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Outline of How Federal Housing Programs Can Help Provide Employment and Training Opportunities and Support Services to Current and Former Welfare Recipients

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This outline provides information on U.S. Department of Housing and Urban Development (HUD) resources that can be used to provide employment and training opportunities and support services to families seeking to move from welfare to work. For ease of reference, the information is presented in outline form rather than in a narrative paper. Additional information on some of the programs may be found in other Center papers available on the Internet. Links to Center papers on low-income housing policy may be found at: *http://www.cbpp.org/pubs/housing.htm*

I. Employment Opportunities[2]

A. Agencies that receive federal housing and community development funds are subject to "Section 3" hiring and contracting obligations

Summary: The purpose of Section 3 is to ensure that "employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing." HUD's Section 3 regulations provide that at least 30 percent of any new hires supported by certain public housing or community development funds [including all funds provided to public housing agencies (PHAs)] should go to low-income households, with a preference for public housing residents if the funds are public housing funds. The regulations also specify that a certain proportion of the contracting opportunities deriving from housing and community development funds (generally 10 percent) should go to businesses controlled by (or that provide significant employment opportunities to) public housing residents or other low-income households.

1. Legal sources

   a. 12 U.S.C. sec. 1701u, as amended by Pub. L. No. 102-550, sec. 915, 106 Stat. 3672, 3878 (Oct. 28, 1992).

   b. 24 C.F.R. Part 135, interim rules published June 30, 1994 remain in effect until final rules issued (see 60 Fed. Reg. 28325 (May 31, 1995)).

2. Contact Information: A brief description of the program, the name and phone number of the HUD officer responsible for the program, and links to related resources may be found on the Internet at: *http://www.hud.gov/progdesc/emp-lowr.html* .

3. Requirements applicable to Public Housing Authorities (PHAs)

   a. HUD regulations set as a numerical target for Section 3 compliance that at least 30 percent of annual new hires and training program enrollees by PHAs and their contractors be "Section 3 residents" (24 C.F.R. §135.30).

      (1) "Section 3 residents" are public housing residents, participants in YouthBuild,[3] and other low- and very low-income persons in the metropolitan area or non-metropolitan county.[4]

      (2) For new jobs and training opportunities supported by public housing funds, first priority must go to residents of the housing for which the funds are awarded, then to other tenants of the PHA, and then to YouthBuild participants, before reaching other income-qualified residents of the area.

      (3) These "targets" apply to administrative and services jobs funded with operating subsidy funds, such as bookkeeping, secretarial, landscaping, janitorial and security positions, as well as construction- or rehabilitation-related jobs, whether employment is directly by the PHA or funds are used to procure services from outside contractors.

   b. PHAs and their contractors must award 10 percent of the dollar amount of building trades contracts, and 3 percent of all other Section 3 covered contracts, to "Section 3 businesses."

(1) "Section 3 businesses" are those which are 51 percent or more owned by Section 3 residents, or have Section 3 residents as 30 percent or more of their full-time permanent employees.

c. HUD plans to focus enforcement on HOPE VI-funded projects, which involve major rehabilitation or reconstruction of severely distressed public housing (see below, II(C)).

4. Section 3 Requirements applicable to other housing and community development programs (e.g., HOME, Community Development Block Grants (CDBG)[5], project-based Section 8, McKinney homeless programs)

a. The Section 3 obligation applies only to housing construction and rehabilitation and other public construction supported by federal funds. General management and maintenance positions are exempt from Section 3 requirements.

(1) "Other public construction" includes construction of a privately-owned and operated facility, such as a hotel, so long as it receives funding that exceeds a certain threshold (24 C.F.R. 135.5.)

(2) The Section 3 obligation attaches only to contracts of a certain size.

b. As with funding provided to PHAs, HUD regulations set a goal that at least 30 percent of annual new hires supported by these funds will go to "Section 3 residents." However, for HUD housing programs only, businesses involved in the construction or rehabilitation of relatively small numbers of Section 3-covered units (but that have contracts in excess of the threshold amount) are subject to a numerical goal of only 10 percent of new hires.

c. First priority for opportunities supported by these funds goes to "Section 3 residents" residing in the service area or neighborhood of the section 3 covered project; second priority goes to YouthBuild participants; third priority goes to other Section 3 residents.

(1) For projects funded under the McKinney Act, first priority for Section 3 opportunities must go to homeless persons in the service area or neighborhood of the Section 3 covered project.

(2) HUD regulations permit, but do not require, recipients of community development funds to provide priority in hiring, relative to other low income residents of the area, to “recipients of certificates or vouchers under the Section 8 housing assistance program, within the service area or neighborhood where the section 3 covered project is located.” 24 C.F.R. 135.34(a)(4).

5. Reporting and Compliance Enforcement

a. Under 24 C.F.R. 903.7(l)(1)(ii), PHAs are required to include in their annual PHA Plan a statement describing their activities under Section 3. The PHA Plan is an annual document that PHAs must prepare and submit to HUD that summarizes many of their policies. In preparing their plans, PHAs are required to consult with a Resident Advisory Board and hold a public hearing. A brief summary of the PHA Planning process is available from the National Low-Income Housing Coalition at: *http://www.nlihc.org/mtm/mtm4-7.htm#2*.[6]

b. Recipients of HUD funding covered by Section 3 must submit annual reports on compliance to HUD, which is supposed to do periodic selected compliance reviews.

(1) HUD regulations require compliance reports to be submitted to the Assistant Secretary for Fair Housing and Equal Opportunity (24 C.F.R. sec. 135.90).

c. Complaints concerning alleged noncompliance with Section 3 obligations on the part of a PHA, another recipient of covered funds, or a contractor, may be filed with HUD’s Assistant Secretary for Fair Housing and Equal Opportunity (24 C.F.R. § 135.76).

d. HUD’s assessment of PHAs’ management of public housing must include the extent to which the PHA “coordinates, promotes or provides effective programs and activities to promote the economic self-sufficiency of public housing residents.” 42 U.S.C. 1437d(j)(1)((H)(i), inserted by Sec. 564 of the Quality Housing and Work Responsibility Act of 1998, Pub. L. No. 105-276 (Oct. 21, 1998). HUD revised the Public Housing Assessment System (PHAS) to include a new Economic Self-Sufficiency sub-indicator, valued at seven of the 100 total PHAS points. 24 C.F.R. § 902.43(a)(5), 65 FR 1712,1746 (Jan. 11, 2000); 65 FR 40,023

(June 26, 2000). As currently scored, however, the indicator does not specifically include a PHA's compliance with Section 3.

6. Anticipated benefits of Section 3

   a. Public housing construction and rehabilitation funding, including HOPE VI, has exceeded $3 billion annually in recent years. At this level, such expenditures should yield more than 16,000 jobs annually for public housing residents. It is generally agreed that few PHAs or other recipients of HUD funds comply fully with their obligations under Section 3. (However, some PHAs exceed Section 3 hiring and contracting requirements, hiring residents for up to 75 percent of available jobs.)

   b. Congress provides nearly $3.5 billion in FY 2002 to PHAs to cover public housing operating expenses. As openings for positions supported by these funds become available, these funds should generate many additional job opportunities in administrative, clerical, janitorial and maintenance positions for public housing tenants or other low-income residents in the area.

   c. Thousands more Section 3 jobs should be generated through other HUD funds.

7. Some private owners of HUD-assisted housing give residents preference for job and contracting opportunities, despite the lack of a legal obligation to do so.

B. Promoting Section 8 Mobility to Areas of High Employment

Summary: Section 8 vouchers can be used to move anywhere in the country where a PHA administers a Section 8 program (24 C.F.R. sec. 982.353(b)). This is a powerful yet underutilized aspect of the Section 8 program that can help recipients of these subsidies move to areas with better access to jobs. According to HUD data, approximately 340,000 families participating in the Section 8 voucher program, about a third of the families with minor children, received some income from AFDC/TANF in early 2001. As more public housing and project-based Section 8 units are converted to tenant-based assistance, this number may increase.

1. Need for additional efforts to realize mobility potential

   a. PHAs are obligated to advise families of their mobility opportunities when they first receive Section 8 subsidies. However, there is no requirement or regular practice of advising existing participants in the program of mobility opportunities, which are now greater than in earlier years of the programs.

Federal funding rules and the jurisdictional boundaries of PHAs create disincentives for many PHAs to promote mobility beyond city limits.

b. Mobility opportunities are more likely to be realized where PHAs or other agencies do concerted outreach to landlords and provide counseling and other assistance to families. Recent data indicate that such special services to facilitate mobility generally cost about $1,500 - $3,500 per family.

(1) Each PHA administering a Section 8 program receives a Section 8 administrative fee which could be used to provide mobility services. In addition, HUD now provides additional funds to approximately 50 mobility counseling programs, including 15 Regional Opportunity Counseling (ROC) sites. For FY 1999, Congress appropriated $10 million in new funding for the ROC program. A Notice of Funding Availability (NOFA) for these funds was issued in July, 2001; the closing date for applications was October 9, 2001. Grant awards should be announced in early 2002.

(2) To enhance the employment prospects of low-income Section 8 voucher holders (including families with TANF income), mobility counseling could be funded by welfare agencies, homeless programs, CDBG, and other programs.

2. Welfare-to-Work (WtW) Housing Vouchers. The Section 8 Welfare-to-Work Rental voucher program provides tenant-based Section 8 rental assistance to help eligible families make the transition from welfare to work. The program is administered by housing agencies, including tribes and tribally designated housing entities, that must demonstrate that tenant-based Section 8 rental assistance is critical to the success of eligible families to obtain or retain employment. Section 8 Welfare-to-Work Rental voucher programs must take into account the particular circumstances of the local community and must be coordinated with other welfare reform and welfare to work initiatives. For FY 1999, Congress appropriated $283 million for 50,000 new "welfare-to-work housing vouchers." Most of the vouchers were distributed through a national competition, the results of which were announced in October, 1999. (For information on which PHAs were awarded new vouchers, see http://www.hud.gov/local/jkv/jkv99_61.html.) There has since been no funding for additional Welfare-To-Work vouchers. When families with Welfare-to-Work vouchers leave the program, the vouchers will have to be reissued to families that are current or recent TANF recipients. On April 2, 2002, HUD extended an invitation to eligible PHAs to submit

applications for available reallocated baseline WtW voucher units and annual budget authority under the provisions of the November 1, 2001 Federal Register reallocation notice (66 Fed. Reg. 55524-55527, November 1, 2001), see http://www.hud.gov/offices/pih/programs/hcv/wtw/resources/bs11/reallocationinvite.cfm. These Welfare-to-Work vouchers have been recaptured from agencies that did not use at least 95 percent of their funds.

a. To be eligible, PHAs must already administer a WtW program and have a WtW voucher program leasing rate of 97 percent or higher in the March 2002 WtW leasing report which is posted at http://www.hud.gov/offices/pih/programs/hcv/wtw/lease_up/0302.pdf.

b. Eligible PHAs may apply for the number of WtW vouchers not to exceed the number they can reasonably expect to lease within 12 months. There is no minimum number of vouchers for which PHAs must apply.

c. A general description of the Welfare-to-Work Housing Voucher program is available on the Center's web site at: *http://www.cbpp.org/12-2-98hous.htm.*
HUD also maintains the following sites regarding Welfare-to-Work vouchers:
http://www.hud.gov/pih/programs/ph/wtw/5GGG.pdf
and
http://www.hud.gov/pih/programs/ph/wtw/3N.html
And
http://www.hud.gov/offices/pih/programs/hcv/wtw/

II. Training Opportunities and Support Services

A. The Family Self-Sufficiency (FSS) Program

Summary: FSS is a program designed to promote employment and increase savings among families receiving Section 8 vouchers or living in public housing. The two main features of FSS are an escrow account and case management services.

Escrow account. Like most families in public or assisted housing, a participant in the FSS program must pay higher rental payments if her income increases. Unlike most other tenants, however, the FSS participant can get a refund of some or all of her increased rental charges if she complies with program rules. If an FSS participant increases her earnings from work, an amount equal to 30 percent of her net increase in income (or 30 percent of her increased *earnings*, whichever is lower) will be deposited into an escrow account. If the participant graduates successfully from FSS, she will receive all of the funds in her escrow account. If the housing agency agrees, the participant also may withdraw funds from her escrow account while still in FSS for certain work-related expenses. However, if she fails to complete the FSS program, the participant loses the funds in the escrow account.

Case Management. Each family in FSS is provided with a case manager. The case manager works with the family to develop an FSS contract and help the family access supportive services in the community. The nature of the services vary from program to program. Among the services that families can access through some FSS programs are child care, transportation, credit and money counseling, and educational programs.

1. Legal sources

   a. Authorized by 42 U.S.C. sec. 1437u and governed by federal regulations at 24 C.F.R. part 984.

   b. Local FSS programs must also adhere to their HUD-approved FSS plans and the terms of their FSS contracts for participating families.

2. Contact information: See the HUD FSS website at http://www.hud.gov/offices/pih/programs/hcv/fss.cfm. The Center's fact sheet on FSS is available at http://www.cbpp.org/5-5-99hous.htm. For a more detailed analysis of the FSS program, see Barbara Sard, *The Family Self-Sufficiency Program: HUD's Best Kept Secret for Promoting Employment and Asset Growth*, available at http://www.cbpp.org/4-12-01hous.htm.

3. Scope of FSS Program and Obligation

   a. Applies to public housing and Section 8 certificate and voucher programs only. Not available to tenants with project-based Section 8 subsidies that are not administered by PHAs.

   b. Currently operating in more than 1400 PHAs (about 40 percent). There are approximately 54,000 current participants in the program, most of whom have Section 8 vouchers.

   c. PHAs that received new funding beginning in FY 1993 for public housing units or Section 8 subsidies had to enroll an equivalent number of families in FSS. Under section 509 of the Quality Housing and Work Responsibility Act, signed October 21, 1998, new public housing or Section 8 funds received by PHAs on or after that date do not carry an FSS obligation.

(1) A PHA's FSS obligation is reduced by one for each person who successfully completes the program after October 21, 1998. 42 U.S.C. 1437u(b)(4); 24 C.F.R. 984.105 (65 Fed. Reg. 16732, March 29, 2000).

(2) According to HUD, as of October 21, 1998 PHAs were obligated to enroll approximately 140,000 families in FSS. It appears that many PHAs are failing to enroll the required number of families in FSS.

d. PHAs may operate an FSS program voluntarily if they are not obligated to operate an FSS program, or operate a larger program than required, with HUD funding for the costs of escrow accounts for all their participants (see below).

(1) While the authority to operate voluntary FSS programs is not new, it is made more explicit in revisions to the FSS regulations. 24 C.F.R. 984.105(a)(3); 984.201(c)(1)(ii) and 984.301(a), 65 Fed. Reg. 16732-3 (March 29, 2000).

4. Funding

a. In general, the FSS escrow accounts are funded by HUD. (As with many other HUD programs, the actual funding levels are subject to annual appropriations decisions.)

b. HUD does not provide funding through the FSS program to cover services provided to participants, except for case management services, as described below.

c. PHAs are entitled to reimbursement through the public housing operating subsidy for the administrative costs of an FSS program attributable to public housing tenants, up to the cost of one FSS program coordinator.

(1) 24 C.F.R. 984.302 (operating subsidy for administrative costs of required public housing FSS programs); PIH Notice 2000-04, February 3, 2000; PIH Notice 2001-32, August 24, 2001; and PIH Notice 2002-08, March 27, 2002 explain how to claim additional operating subsidy for the "reasonable cost" of a service coordinator for a public housing FSS program with an approved FSS Action Plan.)

d. For Section 8 FSS programs, in FY 2001 HUD made funds available for at least one FSS coordinator per PHA and multiple coordinators for agencies with more than 50 FSS slots. For example, the Housing Authority of the City of Los Angeles received funding for 59 FSS coordinators, the largest number of coordinators funded.

(1) On February 26, 2001, HUD issued the Notice of Funding Availability (NOFA) announcing the availability of up to $45 million to fund FSS program coordinators. In 2001, housing agencies can receive up to $60,000 per full time FSS Coordinator. For FY 2001 Section 8 FSS coordinator funding, see 66 Fed. Reg. 12401 (February 26, 2001).

e. Under the FY 2002 NOFA, for the first time HUD is inviting agencies that were funded under the FY 2001 FSS NOFA that offer homeownership opportunities to FSS program participants to apply for funding for an additional coordinator position to support homeownership activities for its FSS program participants. The application deadline for FY 2002 is May 21, 2002.

(1) On March 26, 2002, HUD issued the Notice of Funding Available (NOFA) announcing the availability of up to $46.4 million in FY 2002 to fund FSS program coordinators. In 2002, housing agencies can receive up to $62,000 per full time FSS coordinator. PHAs that received funding for one or more FSS coordinator in FY 2001will be eligible for funding for the same number of coordinators in FY 2002 provided the number of slots in a PHA's Action Plan remains at a level that will support the number of positions funded in FY 2001.

(2) State and regional PHAs that have HUD approval of FSS action plans to operate separate FSS programs of at least 25 slots in different parts of their jurisdiction may also apply for up to one new position for any part of the PHA jurisdiction where the state or regional PHA did not receive funding under the FY 2001 NOFA.

(3) PHAs that did not receive funding in FY 2001 are eligible only for a single FSS coordinator regardless of the size of their FSS program, with the exception of state or regional PHAs that qualify under (2).

f. PHAs could partner with welfare or other agencies to provide additional case management services to tenants.

(1) A state could contribute TANF funds to provide case management services to families with children that participate in FSS without the services counting against families' limited time to receive federal TANF benefits. Families do not have to be receiving cash TANF benefits to receive case management services paid for with TANF funds.

5. Operations: Essentially a case management program, with rent/savings incentives. Uses a five-year contract with participating families. Family participation is voluntary.

a. Rent Escrow

(1) While enrolled in FSS, a family's rent payment will be exactly the same as it would have been if the family were not in FSS. However, if an FSS participant increases her earnings from work, an amount equal to the rent increase (or 30 percent of the increased income, if less) will be deposited in an escrow account which the participant can access if she successfully completes the program. (There are slightly different rules if a family's income exceeds 50 percent of the area median income. No funds are escrowed once a family's income exceeds 80 percent of area median or the applicable fair market rent (FMR) level.)

(2) FSS participants forfeit their escrowed savings if they fail to become independent of welfare *[not housing]* assistance because of failure to seek and maintain suitable employment during term of contract (42 U.S.C. 1437u(c); 24 C.F.R. 984.303(b)(5)(iii), 984.303(i)).

(a) HUD has substantially narrowed the definition of "welfare assistance," limiting it to "income assistance from Federal or State welfare programs," including TANF and general assistance benefits. 24 C.F.R. 984.103, 65 Fed. Reg. 16731-32 (Mar. 29, 2000). Families will no longer be penalized if they continue to receive medical, child care or food assistance while working, or TANF benefits that do not count as "assistance" because they are work supports, one-time benefits or services.

b. A PHA may incorporate in its contract of participation that families that are section 8 tenants could be subject to termination from the Section 8 program if they fail to comply with their FSS contract.

(1) Few PHAs have or enforce such a termination provision, as it would discourage FSS participation, but tenants and advocates should check their local program rules.

6. There are many potential benefits of FSS participation to families attempting to move from welfare to work or increase their earnings:

a. The possibility of accumulating savings through escrow accounts can be an incentive to increase earnings, leave welfare and retain employment.

b. With the permission of the PHA, the escrow funds may be used during the course of the five-year contract to assist with work-related expenditures, such as purchase of clothing or cars, or for training expenses. Some families use their savings on completion of the program as a down-payment on homes or to start their own businesses.

c. Depending on the quality of the case management services provided in their FSS program, FSS participants may be able to access better assessments of their employment goals and training needs than they would otherwise receive through their TANF programs. Welfare agencies in some states are willing to use assessments performed by FSS programs.

d. Where FSS coordinators are stable, good case managers, they may help families solve multiple problems which might otherwise result in loss of employment or dropping out of education/training programs.

e. In some cases, the FSS program may provide preferential access to training opportunities and encourage higher education.

B. Resident Opportunities and Self-Sufficiency [ROSS] Program (formerly Economic Development and Supportive Services)

Summary: ROSS is the primary HUD grant program dedicated to funding work-promoting activities and other supportive services for public housing residents.

1. Legal sources

    a. Authorized by Section 34 of the United States Housing Act of 1937 (added by Section 538 of the Quality Housing and Work Responsibility Act). There are no regulations.

2. ROSS replaces three former programs: the Economic Development and Supportive Services Program (EDSS), the Tenant Opportunities Program (TOP), and the Public Housing Service Coordinator program.

3. Overall ROSS funding for FY 2002 is the same as in FY 2001: $55 million set-aside within the CDBG account. On March 26, 2002, HUD issued the NOFA for the ROSS program for fiscal year 2002. The deadlines for applying for funds under this NOFA depend on the program component. For the NOFA and application kit call the Super NOFA information center at 1-800-HUD-8929.

4. The NOFA describes several categories of ROSS funding, of which three are relevant to welfare-to-work efforts: (1) Family Resident Service Delivery Models; (2) Resident Management and Business Development grants; and (3) Homeownership Supportive Services.

    a. Family Resident Service Delivery Models

        (1) In FY 2000 and again in FY 2001, HUD awarded $24 million in grants for ROSS Resident Service Delivery Models. These grants may be used to serve families with children or the elderly and disabled. The FY 2002 NOFA states that $22.9 million will be awarded for this category of funding. The NOFA does not set aside sums for each population. Participants must be residents of conventional public or Indian housing.

        (2) These grants provide services to assist residents in obtaining and retaining employment. Activities eligible to be funded under this grant category include (but are not limited to): service coordinators, child care, skills training, education, transportation to/from a resident's place of employment, development of resident businesses and physical improvements to provide space for self-sufficiency activities.

        (3) Eligible applicants include PHAs, resident organizations, and nonprofit entities supported by residents. Grants will be distributed based on competitions within each of HUD's ten regions.

(4) Maximum grant levels vary by size of PHA; for PHAs with 1 to 780 occupied family units, the maximum grant award for the Family Resident Service Delivery model is $250,000. For PHAs with 781 to 7,300 occupied family units, the maximum grant award is $500,000. For PHAs with 7,301 or more occupied family units, the maximum grant award is $1,000,000.

b. Resident Management and Business Development grants

(1) The FY 2000 NOFA stated that $6 million would be available for resident management and business development under the Technical Assistance / Training Support for Resident Organizations category of ROSS funding. The FY 2001 NOFA stated that $6 million would again be allocated, of which $500,000 is for Tribes / Tribal Designated Housing Entities (TDHE) that partner with Tribal resident organizations and Tribal resident management corporations. The maximum grant is $100,000 per applicant. Eligible applicants include site-based resident associations, city-wide resident organizations, or resident management corporations. Grants will be awarded on a first-come, first-serve basis within each HUD region. The FY 2002 NOFA states that $6 million will again be allocated. The maximum grant is $100,000 per applicant. Participants must be residents of conventional public or Indian housing.

(2) Examples of eligible activities are: training and technical assistance related to the establishment of resident-owned businesses (see Section 3 contracting obligations at I(A)(2)(c) above), establishing and funding revolving loan funds, providing child care or vocational training, and making physical improvements to public housing facilities to provide space for self-sufficiency activities for residents.

c. Homeownership Supportive Services (HSS)

(1) The FY 2002 NOFA announced HUD’s intention to award, for the first time, a total of $11.2 million for Homeownership Supportive Services. This funding category makes grants to PHAs for homeownership counseling and other supportive services for public housing residents who have participated in self-sufficiency programs and wish to purchase their own homes, possibly using Section 8 homeownership vouchers.

a. Participants must be public housing residents that were recipients/beneficiaries of previously awarded ROSS grants between FY 1999 and FY 2000, and participants in a public housing FSS program. In addition, participants must demonstrate an increase over a base year in earned income of at least 35 percent and achieve a level of income within the acceptable range for the local minimum income for home purchases in the local area. All residents served must be affected by welfare reform. (Where the number of targeted residents is not sufficient, the PHA may request a waiver to include conventional residents, who participated in State and/or local self-sufficiency programs.)

b. PHAs must have a Section 8 Homeownership program. Participating PHAs will be required to offer a minimum of 10 housing choice vouchers per year for residents eligible to participate in the HSS program.

d. For all three of these grant types, following requirements apply:

(1) Applicants must demonstrate commitments of cash or in-kind contributions of at least 25 percent of the grant amount. (Eligible matching funds include federal TANF funds or state welfare funds.)

(2) The grant term is 36 months from the date of the execution of the grant agreement.

(3) At least 51 percent of the residents assisted must be affected by welfare reform.. Residents affected by welfare reform include those residents who are currently eligible, currently receiving, or have received within the preceding five years, assistance or services funded under TANF, SSI, or food stamp program.

C. HOPE VI Supportive Services Funds

Summary: HOPE VI is a competitive grant program for PHAs with severely distressed public housing. In addition to physical revitalization of units, HOPE VI funds may be used for supportive services, including, but not limited to, literacy training, job training, and day care. After receiving $550 million annually for several years, HOPE VI funding was increased to $625 million in FY 1999, but then reduced to $575 million in FY 2000 and FY 2001 . In FY 2002, Congress decreased funding slightly to $573.735 million. Developments selected for HOPE VI funding tend to have very high concentrations of welfare families.

HOPE VI supportive service funds can be a critical source of funding for the training that tenants may need in order to obtain Section 3 jobs, *if* the services funding is available early enough in the pre-construction process.

1. Legal Sources:

   a. Authorized by Section 24 of the United States Housing Act of 1937 (42 U.S.C. 1437v), amended by Section 535 of the Quality Housing and Work Responsibility Act of 1998. There are no regulations specific to HOPE VI.

2. Up to 20 percent of each grant made with FY 1993 through FY 1996 funds could be used for supportive services. Some of the projects funded with FY '93-96 money are still in the beginning stages, and supportive services plans can still be influenced. Out of FY 1996 grants, HUD estimates that $50 million was made available for community and supportive services.

3. For FY 1997 and 1998 grants, HUD set the permissible supportive services expenditures at a maximum of $5,000 times the number of households in occupancy at the time of grant application plus new tenants moving into replacement housing (63 Fed. Reg. 15579, March 31, 1998). HUD anticipates that PHAs will allocate $40 million out of FY 1997 HOPE VI funds, and $35 million out of FY 1998 funds, for community and supportive services.

4. For FY 1999 through FY 2001 grants, up to 15 percent of each grant may be spent on supportive services. A match is required if more than 5 percent of the grant is spent on supportive services. Remaining, returning and new public housing tenants, as well as public housing families who relocate with Section 8 subsidies, are entitled to receive supportive services funded with HOPE VI funds. See PIH Notice 99-17 (March 15, 1999) (http://www.hud.gov/pih/publications/notices/pih99-17.pdf). HUD followed the same policy in FY 2000 and FY 2001. See PIH Notice 00-15 (April 18, 2000) which extends PIH Notice 99-17 through June 30, 2000 (http://www.hud.gov/offices/pih/publications/notices/00/pih2000-15.pdf) and PIH Notice 00-25 (July 21, 2000) which extends PIH Notice 00-15 through September 30, 2000 (http://www.hud.gov/offices/pih/publications/notices/00/pih2000-25.pdf). See also PIH Notice 01-22 (July 12, 2001)

(http://www.hud.gov/offices/pih/publications/notices/99/pih99-17.pdf). The FY 2000 HOPE VI NOFA is at 65 Fed. Reg. 9605 (Feb. 24, 2000) and the FY 2001 NOFA is at 66 Fed. Reg. 11916 (Feb. 26, 2001).

D. **Drug Elimination funds**

Summary: Prior to FY 2002, this program provided funding to help PHAs and project-based Section 8 developments reduce or eliminate drug-related crime through drug treatment, drug education, and "prevention and intervention" services. Under this last category, education, training, and supportive services to promote employment among tenants (and thereby discourage drug use) are permissible uses of these funds. Congress eliminated funding for DEP in the FY 2002 budget, but PHAs and owners that still have prior years' funding available may continue to use it for the authorized purposes. In addition, PHAs are authorized to use their operating and capital funds for activities that had been funded through the Public Housing Drug Elimination Program.

In previous years, some PHAs have chosen to use these funds to help residents pay for drivers' education, glasses, and job-related transportation costs, and some private owners have used funds for employer-connected training programs.

1. Prior to FY 1999, drug elimination grants were awarded on a competitive basis under terms announced in annual Notices of Funding Availability (NOFAs). The FY 1998 NOFA encouraged the use of these funds to "reduce/eliminate drug-related crime through a program designed to provide education, training and employment opportunities for residents. . . . . Economic and educational opportunities for residents . . . should be discussed in the context of 'welfare to work' and related . . . efforts." 63 Fed. Reg. 15587-88 (March 31, 1998).

2. Under rules finalized on September 14, 1999 (64 FR 49900), drug elimination funds provided to PHAs for use in connection with public housing projects were issued on the basis of a formula rather than a competition. The small portion of drug elimination funds provided to private owners of project-based Section 8 developments continue to be administered through a competitive grant program.

    a. The move to formula-driven allocation in the public housing drug elimination program does not appear to have affected which activities are eligible for funding. Following 42 U.S.C. 11903(a)(6), the new regulations specify that drug elimination funds may be spent on "Drug prevention, intervention, and treatment programs." 24 C.F.R. 761.17(a)(6). This was the provision on which HUD predicated its statements in prior years'

NOFAs that drug elimination funds could be spent on education, training, and supportive services to promote employment among tenants (and thereby discourage drug use).

3. In each of fiscal years 1998, 1999, 2000 and 2001, Congress appropriated $310 million for drug elimination programs. All of these funds may not yet have been expended. In FY 2002, Congress did not appropriate any funds for the Drug Elimination Program.

   a. In early November, 1998, HUD announced awards of FY 1998 Drug Elimination Program funds. $280.6 million was awarded to 749 PHAs, $8 million to Indian tribes, and $16.6 million to 143 project-based Section 8 developments. 53 additional privately-owned developments received $11.7 million under a new component, the New Approach Anti-Drug Program.

   b. In FY 1999, HUD made $231,750,000 available for the Public Housing Drug Elimination Program (See 64 FR 25746, May 12, 1999) and $16.25 million available for competitive grants under the Multifamily Housing Drug Elimination Grant Program (see 64 Fed. Reg. 9779, February 26, 1999). In November, 1999, HUD announced awards of $226.6 million to 891 PHAs, and $16.2 million to 124 project-based Section 8 developments. 84 additional privately-owned developments received $18.6 million under the New Approach Anti-Drug Program.

   c. In FY 2000, HUD again reserved $16.25 million for competitive grants under the Multifamily Housing Drug Elimination Grant Program (see 65 FR 9683, Feb. 24, 2000). In addition, HUD made $27 million available for grants under the New Approach Anti-Drug Program, but only a limited amount of these funds can be used for employment-related services as part of a crime prevention strategy (see 65 FR 9663, Feb. 24, 2000).

   d. In FY 2001, funding reserved for competitive grants under the Multifamily Housing Drug Elimination Grant Program remained at $16.25 million. However, funds made available under the New Approach Anti-Drug Program decreased to $20 million.

E. **Neighborhood Networks (NN)**

Summary: Neighborhood Networks was initiated by HUD in 1995 for its privately-owned project-based Section 8 developments as well as developments with HUD-insured mortgages. HUD expanded the Neighborhood Networks concept to public housing developments as part of its "Bridging the Digital Divide" initiative. Through Neighborhood Networks, HUD has issued model plans and extensive resource material to facilitate owners' development of on-site computer-based "lifelong learning centers." In 2000, Congress amended various portions of the U.S. Housing Act and authorized the Neighborhood Networks Initiative. Housing Authorities are now authorized to use Public Housing Capital and Operating Funds and HOPE VI funds for NN. See Section 214 of the 2001 Appropriations Act, Pub. L. No. 106-377, 114 STAT. 1441A-27. HUD maintains a web site about Neighborhood Networks at *www.hud.gov/nnw/nnwindex.html*. Information is also available by e-mail through *nnetworks@icfkaiser.com.*

1. Legal Sources: the rules governing NN are contained in HUD Handbook 4381.5 (1997).

2. Owner participation is voluntary. There are currently more than 800 Neighborhood Networks centers in operation.

3. The FY 2002 Appropriations Act (P.L. 107-73) appropriates $20 million of new funding for Neighborhood Networks centers in public housing. The FY 2002 NOFA awards these funds under the Resident Opportunities and Self Sufficiency (ROSS) program, see 67 Fed. Reg. 14209 (March 26, 2002).

    a. $15 million in Public Housing Capital Funds, to be awarded to PHAs on a competitive basis, are designated for Neighborhood Networks Initiatives. Of this funding, $12 million will provide grants to PHAs to establish and operate new Neighborhood Networks Centers for public housing residents; and $3 million will provide funding to update and expand existing computer technology centers to become Neighborhood Networks centers.

    b. Another $5 million is provided under the HOPE VI account which will be competitively awarded to PHAs for the establishment and initial operation of computer centers in conjunction with FY 2002 HOPE VI awards to enhance resident self-sufficiency, employability, and economic self-reliance.

4. HUD permits owners to draw funds from a project's residual receipts account and to borrow funds from the replacement reserve account to help meet NN costs. In limited cases, owners may also get a rent increase to

help cover NN costs. It is unlikely that more than a very small number of owners could initiate or operate such a program entirely with HUD funds. Owners are expected to obtain grants from outside sources, as well as arrange to leverage services from other community agencies.

5. In addition to the provision of computer hardware and training, which can be used for resident businesses as well as for job training and education, the centers frequently function as multi-purpose service sites, with many partners from the community providing training to residents and with staff hired by the owner providing on-site coordination.

F. Leveraging strategies

The following are some additional strategies that could be used to leverage housing and other federal resources for employment, training and supportive services.

1. PHAs can convert units in public housing developments to leverage on-site training and supportive services programs without losing any operating subsidies. (24 C.F.R. §990.108(b)(2)).

    a. Private owners can accomplish similar benefits by reconfiguring common space. Owners may obtain HUD permission to convert project-based Section 8 units for use in training or supportive services functions, but will lose subsidy payments.

2. Some PHAs have designed their admissions policies to favor participants in particular training programs in return for additional program access for their existing public housing tenants.

3. PHAs as well as private owners can seek other non-HUD funding to support welfare-to-work initiatives. For example, a number of PHAs have been selected for the Department of Labor-funded Welfare-to-Work competitive grants.

G. Moving to Work and Jobs Plus Demonstrations

1. Moving to Work (MTW) Demonstration. The purpose of the MTW Demonstration is to test locally designed methods for delivering housing assistance in a cost-effective way to families making the transition from welfare to work. The demonstration was authorized by sec. 204 of the 1996 Appropriations Act, Pub. L. No. 104-134, which permits HUD to waive many provisions of the U.S. Housing Act and HUD regulations. Up to 30 PHAs may participate in MTW.

2. HUD approved MTW applications from 24 PHAs in 18 states in October, 1997. The Jobs Plus sites (see below) are also considered to be part of the MTW program. After final plan approval, programs began in 1999, and generally will operate for five years. Some agencies have since been granted extensions. HUD is funding a separate research component, but without control groups. In the Quality Housing and Work Responsibility Act of 1998, §599(e), Congress authorized expanding MTW to include Charlotte, N.C. and Pittsburgh, PA. Both of these PHAs have joined the demonstration. To fill six vacancies in the MTW program, HUD released a notice December 13, 2000, inviting PHAs to express interest in filling one of the MTW vacancies. The application period closed January 5, 2001. Since then, HUD has invited six new PHAs to participate in the MTW demonstration. These include New Haven, CT, King County, WA, Atlanta, GA, Oakland, CA, Philadelphia, PA, and Washington, DC. HUD has executed an agreement with New Haven, and is in the process of negotiating MTW agreements with the five other PHAs. For further information about the MTW demonstration and specific programs of current MTW participants refer to the MTW website at http://www.hud.gov/offices/pih/programs/ph/mtw/.

   a. Most MTW programs seeking to assist welfare families through training and support services use enhanced and expanded FSS services or similar case management approaches, including funding for services for pre-employment skills development, job search, and supportive services such as child care or transportation. Some emphasize home ownership.

   b. Based on the original proposals, only one MTW program intends to generate any significant number of new jobs. The HA of High Point, N.C. will recruit local employers to provide 900 jobs to residents, and provide construction apprenticeships with HA crews, day care and transportation.

   c. Some MTW programs are using “stick” approaches. For example, the Delaware State housing agency plan permits termination of public housing or Section 8 assistance for non-compliance with the self-sufficiency plan and imposes a five-year time limit on receipt of housing assistance. Other programs will charge higher rents to those not participating in self-sufficiency efforts.

   d. The Massachusetts state housing agency and the Seattle housing agency propose to give time-limited rental subsidies to families previously without housing assistance. Massachusetts targets formerly homeless families and low-wage workers while Seattle targets those in training programs through the Seattle Jobs Initiative.

e. The San Mateo CA County HA proposes a substantial merger of housing and welfare assistance, including staff transfers, and the application of similar work requirements and time limits to housing and welfare assistance.

f. Many of the approved applications appear to involve changes in rental policies only, either to reduce rents through earnings disregards, or to increase rents as a sanction for failure to comply with self-sufficiency activities or for failure to leave assisted housing after a period of time.

3. Jobs Plus Demonstration. This is a seven-year demonstration directed by the Manpower Demonstration Research Corporation, with HUD and foundation funding. Program operation began in 1998. Jobs Plus is the first major "saturation" employment initiative in public housing. The goal is to boost the employment rate to 50-70 percent of families in each project. Primary strategies include rent-based work incentive policies, building "community support" for work and implementing "best practices" learned from welfare to work experiments.

a. Involves individual public housing developments in Baltimore, Chattanooga, Los Angeles [2], and St. Paul, and two comparison developments in each city. There is a partnership with the local welfare office and Job Training Partnership Act agency at each site. Most involve additional service agency and private sector partners. See, http://www.mdrc.org/Reports99/JPlusMethodology/Jobs-Plus.htm

H. Other HUD Funding

1. Community Development Block Grants (CDBG): Up to 15 percent of local and state formula grants may be used for job training and services. Of the $4.675 billion appropriated in FY 1998 for the CDBG program, approximately $630 million could be spent on such services. For FY 2001 Congress increased CDBG funding to $5.057 billion. Some $4.4 billion of these funds are set aside for local and state formula grants. Thus, approximately $660 million could be spent on job training and services. For FY 2002, Congress decreased CDBG funding slightly to $5 billion, of which $4.3 billion is available for formula grants.

2. McKinney homeless programs, especially competitive grants under the Supportive Housing program, frequently fund employment and training programs, including efforts focused on welfare families facing time limits.

Endnotes

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[2] This outline does not review HUD's economic development programs, such as the Empowerment Zones/Enterprise Communities, Economic Development Initiative/Section 108, and Community Development Block Grant (CDBG) programs, which can create job opportunities for welfare recipients, among others; nor does it analyze rent strategies related to promoting employment. Housing providers can undertake many additional strategies to increase employment and earnings among their tenants beyond those reviewed here; see generally Barbara Sard, The Role of Housing Providers in an Era of Welfare Reform, Fannie Mae Foundation Research Roundtable on Managing Affordable Housing Under Welfare Reform: Reconciling Competing Demands, June 26, 1998; and HUD Office of Policy Development and Research, "From Welfare to Work: Using HUD's Programs to Help Families in Transition," available at: *http://www.huduser.org/publications/pubasst/transition.html*.

[3] YouthBuild is a program to provide opportunities to economically disadvantaged young adults (aged 16 to 24) by providing education and employment training and skills to achieve self-sufficiency, particularly focused on housing construction and rehabilitation. For FY 1998, $35 million was appropriated for the program through a set-aside within the CDBG program; for FY 1999 and FY 2000, this amount was increased to $42.5 million. YouthBuild funds have been increasing in recent years, as the program enjoys bipartisan support.

[4] "Very-low income" persons are those whose family incomes are at or below 50 percent of the area median for their family size. "Low income" persons are those whose family incomes are at or below 80 percent of the area median for their family size.

[5] Useful resources for understanding Section 3 requirements in the CDBG program include "CDBG and Section 3, A Summary," and "CDBG: An Action Guide to the Community Development Block Grant Program," which can be accessed via the Center for Community Change website, www.communitychange.org. Hard copies of both are available from Ed Gramlich at the Center for Community Change: 202-342-0567.

[6] The Center for Community Change's *Residents' Guide to the New Public Housing Authority Plans* (June 1999) is very useful for working with resident and community groups on the PHA Plan process. It explains how residents can influence PHA plans to save and improve their homes. It is 64 pages and costs $5 per copy. To order, contact CCC at 202-342-0567. Updates are available at www.communitychange.org. See also HUD's guide to PHA plans available online at http://www.hud.gov/offices/pih/pha/policy/pha-plan-guide.pdf.