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## **A HOUSING PERSPECTIVE ON TANF REAUTHORIZATION AND SUPPORT FOR WORKING FAMILIES**

by Barbara Sard

This paper is divided in four sections. The introductory section briefly states the case for why housing issues should be considered as part of welfare reform. The second section lists proposed changes in the TANF statute. The third section lists proposed changes in housing programs and new housing initiatives that could proceed through the housing committees, as a parallel process to TANF reauthorization. The housing ideas are further divided into proposals targeted on current and recent TANF families, and proposals to address housing problems more broadly, including those of poor families with children. The fourth section is a set of proposed changes to federal housing programs that would promote marriage and family formation.

This is a work in progress, intended to stimulate the thinking and contributions of others. I welcome suggestions and comments.

### **I. Introduction: Why Housing Should Be Considered As Part of Welfare Reform**

Housing-related issues too often are ignored when TANF-related policies are discussed. Yet unstable or inadequate housing is frequently a significant barrier to employment, and the high cost of housing can impose a serious burden on low-income families struggling to transition from welfare to work. While TANF reauthorization legislation is not expected to contribute substantial new resources to housing programs, there are a number of ways to modify the TANF statute to make it easier to address the housing needs of families with children.

Housing affordability is a real problem for families currently receiving TANF benefits as well as for families who have recently moved from welfare to work.

- In only three states are TANF benefits high enough for families to obtain modest housing with less than their entire TANF grant.
- Nationally, only about 30 percent of families who receive TANF benefits have federal housing subsidies to help them afford their rent. (This percentage varies by state, from about 12 percent to 50 percent.)
- Most families that leave welfare for work do not have housing assistance and do not earn enough to afford decent-quality housing. Recent data indicate that the average total monthly income of households that previously received welfare benefits and have at least one working member is only \$1,261 (in 2002 dollars). As a result, this typical “welfare leaver” family must pay 58 percent of its total

income for decent, modest housing.<sup>1</sup> Because housing costs vary so dramatically across the country, it is important to look at state and local data on the ability of welfare leavers to afford housing. In the 14 jurisdictions with HHS-financed studies on the earnings of recent welfare leavers, modest housing costs would consume 52 percent to 129 percent of estimated monthly earnings.<sup>2</sup>

High housing costs can leave families with insufficient remaining income for basic necessities or to pay for child care, clothing for work, transportation, and other expenses that often must be met for families to move from welfare to work.

In addition, families that pay too much of their income for housing or live in severely inadequate or overcrowded housing may have to move frequently. A recent study in Ohio found that 42 percent of families who had recently left welfare and paid more than half of their income for housing moved in the six-month period after leaving welfare.<sup>3</sup> In contrast, roughly 8 percent of the general population moves in a six-month period. Such moves may interrupt work schedules, jeopardize employment, and adversely affect children's educational progress.

Conversely, lack of housing subsidies or other assistance can prevent families from making moves that could improve their economic prospects. These include moves to areas with greater employment opportunities and areas where parents feel safe enough to go to work and leave older children unattended, or to return from work at night on public transportation. Job growth in cities, where TANF recipients are increasingly concentrated, has been slower than job growth in the suburbs. Newly-created jobs in suburbs are often inaccessible to welfare recipients and working poor families living in central cities or rural areas. According to a recent report by the Brookings Institution Center on Urban and Metropolitan Policy:

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<sup>1</sup> The median total income of leaver households is based on 1999 data from the National Survey of American Families, adjusted for inflation to 2002, and includes earnings and benefits for all household members in households with at least one employed member. See Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers*, Urban Institute, April 2001. The housing cost used in this calculation (\$727 per month) is the estimated median FY 2002 two-bedroom national Fair Market Rent calculated by the National Low Income Housing Coalition, *Out of Reach, 2001*. It is based on HUD's 2002 FMRs weighted by the number of renter households reported by the 2000 Census.

<sup>2</sup> These percentages are based on median wages of employed welfare leavers, derived from median quarterly earnings in the last quarter of the first year after leaving welfare as reported in ASPE-financed studies, found at <http://aspe.os.dhhs.gov/hsp/welf-ref-outcomes01/appb.htm>, adjusted for inflation to 2002, compared with the 2002 State FMRs calculated as discussed in the note above. The calculations assume that families pay no more than 30 percent of income for rent and have no income other than the earnings of the welfare leaver. The State FMRs published by NLIHC are updated to reflect final FMRs.

<sup>3</sup> Claudia Coulton et al., *Issues of Housing Affordability and Hardship among Cuyahoga County Families Leaving Welfare Quarter 4, 1998 - Quarter 3, 1999*, Center on Urban Poverty and Social Change, Special Topics in Welfare Reform Report No. 1, 2001.

Between 1992 and 1997, the number of jobs at all skill levels in the nation's largest cities grew 8.5 percent, less than half of the 17.8 percent job growth rate in the suburbs. Cities with some of the most concentrated and slowly-declining caseloads in the nation—Los Angeles, Richmond, Hartford, Washington, D.C.—actually lost jobs over this period.<sup>4</sup>

A growing number of studies have found greater welfare reform successes among families with housing vouchers (and sometimes other forms of housing assistance) than among other low-income families, suggesting that housing assistance may enhance the effects of welfare reform strategies in promoting employment. Of particular note is the evaluation of the Minnesota Family Investment Program (MFIP) recently released by the Manpower Demonstration Research Corporation. This study is significant because, taken as a whole, the gains it found – including reductions in poverty, increases in employment and earnings, and even increases in marriage – are among the strongest ever documented for a welfare reform undertaking in the United States. Most of MFIP's success was due to the substantial increases in employment and earnings it generated among families receiving housing assistance (primarily Section 8 vouchers); families without housing assistance had little or no gains.<sup>5</sup>

## II. Housing-Related Changes in the TANF Statute

### **Recommendation 1: Make it simpler for states to use TANF funds to provide supplemental rental assistance by considering these housing subsidies “non-assistance.”**

Nine states and several counties in two additional states have committed TANF and/or maintenance-of-effort funds to provide ongoing housing assistance.<sup>6</sup> Many of these jurisdictions were unable to implement the types of housing assistance programs they wanted to provide to working families due to the constraints posed by current HHS rules that consider any TANF-funded housing subsidy provided for more than four months as “assistance,” even if families are working and not receiving TANF cash benefits.

“Make work pay” proposals such as “work stops the clock” (in which families working a certain number of hours are exempted from the federal time limit) do not provide a comprehensive solution to this problem. While a “work stops the clock” approach would

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<sup>4</sup> Paul Leonard and Maureen Kennedy, *What Cities Need from Welfare Reform Authorization*, The Brookings Institution Center on Urban & Metropolitan Policy Research Brief, January 2002.

<sup>5</sup> Cynthia Miller et al., *Reforming Welfare and Rewarding Work: Final Report on the Minnesota Family Investment Program, Vol. 1: Effects on Adults*, Manpower Demonstration Research Corporation, August 2000.

<sup>6</sup> See Barbara Sard and Jeff Lubell, *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work*, and Barbara Sard and Tim Harrison, *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work, 2001 Supplement*, available at: <http://www.cbpp.org/2-17-00hous.pdf> and <http://www.cbpp.org/12-3-01hous.htm>, respectively.

alleviate the key problem of TANF-funded supplemental rental subsidies running down families' limited 60 months of eligibility for TANF "assistance," several administrative problems would remain. First, administering agencies would still have to determine families' monthly work hours in order to comply with the federal work participation rate requirement. Secondly, families would still have to assign their right to child support to the state. (Despite the assignment, the state would not retain any of the child support. Federal rules require states to pass through to families child support payments received on behalf of families whose only TANF-funded benefit is a rental subsidy paid directly to a landlord.) Thirdly, only by treating housing subsidies as "non-assistance" can the welfare agency or its contractors be relieved of the burden of gathering monthly data concerning individual families' employment and income. All of these requirements could discourage states from providing TANF-funded housing benefits. In addition, the TANF time clock would start running again whenever a previously employed family receiving a TANF-funded rent subsidy did not work a sufficient number of hours, even if the family relied on savings or unemployment insurance instead of seeking cash assistance.

**Recommendation 2: States should be encouraged to consider housing needs in TANF planning and implementation.** There is a growing body of evidence that families' housing status affects employment and other welfare reform goals. Increasingly, states are becoming aware of the barriers posed by lack of affordable housing to families remaining employed. Through new TANF state plan or other requirements, states should be encouraged to design policies that help families attain sufficient income and benefits to afford adequate housing. Specifically, states could be required to describe the primary problems that families leaving TANF experience in securing and retaining adequate, affordable housing and the estimated extent of each such problem, including but not limited to the price of such housing in various parts of the state that include a large proportion of TANF recipients, and the steps that have been and will be taken by the state and other public or private entities that administer housing programs to address these needs.

States also should have methods to identify barriers to work posed by the living arrangement, housing cost, and housing location of individual families and provide services to help families overcome such barriers. To assist states in planning and implementing policies that take into account families' housing situations, states need better data on the housing status of families receiving TANF than most states currently have, as well as on the location of places of employment in relation to families' housing. Congress should direct HHS to work with HUD to develop a procedure for inter-agency data matching or other uniform data collection protocol on the housing status of families receiving cash benefits.

**Recommendation 3: Encourage cooperation among welfare agencies and agencies that administer federal housing subsidies.** As a parallel to the current requirement in the U.S. Housing Act that public housing agencies (PHAs) seek to enter into cooperation agreements with welfare agencies, Congress should require states to cooperate, directly or through counties, with PHAs to promote the economic self-sufficiency of public housing residents and voucher program participants that currently or recently received TANF benefits. Some areas of possible cooperation include:

- *Implementation of housing program earnings disregards.* Public housing residents who currently receive or recently received TANF-funded benefits are eligible for a two-year phased disregard of earnings in determining their rent, but many PHAs are not fully implementing this requirement. Welfare agencies may be able easily to identify families that qualify for the disregard based on current or recent receipt of TANF-funded benefits.<sup>7</sup>
- *Coordination of work-promoting services and programs,* including continuing eligibility for Medicaid, SCHIP and Food Stamps and participation in PHA Family Self-Sufficiency programs. (FSS is discussed in more detail in Recommendation III-4, below.)
- *Possible use of TANF funds to help families with vouchers locate housing,* including housing that is more accessible to employment.

It may make sense for welfare agencies to invite private managers of other subsidized housing that serves TANF families to participate in such cooperation agreements. There are more than 100,000 families receiving TANF who live in privately-owned affordable units funded by project-based Section 8 subsidies. Some cities may have as many or more poor families with children in the project-based Section 8 program as in the public housing program. These private owners — whether for-profit or non-profit — may be interested in helping their tenants take advantage of welfare agency-administered programs to support work because they recognize that what is good for their tenants also is good for the property. If tenants succeed in increasing their income, under current rules their share of the rent increases and the federal share goes down. The federal government would thus benefit financially from successful cooperation between private owners of federally-subsidized housing and welfare agencies.

**Recommendation 4: Federal law should allow states to determine what constitutes "minor rehabilitation" costs payable with TANF funds.** It is now permissible to use TANF funds for "minor rehabilitation" but there is no HHS guidance on what types or cost of repairs is allowable, making it difficult for states to determine the extent to which using TANF funds in this area is permissible. A recent study of the health of current and former welfare recipients found that non-working TANF recipients were nearly 50 percent more likely than working former recipients to have two or more problems with their housing conditions. Research has shown that poor housing conditions often can cause or exacerbate health problems.<sup>8</sup> Several states have recently allocated TANF funds to rehabilitate rental housing for TANF-eligible

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<sup>7</sup> See our recent paper, *Promoting Work Among Residents of Public Housing: The Role of Welfare Agencies in Implementing the Earned Income Disregard*, available at <http://www.cbpp.org/10-17-01hous.htm>.

<sup>8</sup> Denise Polit, Andrew London, and John Martinez, *The Health of Poor Urban Women: Findings from the Project on Devolution and Urban Change*, Manpower Demonstration Research Corporation, May 2001, <http://www.mdrc.org/Reports2001/UC-HealthReport/UC-HealthRpt-FullRpt2001.pdf>.

families, focusing particularly on mitigating lead paint hazards in housing with children under six and on handicap accessibility. (Pennsylvania also plans to use TANF funds for rehabilitation of housing owned by a TANF-eligible family.) If states were allowed to determine the level of expenditures that constitute minor rehabilitation (or the definition of “minor rehabilitation” were otherwise clarified), more states with similar needs might follow suit.

**Recommendation 5: Provide funds to HHS to conduct a joint HUD/HHS demonstration on housing with services for families with multiple barriers to work.** A significant minority of families receiving TANF benefits have multiple barriers to work, including a lack of adequate housing. The proposed demonstration project would explore the effectiveness of a variety of service-enriched and supportive housing models for TANF families with multiple barriers to work, including homeless families.<sup>9</sup> We estimate that \$50 million could fund a three-year demonstration serving a total of about 1,100 families. (We estimate the average cost to provide comprehensive services and housing assistance to a range of families with multiple barriers to work would be \$14,000 - \$15,000 per year per family. If additional funds were available through HUD to meet the housing portion of the costs, either additional families could be served or the amount provided to HHS could be reduced.) If each project serves an average of 40 families, about 25 - 30 projects could be funded. This would be sufficient to test various approaches in both urban and rural settings. A portion of the resources — up to 10 percent — could be used for non-custodial parents of children receiving TANF benefits who need housing plus services in order to increase their earnings and support their children, such as homeless fathers or those recently released from prison. This proposal could be part of a larger initiative on employment outcomes.

### III. Changes in Housing Programs and New Housing Initiatives

#### Housing Proposals Targeted Primarily on Current and Recent TANF Families

**Recommendation 1: New welfare-to-work vouchers.** In FY 1999, Congress appropriated funds for 50,000 new vouchers for families who were receiving TANF benefits or had received TANF benefits in the prior two years, and for whom lack of affordable housing or housing location was a barrier to work. To qualify to administer these specially-targeted vouchers, PHAs had to show that welfare and workforce investment agencies would collaborate on program implementation. Experience with this program suggests that such targeted housing assistance benefits families and provides positive incentives for inter-agency collaboration. HUD expects to publish an analysis of interim results in the summer of 2002. Assuming this report

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<sup>9</sup> "Service-enriched housing " and "supportive housing" include a range of models that integrate affordable housing with supportive services. While the services provided may vary in type, duration and/or intensity across individual service-enriched and supportive housing projects, they share the common purpose of assisting residents to achieve housing stability and address physical and mental impairments and other barriers to employment.

shows positive results it will help support both the authorization of welfare-to-work vouchers as an ongoing program and an appropriation for additional welfare-to-work vouchers for FY 2003.

**Recommendation 2: Provide funds to help families with vouchers move closer to jobs.** Approximately 340,000 families receiving monthly TANF income currently have housing vouchers. However, many live in areas distant from job opportunities or where lack of safety or adequate transportation pose barriers to work. To obtain housing in areas where available jobs are more plentiful than where they currently live, families often need assistance to become familiar with new communities and to identify willing landlords. Such housing search assistance costs approximately \$1,000 - \$3,000 per family. PHAs do not get additional administrative fees from HUD for this purpose. They can use their regular administrative fees for housing search assistance, but few have sufficient funds to provide such extra help. PHAs that are not able to use all their allocated voucher funds should be permitted to use a portion of the funds for the one-time costs of these additional services. (By improving the efficiency of families' search for available units, such one-time expenditures are likely to be more cost-effective than an equivalent expenditure to increase ongoing voucher payments, although some increase in voucher payments also may be necessary.) Additional funds should be made available to PHAs that have no other funds they could use for this purpose.

**Recommendation 3: Give priority to HOPE VI proposals that will in part serve families with multiple barriers to work.** As discussed in Recommendation II-5 above, a significant minority of TANF families that have not been able to transition successfully to employment face multiple barriers to work. Some of these families live in the severely distressed public housing projects that are the target of the HOPE VI program. (HOPE VI is a HUD program funded at about \$550 million/year for the revitalization of severely distressed public housing. It sunsets after FY 2002.) HOPE VI projects are well-suited to serve such families, as appropriations cover both the cost of rehabilitating or rebuilding the housing units and the cost of services. In addition, HOPE VI uses a mixed income model which could be helpful in promoting families' work efforts. Legislation reauthorizing the HOPE VI program in 2002 should require HUD to prioritize PHAs that commit to using a portion of their grants in partnership with TANF agencies to provide public housing in conjunction with a range of services for parents with multiple barriers to work, including those with disabilities.

**Recommendation 4: Expand the Family Self-Sufficiency Program.** The Family Self-Sufficiency (FSS) program is an employment and savings incentive program for low-income families who have Section 8 vouchers or live in public housing. (Families living in units assisted with project-based Section 8 subsidies administered by private owners are not now eligible to participate in the FSS program.) The FSS program was enacted in 1990, based on a proposal by the first Bush Administration. It consists both of case management services that help participants pursue employment and other goals, and of escrow accounts into which the public housing agency (PHA) deposits the increased rental charges that a family pays as its earnings rise. Families who complete the program may withdraw funds from these accounts for any purpose after five years.

Despite the many potential advantages of the FSS program, it is currently underutilized. Fewer than 5 percent of families with children in the public housing and Section 8 voucher programs, and fewer than 1.5 percent of the approximately 560,000 families in the public housing and Section 8 voucher programs that currently receive income from TANF or state general assistance programs, currently participate in FSS. Participation of public housing families is particularly limited, with only about 250 agencies (out of a total of about 3,100 agencies nationwide that operate public housing) currently offering a public housing FSS program, and only about 7,000 public housing residents currently enrolled.<sup>10</sup>

To help increase FSS participation among public housing residents, Congress should amend the FSS section of the U.S. Housing Act to clarify that HUD may provide funding for multiple FSS coordinators to PHAs with large public housing FSS programs. In addition, in the appropriations process, Congress should provide sufficient additional public housing operating subsidy to meet the anticipated demand for multiple FSS coordinators in public housing. (For several years, Congress has provided sufficient funding for multiple FSS coordinators for agencies operating large FSS programs for families with vouchers). In addition, the FSS legislation should be amended to make families with project-based Section 8 subsidies that are not administered through PHAs eligible, at the owner's option, to participate in the FSS program. Many non-profit owners as well as some for-profit owners are interested in offering this asset-building program to their tenants. But since not every owner will choose to set up an FSS program, the statute also should be amended to allow families in project-based Section 8 housing to participate in a local PHA's Section 8 FSS program, at the PHA's discretion.

**Recommendation 5: Allow Resident Opportunities and Self-Sufficiency [ROSS]**  
**Program grant funds to serve Section 8 families.** ROSS is currently the primary HUD competitive grant program to promote the self-sufficiency of HUD-assisted tenants. In recent years, Congress has appropriated \$55 million per year for grants to PHAs, tribal authorities and resident organizations under the ROSS program and the predecessor Economic Development and Supportive Services (EDSS) program. Until fiscal year 2001, ROSS and EDSS grantees could choose to use up to one-fourth of their grant funds to serve Section 8 families. ROSS funds now are restricted to use only for public housing tenants. In the Quality Housing and Work Responsibility Act of 1998, Congress for the first time authorized the ROSS program, adopting section 34 of the U.S. Housing Act. (EDSS had never had statutory authorization.) Section 34 authorizes grants only to serve public housing tenants and residents of housing assisted under the Native American Housing Assistance and Self-Determination Act of 1996. It is not clear why Congress made this change. Approximately 70 percent of the families that receive welfare and housing assistance are served by the Section 8 programs (voucher and project-based) rather than public housing. More than twice as many families with children live in Section 8-assisted housing as live in public housing. It would make sense to amend section 34 to allow ROSS

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<sup>10</sup> Family Self-Sufficiency (FSS) is a HUD program that promotes employment and earnings increases through case management and savings. See Barbara Sard, *The Family Self-Sufficiency Program: HUD's Best Kept Secret for Promoting Employment and Asset Growth*, available on the internet at <http://www.cbpp.org/4-12-01hou.htm>.

grantees to serve Section 8 families, and to increase the appropriation for ROSS so that services to public housing families are not reduced.

**Recommendation 6: Fund an earnings disregard for Section 8 families.** Families with vouchers or who live in units with project-based Section 8 subsidies who were previously unemployed or recently received TANF benefits are authorized to receive a two-year phased disregard of earnings in rent calculation. Yet no funds have been provided through the appropriations process, so this earnings disregard for Section 8 recipients has not been implemented. Currently, only public housing residents and disabled voucher tenants receive the benefit of the disregard in calculating their rent.

The lack of an earnings disregard for Section 8 recipients may undercut welfare reform efforts. A recent analysis by Center on Budget staff has found that even in states with a generous TANF earnings disregard (which allows a family to continue receiving cash assistance to supplement wages), if the family also receives Section 8, most of the value of the TANF disregard is lost because there is no comparable Section 8 disregard, and the family's rent ends up rising substantially.<sup>11</sup>

In addition to providing additional appropriated funds, the U.S. Housing Act could be amended to allow PHAs and owners to provide an optional earnings disregard in calculating the rent of Section 8 families and to receive other funds — including TANF funds — for this purpose. A state (or other public or private entity) could then provide PHAs and owners with the necessary funds to offer an earnings disregard to Section 8 families.

**Recommendation 7: Require states and counties to consider parents' access to employment in awarding federal housing block grant funds.** Require states and counties, as part of their Consolidated Plans that govern distribution of various HUD housing block grants, to consider housing location in relation to employment opportunities for the TANF-eligible population, to solicit comments from welfare and WIA agencies, and to submit these agencies' comments and their responses along with their proposed Consolidated Plans to HUD.

**Recommendation 8: Clarify that legal immigrant victims of domestic violence eligible for TANF and other welfare-related benefits are also eligible for housing benefits.** Immigrants married to U.S. citizens or permanent residents generally have to rely on their spouses to obtain permanent residence status in the United States. Some abusive spouses take advantage of this power by failing to obtain the proper documents for their spouses and children or threatening to report them to the INS if they attempt to obtain protection or to leave the abusive relationship. As part of the 1994 Violence Against Women Act (VAWA), Congress changed the immigration law to allow abused immigrant spouses or children of U.S. citizens or permanent residents to apply for permanent residence in the United States on their own behalf.

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<sup>11</sup> Lazere and Daskal, *Is Changing the Subsidized Housing Rent Formula An Effective Way to Encourage Families to Move from Welfare to Work?* Forthcoming from the Fannie Mae Foundation.

While the 1996 welfare law provided that immigrants were generally ineligible for public benefits such as TANF unless they had already obtained permanent resident status, it provided certain exceptions, including an exception for abused immigrants who have filed a petition for permanent residence or related relief under VAWA.<sup>12</sup> This exception only applies if the petition meets the VAWA criteria on its face and there is a substantial connection between the abuse and the immigrant's need for benefits. In an apparent oversight, Congress failed to make a conforming amendment to section 214 of the Housing and Community Development Act — which lists the categories of immigrants that are eligible for federal public and assisted housing programs — to include the new category of abused immigrants in the list of immigrants eligible for housing assistance.

Congress should amend the housing laws to include abused immigrants who are petitioning for permanent residence or related relief under VAWA in the list of eligible immigrants under section 214 of the Housing and Community Development Act. (Similarly, Cuban/Haitian entrants, who are also excepted from the welfare law's eligibility restrictions, should be included in the section 214 list of immigrants eligible for federal housing assistance.) This proposal would ensure that abused immigrant women seeking protection under VAWA that are eligible for other federal benefit programs also have access to federal housing programs.

### **Broad-based Housing Proposals That Will in Part Benefit Poor Families with Children**

#### **Recommendation 9: Revise the Low Income Housing Tax Credit statute to encourage development of rental housing for families with children in job growth areas.**

Following are three separate LIHTC proposals. (In addition, Recommendation III-10, concerning new "Thrifty Production Vouchers," would make LIHTC units more available and affordable to extremely low-income families. Extremely low-income households have incomes at or below 30 percent of the area median income.)

*Proposal (1):* To create a financial incentive for developers to locate family units in job growth areas, and to make such development more affordable, the LIHTC statute should be modified to authorize provision of additional credits to developments in areas with relatively higher rates of job growth that serve extremely low-income families with children. This could be a "basis boost" similar to the current provision for Qualified Census Tracts, which are very poor areas. Alternatively, states could be required to include points in their Qualified Allocation Plans based on the location of developments for families with children in relation to employment opportunities. If states reward employment-related locations in this way, an incentive would be created for developers to seek such locations, but no additional credits would be available to offset the likely higher cost of development in such areas.

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<sup>12</sup> The 1996 law also placed a five-year ban on receipt of certain public benefits, including TANF, for persons who had entered the U.S. on or after August 22, 1996. This proposal does not alter the five-year ban.

*Proposal (2):* To help ensure that LIHTC units for families with children are not built in areas that are isolated from employment opportunities, the LIHTC statute could be amended to require that in order for a state to give preference to proposed developments in “community revitalization areas” (inserted in the statute in December 2000), the community revitalization plan must include strategies for job creation and earnings growth if adequate jobs are not accessible from the area.

*Proposal (3):* Coupling LIHTC units with TANF-funded rent subsidies can help make the rents on newly-produced tax credit housing affordable to families leaving welfare for work, and ensure that such families have access to these units. To facilitate the use of TANF-funded rental subsidies with tax credits, it is important to specify that such TANF-funded rental assistance is similar to federal section 8 assistance, and is not a federal grant that would otherwise reduce the amount of credits a development is eligible to receive. (See Sections 42(d)(5)(A) and 42(g)(2)(B)(i) of the Internal Revenue Code.)

**Recommendation 10: Enact a National Housing Trust Fund.** More than 1800 organizations have endorsed a proposed National Housing Trust Fund that would build and preserve 1.5 million units of rental housing for the lowest income families over the next 10 years. See materials at <http://www.nhtf.org>.

**Recommendation 11: Authorize and appropriate funds for new “Thrifty Production Vouchers”** to make units created through the Low Income Housing Tax Credit, HOME, state and local funds or the proposed National Housing Trust Fund affordable for extremely low-income families and individuals at lower cost than regular vouchers. Staff from LISC and the Center on Budget have been primarily responsible for developing this new proposal, in collaboration with staff from the Corporation for Supportive Housing and the National Housing Law Project. It is likely that the proposal also will become part of the National Housing Trust Fund campaign. A more detailed proposal on this new concept and proposed bill language are available from LISC or CBPP.

**Recommendation 12: Preserve current federally-assisted affordable housing** through matching grant legislation that would provide federal funds to match state or local preservation grants (see S. 1365, introduced by Sen. Jeffords (I-VT) and H.R. 425, introduced by Rep. Nadler (D-NY)), and/or by inclusion of preservation in the National Housing Trust Fund, described in Recommendation III-9, above.

#### **IV. Housing-Related Family Formation Proposals**

Fewer than 15 percent of HUD-assisted families with children have two parents in the household. Certain federal admissions and rent policies discourage two-parent families in federally-assisted housing. The following policy changes could increase the proportion of children in assisted housing that live with both parents or have a positive relationship with the non-custodial parent.

**Recommendation 1: Promote sensible policies on exclusion of a second parent from federal housing.** To reduce the barriers to married and cohabiting two-parent families in federally-assisted housing programs, federal law could be changed to alter how agencies review criminal history and subsequent behavior, and require the consideration of the best interests of the children.

PHAs and private owners that administer HUD subsidies are allowed to screen out any applicants with a history of drug-related or violent criminal activity or other criminal activity which would adversely affect other residents or employees. If a spouse or parent of the children was not part of the household when the family initially received housing assistance, due to incarceration or other reason, the spouse/parent is subject to the same screening process as a new applicant. Consideration of subsequent behavior, participation in formal rehabilitation programs, and other evidence of mitigating circumstances is permitted but not required. Given the substantial level of past involvement with the criminal justice system among the poor, particularly among African-American males, this pro-safety policy has a broad exclusionary effect. Current federal policy makes no distinction in screening policies based on marital or parental status.

**Recommendation 2: Encourage the addition of a second parent to a family living in federally-assisted housing.** There are two components to this proposal, directed at alleviating the legal and financial obstacles to family unification. The first is that federal law could authorize (or require) PHAs and private owners of federally-assisted housing to ignore past lease violations, including unpaid rent and failure to report a member of a household, when a parent is added to a public housing or Section 8 household. A related, alternative approach would be a time-limited national amnesty period during which current tenants could apply to add a parent to a household without inquiry concerning where the parent previously lived.

The second component is reducing the financial disincentive to adding a working spouse or parent to a tenant household by disregarding some or all of the spouse/parent's income for a limited period of time in determining rent. In federal housing programs, rent is generally based on income. If a household's income increases, its rent increases as well. Tenants generally pay at least 30 percent of their "adjusted" income for rent. (Families in the voucher program may pay more.) There is no "adjustment" to income for an additional adult in a household. (Rent is reduced by \$15 per month for each minor child in a household.) Each adult's gross income is counted, with rare exceptions. Currently, PHAs are permitted to adopt policies that disregard income of public housing tenants in particular situations, but they do not receive federal reimbursement for the costs of such optional disregard policies. No optional income disregards are permitted in the Section 8 programs. These rent policies create a financial disincentive to add a working parent or spouse to a tenant family, compounding the possible discouragement of marriage/reunification caused by the screening policies discussed in Recommendation IV-1 above.

**Recommendation 3: Stop double-counting of child support payments** by requiring the deduction of child support payments from the income of the paying household when determining income and rent. Currently, if both parents of a child on whose behalf child support is paid are tenants of federally subsidized housing, child support payments are counted twice for rent purposes. They are counted when received by the custodial parent but are not deducted from the income when paid by the non-custodial family. Thus, the same dollars are counted as income, and used to determine rent, twice within the federal housing programs. This proposal would conform housing policy to the approach taken in the food stamp program, where child support paid by a family is deducted from income. Such a change requires a statutory change and a small amount of additional appropriations. (It is difficult to estimate the likely cost without data concerning the number of children with both parents participating separately in the federal housing program. It is unlikely that such data are available.)

**Recommendation 4: Increase job opportunities for non-custodial parents** by adding non-custodial parents of children in public housing to the list of those eligible for preferential hiring for jobs funded by federal public housing monies. Currently, residents of public housing receive first preference for hiring or contracting opportunities arising from public housing funds under what is known as “Section 3.” (The law is Section 3 of the 1968 Housing Act.) Few housing agencies comply with this requirement. If PHAs could give preference to non-custodial parents of children who live in public housing for such jobs and contracts, more individuals qualifying for Section 3 may volunteer for hiring and contracting opportunities, making it easier for PHAs to comply with Section 3 requirements, and the overall economic well-being of public housing families could be improved through the parent’s enhanced access to publicly funded jobs and resulting increased ability to pay child support.

There are two possible approaches: adding a new second preference category for low-income non-custodial parents of children in public housing, or including such non-custodial parents in the definition of “residents” of public housing. In either case, the child’s custodial parent (typically, the mother) must be given an opportunity to indicate if the greater contact that may ensue as a result of such hiring would pose a risk to her health or safety, or that of her child.