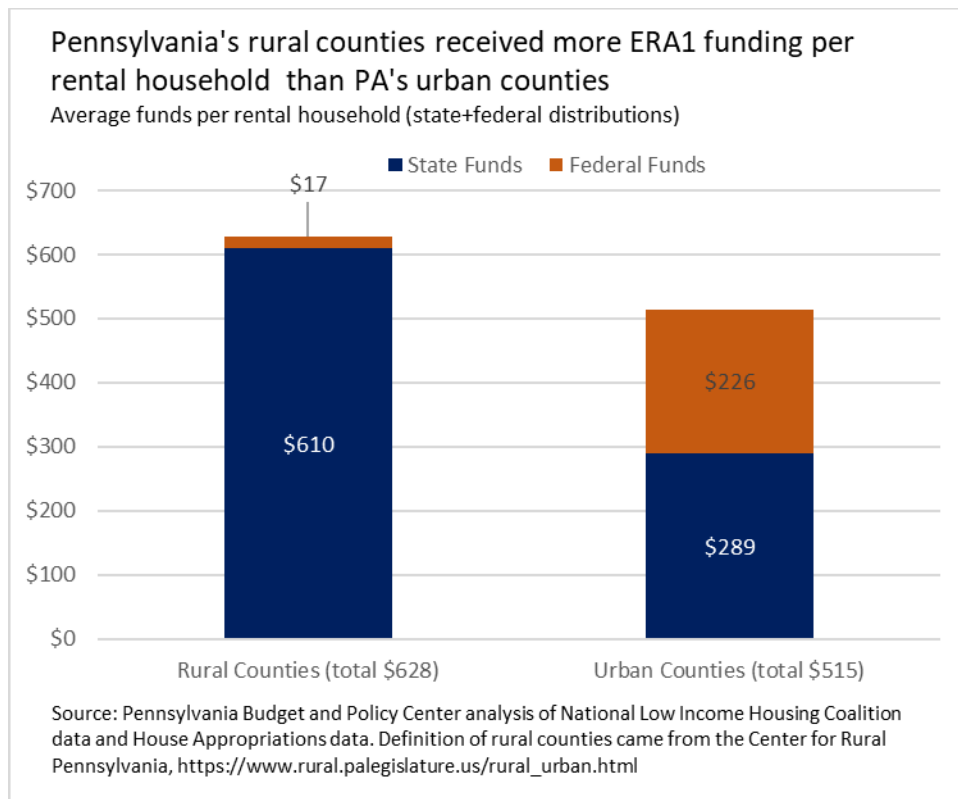
Figure 3



As Figure 4 shows, because Pennsylvania’s urban areas tend to have a higher share of households that rent, funds per rental household were lower in urban counties than rural counties.⁸ The figure below shows the average funds per rental household in urban and rural counties and specifies funds directly from the federal government and from the state. Federal funds were concentrated in more populous counties, which brought up the average total funds per rental household in urban counties. These federal funds, however, did not make up for the inequities of the state distribution. We found that, taking into consideration all ERA1 funds to Pennsylvania, Pennsylvania’s 19 urban counties received \$113 less in funds per rental household than Pennsylvania’s 48 rural counties.

⁸ We used the Center for Rural Pennsylvania’s definition of rural and urban PA counties, found here: https://www.rural.palegislature.us/demographics_rural_urban.html.

Figure 4



These Inequities Are Made Worse When You Factor in the Varying Cost of Rent Across Pennsylvania

Another factor to consider is the cost of rent, which varies greatly in Pennsylvania’s counties. Fair market rent for a 2-bedroom apartment, for example, is more than \$1,200 in Pike, Philadelphia, Delaware, Montgomery, Chester, and Bucks Counties compared to just above \$700 in counties with the most affordable rental housing.

Figures 5 and 6 below compare, for each county, assistance per rental household and rental costs in two different ways. In Figure 5, we look at the dollar difference in each county between 2-bedroom fair market rent and average ERA funds per rental household. Philadelphia’s aid per rental household is \$853 less than the average 2-bedroom fair market rent cost compared to Forest County, where aid per rental household exceeded average 2-bedroom fair market rent by \$1,350. While obviously not every renter will need aid, these figures show that the money available in some counties will not go as far due to the higher cost of rent and lower available funds.

Figure 6 shows, again for each county, ERA1 funding per rental household as a percentage of a 2-bedroom fair market rent. Philadelphia received just 30% in ERA1 funds of one month’s 2-bedroom fair market rent, while 10 counties received more than 100%.

Figure 5

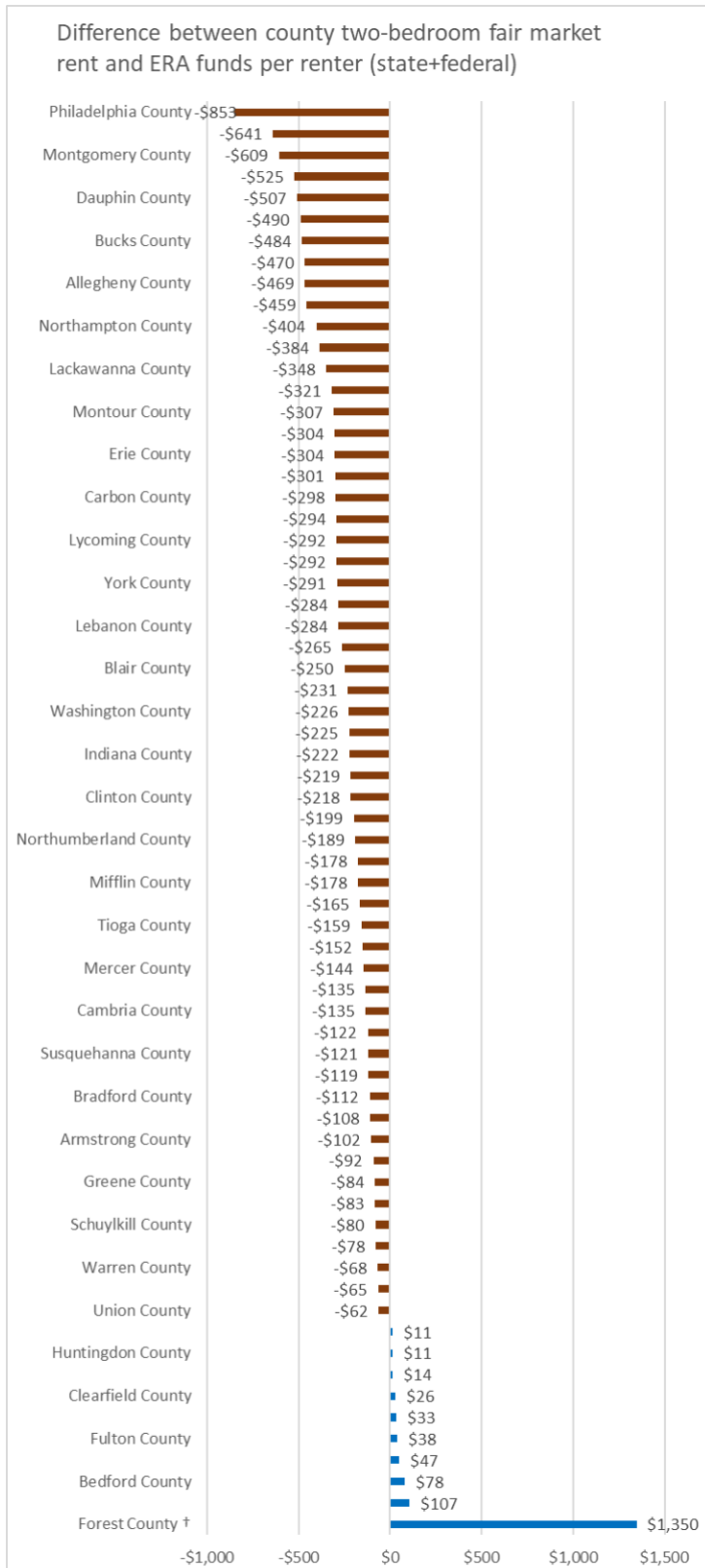
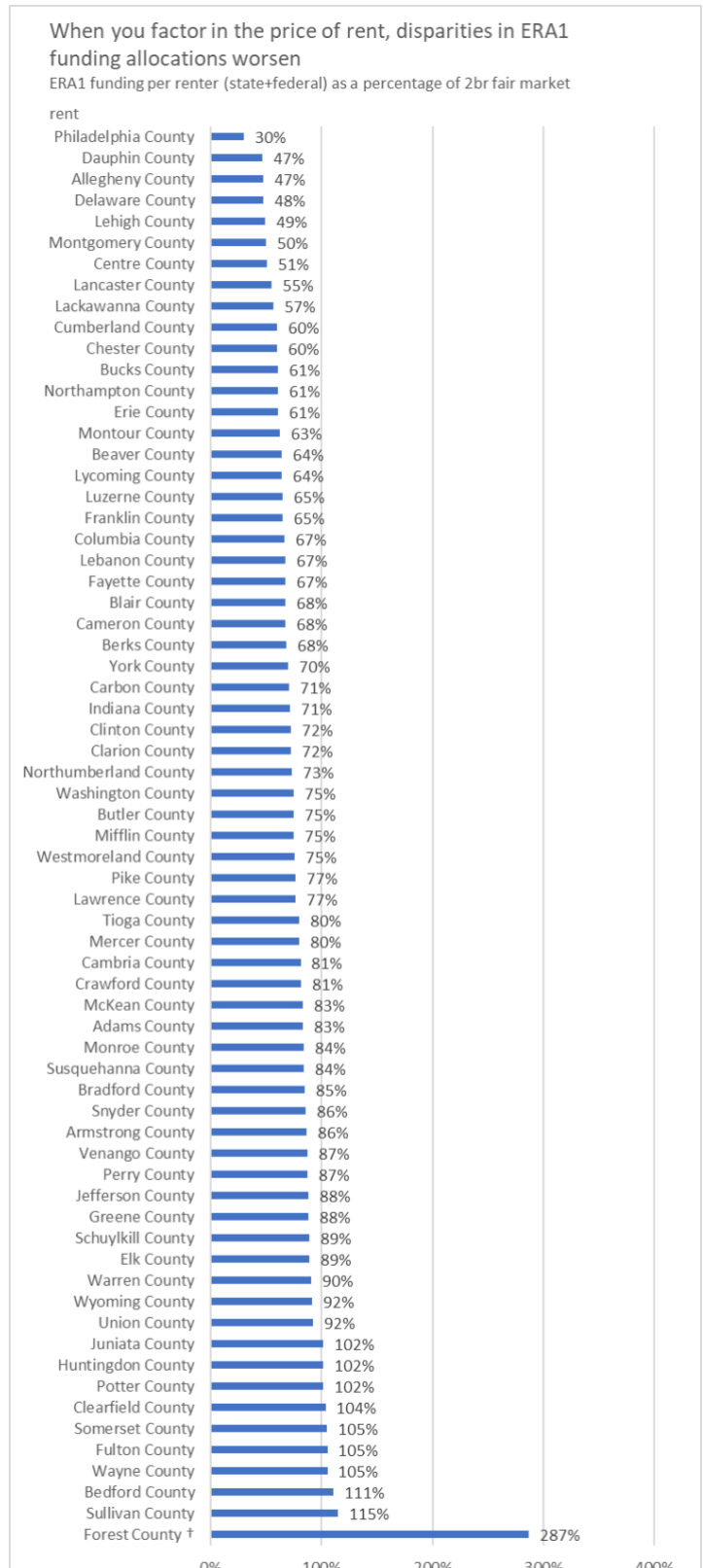


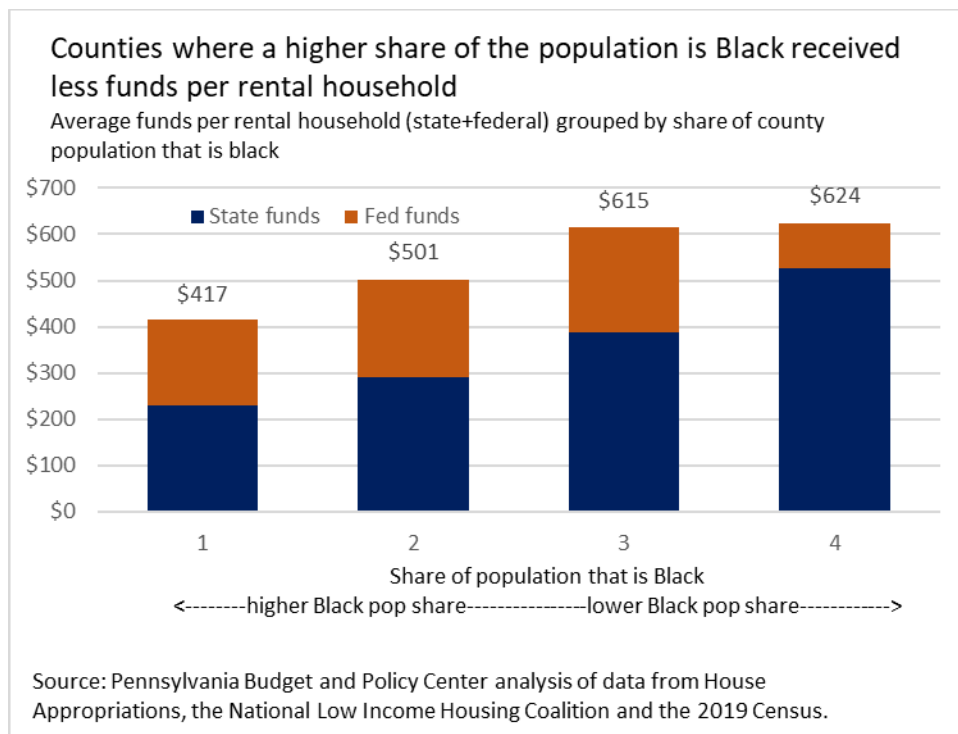
Figure 6



ERA1 Funds Were Distributed Inequitably by Race

Since the number of rental households in each county was not considered in distribution, more urban counties, often with more diverse populations, received less in funds per rental household. As Figure 7 shows, counties where a higher share of the population is Black received fewer funds per rental household than those counties where a lower share of the population is Black. Here we divide Pennsylvania counties into four groups with near-equal populations (or “quartiles”) based on the percentage of Black population in each county. Then we calculate how much, on average, each of the four groups of counties received in ERA1 funds per rental household. We found that counties with the highest Black share of the population (Group 1) received two-thirds (\$417 per rental household) what counties with the lowest Black population share (Group 4) received (\$624 per rental household). This inequitable distribution of aid exacerbates existing inequities in housing affordability based on race.

Figure 7



Implications for Additional ERA Funding Via the American Rescue Plan

The good news is that Emergency Rental Assistance Program 2 (ERA2) funds in the American Rescue Plan have not yet been allocated by the state. Therefore, Pennsylvania has an opportunity to distribute these rental assistance funds more fairly. The federal government has announced numerous improvements to the Emergency Rental Assistance in round 2, extending the amount of time that aid can be accessed (18 months of support instead of the previous 12 months) and making income determinations and other requirements less cumbersome for individuals to apply and localities to implement. These changes should lead to these funds helping more people.

Total funding nationally for ERA2 is \$20.25 billion. Pennsylvania will receive a total of \$671 million—\$220 million will go directly to eligible local governments and the state will receive \$451 million to distribute. Another

improvement of the ARP legislation is that it allocated additional money to states and localities with “high need” (\$2.5 billion nationally). High-needs areas are based on “the number of very low-income renter households paying more than 50% of income on rent or living in very substandard or overcrowded conditions, rental market costs, and change in employment since February 2020.” Additional high-needs allocations, totaling \$42.6 million, will go to Philadelphia, Allegheny County, Montgomery County, Lehigh County, and Berks County with an additional \$49 million the state can use for high-needs areas.⁹ Additional funding for high-needs areas should make Pennsylvania’s job easier, but consideration must be made to account for variations in the number of rental households and cost of rent.

We recommend that the Commonwealth of Pennsylvania distribute the \$500 million (\$451 million + \$49 million the state can distribute to high-needs areas) it controls in ERA2 dollars as follows.

- Based on a formula that consider each county’s share of renters statewide and the varying cost of rent: Pennsylvania should equalize the assistance per rental household relative to the cost of rent, taking into consideration direct funding to places with more than 200,000 population. In concept, this fair funding formula approach is analogous to the fair funding formula adopted in 2015 to allocate future increases in basic education funding. This research-based fair funding formula was adopted in the K-12 education context with bipartisan, bicameral support. Since lawmakers understand and embrace the idea of fair funding in the school funding context, they should do the same in the context of emergency rental assistance for renters.
- Equitable funding distribution must be paired with equitable implementation and transparency that permits the public to evaluate the allocation and impact of the funding. To enable evaluation of implementation, the Department of Human Services should make data on the distribution of ERA funds readily available and easy to access by:
 - Sharing county-level data publicly and in easy-to-use formats, like Excel.
 - Including indicators such as race, gender, ethnicity, amount paid for rent, amount paid for utilities, amount paid for other costs, outstanding rental debt, and number of months covered.¹⁰
 - Data should include and distinguish both direct federal funds and state-allocated funds.

⁹ https://home.treasury.gov/system/files/136/ERA2_Allocations_Eligible_Entities_572021.pdf.

¹⁰ All these factors are required via the U.S. Department of Treasury guidance. See page 8 in <https://home.treasury.gov/system/files/136/ERA2FAQs%205-6-21.pdf>.