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Treasury plan to take rental assistance back from states may put struggling families in greater peril

Surgo Ventures finds that six states vulnerable to the impacts of COVID-19 could lose funding under current allocation rules, calls for new barometer based on household need

Washington, DC, February 10, 2022 – Surgo Ventures today released an **analysis** of the Emergency Rental Assistance (ERA) program showing that the US Treasury plan to reallocate unused funds because they have been spent too slowly is an inequitable strategy that fails to consider the needs of families and landlords.

The ERA program, totaling $46.55 billion in two rounds, was set up to help people who fell behind on rent during the pandemic. Each state received a portion of the total, based on the size of its population, and are now judged against this benchmark. However, this process ignores the actual burden of rental debt in a state, which varies widely across the country. And according to Treasury law, programs that distributed less than 40% of their first round of ERA funding as of November 30 now face having their funding taken away and reallocated to other fast-spending programs.

"The Treasury must use the best data possible to make funding decisions that can affect Americans at risk of losing their homes during the pandemic," said Dr Sema Sgaier, co-founder and CEO of Surgo Ventures. "We need a new barometer to judge whether rental assistance is effective: How states are meeting the real need in their communities."

Millions of Americans are catastrophically delinquent on rent due to the impacts of COVID-19, with billions of dollars owed in total. However, disbursements have been slow to reach renters, with only 58% of ERA 1 funding ($14.6 billion) and 13% of ERA2 funding ($2.8 billion) distributed as of November 30, the latest that national data are available.

Surgo Ventures examined ERA funding allocation and distribution through the lens of our recent ERA-eligible estimates of a state's rental arrears and our COVID-19 Community Vulnerability Index to understand how this measure is impacting people's lives.

- We found that six states with barely enough total funding allocated to cover estimated total need are consistently the slowest spenders, putting them at risk of losing funds: Alabama, Arkansas, Georgia, Ohio, South Carolina, and Tennessee.

These states are also vulnerable to the health and economic impacts of COVID-19, as measured by Surgo's COVID-19 Community Vulnerability Index, and cannot afford to have any funds recaptured.

- Some states are doing well in terms of the percentage of ERA funding spent, but their need is actually beyond their current funding levels. For example, California and New York have distributed nearly all of their first round of ERA funds. We estimate New York requires an additional $1.2 billion to meet every household's needs, but it is only receiving a fraction of the requested $1B in additional funding.

- The current metric for judging ERA program performance also masks true progress. For example, Massachusetts, which has distributed 61% of allocated funds, appears to be outperforming Montana, which has distributed only 10%. But both states have paid out just over 40% of our estimated total household needs.

Surgo estimates that households eligible for ERA funding on average owe three months of back rent, but utilities, prospective rent, and other expenses are reimbursable in addition to arrears. To cover this, we gauge that every struggling household needs the equivalent of an additional six months of rent, based on current best practices – the most generous states who share relevant data are also covering up to nine months of rent, on average. By this measure, nearly every state is behind.

Distribution must rapidly accelerate, and an additional $7.5 billion in Congressional funding will be needed to adequately pay out our estimated total household need.

"The rate of distribution is a poor performance metric and struggling renters and landlords, especially those living in areas vulnerable to COVID-19, shouldn't have to suffer the consequences," Sgaier said.

Please see more details on our key findings **here**.

For more information, including rental arrears estimates for every U.S. county, visit Surgo's interactive tool at precisionforcovid.org/rental_arrears.

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About Surgo Ventures

Surgo Ventures is a nonprofit organization dedicated to solving health and social problems with precision. We do this by bringing together all the tools available from behavioral science, data science, and artificial intelligence to unlock solutions that will improve and save lives. We work globally on issues including COVID-19, tuberculosis, maternal and child health, and housing.