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FUNDING NEW WELFARE-TO-WORK HOUSING VOUCHERS SHOULD BE A PRIORITY FOR FISCAL YEAR 2003

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Executive Summary

The Senate VA-HUD appropriations bill for fiscal year 2003 (S. 2797), approved by the Senate Appropriations Committee in late July, includes several improvements to the Welfare-to-Work Housing Voucher Program that should enable public housing agencies (PHAs) to build on the program's successes to date. The legislation also should encourage states and housing agencies to contribute additional resources to help families have stable, affordable housing during their transition from welfare to work.

In addition, the legislation would fund approximately 3,300 new welfare-to-work vouchers, as well as an overall total of 15,000 new vouchers. Unfortunately, these amounts fall well short of the need for new vouchers. Congress should fund at least the 34,000 new vouchers the Bush Administration requested and should set aside one-third of these new vouchers for families moving from welfare to work.

- Most families leaving welfare do not earn enough to afford adequate-quality housing. While the average renter household paid 26.5 percent of its income for housing in 2001, the average working household that previously received welfare benefits must pay more than twice as large a share of its income — 58 percent — to rent a modest two-bedroom unit. The sharp increases in housing costs in recent years are making housing less affordable for such families.

- Housing vouchers have been shown to help families leave welfare and succeed in the workplace. A recently released study of welfare recipients in three cities found that families with federal housing vouchers were nearly twice as likely to leave welfare as comparable renters without housing assistance. In addition, results from several studies suggest that former welfare recipients with housing vouchers are more likely to become and remain employed than those without vouchers. Vouchers also appear to promote improvements in children's health and educational success and reductions in their involvement in violent crime.

- Despite the apparent effectiveness of housing assistance in advancing welfare reform goals, only about one-third of the families currently or recently receiving

Temporary Assistance to Needy Families (TANF) benefits also receive federal housing assistance. Federal housing programs serve only about one-quarter of the eligible low-income households, and few states invest significant resources in low-income housing programs.

To help families for whom the lack of stable, affordable housing is a barrier to employment, Congress in fiscal year 1999 funded 50,000 "welfare-to-work" housing vouchers for current or recent welfare recipients. HUD subsequently awarded the vouchers on a competitive basis to 131 public housing agencies in 35 states. Through July 2002, more than 60,000 families had participated in the program.

Families with welfare-to-work vouchers have been significantly more successful at leasing housing than families with regular Section 8 vouchers. Some 77 percent of the families issued welfare-to-work vouchers in 2000 succeeded in using them to rent housing, compared with a 65 percent success rate for households issued regular vouchers. *Welfare-to-work vouchers have worked so well, in fact, that 40 percent of the PHAs participating in the program have transferred regular vouchers that have become available to expand the size of their welfare-to-work programs.* Early reports also indicate that welfare-to-work vouchers have helped many families achieve and sustain independence from welfare assistance.

In addition, the welfare-to-work voucher program has encouraged cooperation between welfare and housing agencies. HUD's criteria for awarding the vouchers gave PHAs a strong incentive to plan their welfare-to-work voucher programs in conjunction with state or local welfare agencies and to make use of employment-related resources from the welfare agency, as well as other public or private sources.

The Senate VA-HUD appropriations bill for fiscal year 2003 would add permanent authorization for the welfare-to-work program to the U.S. Housing Act and make a number of improvements in the program:

- *Promoting ongoing collaboration between housing and welfare programs.* Some PHAs operating welfare-to-work voucher programs have reported difficulty in securing the ongoing cooperation of welfare or workforce agency staff after vouchers were awarded. The new legislation requires PHAs, as a condition of receiving new welfare-to-work vouchers, either to have an effective welfare-to-work housing program in place or to have a signed memorandum of understanding with the local welfare and workforce agencies specifying their future responsibilities. This should help ensure that the collaboration between PHAs and these agencies continues through the program's implementation.

- *Helping voucher holders move to areas with more job opportunities.* One of the strong rationales for funding welfare-to-work vouchers in fiscal year 1999 was recognition of the growing "spatial mismatch" between where a majority of TANF recipients live (central cities) and where a majority of job growth is occurring (the suburbs). Anecdotal evidence suggests, however, that relatively few families have used these vouchers to move from central city to suburban locations. The Senate legislation would require that HUD, in awarding new welfare-to-work vouchers, give preference to PHAs that will facilitate families' moves to areas with greater job opportunities.

- *Encouraging PHAs and states to contribute additional resources.* The Senate legislation would require HUD to give preference in awarding new welfare-to-work vouchers to PHAs that commit some of their existing vouchers to the welfare-to-work program, as well as to PHAs that administer state- or locally-funded welfare-to-work housing subsidies. Moreover, state welfare agencies may be more willing to commit TANF or state maintenance-of-effort funds to rental assistance if doing so may leverage additional federal housing resources for their clients.

This paper first briefly reviews data on the housing needs of families moving from welfare to work and research indicating that housing vouchers can help families leave welfare and succeed in the workplace while also benefiting their children. It then discusses how the fiscal year 1999 welfare-to-work voucher program has fared, including the program's effectiveness in improving families' ability to use housing vouchers and encouraging collaboration between welfare and housing agencies. The third part of the paper analyzes the improvements in the program contained in the fiscal year 2003 Senate VA-HUD appropriations bill. The analysis concludes with a discussion of the importance of funding a larger number of new vouchers than the Senate bill does, including additional welfare-to-work vouchers.

Most Families Leaving Welfare Cannot Afford Decent Housing

The Senate Appropriations Committee earmarked funding for additional welfare-to-work vouchers, based on its conclusion that "Housing affordability continues to be one of the primary problems for families who are moving from welfare to work."[1] A variety of data support this conclusion:

- Recent data indicate that the average total monthly income of households that previously received welfare benefits and have at least one working member is $1,261 (in 2002 dollars), which falls below the poverty line for a family of three.[2] A family with this income would have to pay 58 percent of its total income to rent a two-bedroom unit at the Fair Market Rent in jurisdictions with rental costs at the national median.[3] In contrast, the average renter household paid 26.5 percent of

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[1] Senate Committee on Appropriations, Report 107-222 on the FY 2003 VA-HUD Appropriations Bill, July 25, 2002, p. 28.

[2] The median total income of welfare-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.

[3] The housing cost used in this calculation ($727 per month) is the estimated median FY 2002 two-bedroom national Fair Market Rent (FMR), calculated by the National Low Income Housing Coalition, *Out of Reach, 2001*. It is based

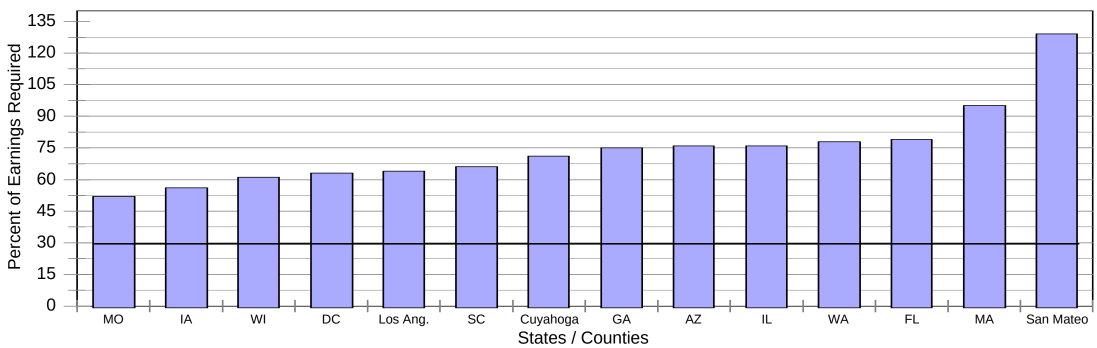
its income for housing in 2001.[4] (To be considered "affordable" under federal standards, housing should cost no more than 30 percent of a household's income.)

- In 1999, some 36 percent of poor families with children with at least full-time, year-round minimum-wage earnings spent more than half of their income on housing,[5] and nearly one in ten families leaving welfare reported that it had to double up with others because it could not otherwise afford housing.[6]

- In higher-cost areas, of course, housing is even less affordable. In the 14 jurisdictions where federally-financed studies have been conducted on the earnings of recent welfare leavers, modest housing costs would consume 52 to 129 percent of estimated monthly earnings.[7]

Figure 1

Estimated Average Percentage of Earnings Required for Welfare Leavers to Afford a Modest 2-Bedroom Unit



on HUD's 2002 FMRs weighted by the number of renter households reported by the 2000 Census. The Fair Market Rent is the estimate issued annually by the Department of Housing and Urban Development for the cost of decent, modest housing in each area.

[4] Office of Policy Development and Research, U.S. Department of Housing and Urban Development, *Housing in America: 2001 American Housing Survey Results,* U.S. Housing Market Conditions, May 2002. The reported results are based on HUD's preliminary analysis of the 2001 American Housing Survey data and are subject to change.

[5] This figure is based on 1999 American Housing Survey data for renter families with minor children that have incomes below the poverty line and do not receive housing assistance.

[6] See Loprest, n. 2.

[7] 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 studies financed by the U.S. Department of Health and Human Services (found at http://aspe.os.dhhs.gov/hsp/welf-ref-outcomes01/appb.htm), adjusted for inflation to 2002 and compared with the 2002 State FMRs calculated as discussed in note 3 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.

- Preliminary data from the 2001 American Housing Survey show that housing costs increased by approximately 15 percent in the two years from 1999 to 2001.[8] Median income, in contrast, fell slightly from 1999 to 2000.[9] (Data on median income in 2001 are not yet available.)

Research Indicates Housing Vouchers Advance Welfare Reform Goals

There is a growing, though not conclusive, body of evidence that housing vouchers help families leave welfare and succeed in the workplace. Housing vouchers also appear to promote positive outcomes for children by improving their health and educational success and reducing their involvement in violent crime.[10]

Helping families leave and remain off the welfare rolls. A recently-released study found that voucher holders in low-income neighborhoods of Boston, Chicago and San Antonio were nearly twice as likely to leave welfare as low-income renters without housing assistance.[11] The effect of voucher assistance on welfare receipt may be even greater if families use vouchers to move to low-poverty neighborhoods. In Baltimore, families that used vouchers to move to low-poverty areas were only one-third as likely to be receiving welfare three years later as families that remained in high-poverty areas. Similarly, analysis of data from a Chicago program found that families using vouchers to move to areas with a greater number of educated residents were about one-third less likely to receive welfare than similar families that used vouchers to move to areas with fewer educated residents.

Among families that left welfare in Cuyahoga County, Ohio (Cleveland) in 1996, households with vouchers were 16 percent less likely to return to the welfare rolls in the following year than families without housing assistance. Researchers attributed this result to the fact that families with housing vouchers were more likely to be employed closer to their homes and to have shorter and more direct commutes; they also had access to more job openings than families without housing assistance.

[8] See *2001 AHS Results*, n. 4.

[9] Carmen DeNavas-Walt, Robert W. Cleveland, and Marc I. Roemer, *Money Income in the United States: 2000*, U.S. Census Bureau, 2001, at p. 17.

[10] Studies not specifically referenced in the following brief summary of recent research are discussed in Barbara Sard and Margy Waller, *Housing Strategies to Strengthen Welfare Policy and Support Working Families*, Center on Budget and Policy Priorities and The Brookings Institution Center on Urban & Metropolitan Policy, April 2002, available on the Internet at http://www.cbpp.org/4-15-02hous.htm.

[11] James M. Quane, Bruce H. Rankin and Pamela Joshi, *Housing Assistance, Housing Costs and Welfare Reform*, Policy Brief 02-4, Welfare, Children & Families: A Three City Study, 2002. Families living in neighborhoods that were more than 20 percent poor were interviewed in 1999 concerning the prior two years. Of families that had been on welfare during that period, those renting with Section 8 assistance at the time they were interviewed had a 19 percent probability of leaving welfare in the first year of the two-year period, and a 26 percent probability in the second year. In contrast, the probability of leaving welfare for unsubsidized renters was 11 percent in the first year and 15 percent in the second; for public housing residents, the probability was 12 percent in the first year and 20 percent in the second year.

Helping families succeed in the workplace. Several studies have shown that former welfare recipients are more likely to succeed in the workplace if they have housing vouchers. A study of welfare leavers in Los Angeles County, for example, found that families with vouchers were more likely to be employed in each quarter in the first year after leaving welfare than families without housing assistance. Families with vouchers that stayed off welfare also had higher average earnings.

An evaluation of the Minnesota Family Investment Program, widely considered one of the country's most comprehensive welfare reform strategies, found that the greatest benefits occurred among families that received housing assistance — primarily Section 8 vouchers — in addition to other welfare benefits and services. 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; families without housing assistance had little or no gain.

Improving outcomes for children. By enabling families to obtain affordable, decent-quality housing, housing vouchers also may improve children's health.[12] Indeed, the Task Force on Community Preventive Services of the Centers for Disease Control recently recommended voucher programs as a public health strategy to improve household safety by enabling families to move to less-violent neighborhoods. Children of families that use housing vouchers to move to low-poverty neighborhoods are less likely to become involved in violent crime, either as a victim or a perpetrator.

Housing vouchers also may improve children's school performance. Studies have shown that using housing vouchers to move from high-poverty to low-poverty neighborhoods can contribute to improved educational outcomes for children. In addition, vouchers can help eliminate the need for frequent moves, which according to a number of studies can undermine school performance, reduce skill development, and increase the risk that the student will drop out.

Welfare-to-Work Vouchers Have Improved Voucher Success and Collaboration Between Welfare and Housing Agencies

Despite the obstacle that lack of affordable housing poses to welfare reform efforts and the proven successes of housing vouchers in helping families move from welfare to work, only about one-third of recent welfare leavers have housing assistance. In no state do more than half

[12] Joshua Sharfstein *et al.*, *Is Child Health at Risk While Families Wait for Housing Vouchers?* American Journal of Public Health 92:8, 1191-1192 (2001). In 1999, the authors surveyed families on the Boston Housing Authority's Section 8 waiting list and compared their reported housing hazards to those reported in 1998 by families with housing vouchers in the Boston-area American Housing Survey. Families on the BHA waiting list were significantly more likely to report problems such as rats, lack of heat or running water, and exposed wiring; nearly half reported that a child had suffered physical or mental health consequences as a result.

of current or recent welfare recipients receive housing assistance.[13] There are two primary reasons: federal housing programs serve only about one-quarter of eligible households, and few states invest significant resources in low-income housing programs.

To provide more federal assistance to families for whom the lack of housing is a barrier to employment, Congress funded 50,000 "welfare-to-work" housing vouchers as part of the fiscal year 1999 VA-HUD Appropriations Act. After a national competition, HUD awarded the vouchers to 131 public housing agencies (PHAs) in 35 states.[14] HUD's criteria in awarding the vouchers gave PHAs a strong incentive to plan their welfare-to-work voucher programs in conjunction with the state or local agency administering the TANF program and to leverage employment-related resources from the welfare agency and other public or private sources.

To qualify for a welfare-to-work voucher under the FY 1999 program, a family must be receiving cash benefits or other payments or services funded by TANF or state maintenance-of-effort funds, or have received such payments or services within the past two years.[15] In addition, the family must need a housing voucher to obtain or retain employment.[16] Depending on local needs, agencies can give priority to current TANF recipients (to help them make the transition to work) or to families that are already working (to help them remain employed and increase their earnings). A report on the first year of the program judged it to be a success.[17]

More Than 50,000 Families Currently Have Welfare-to-Work Vouchers

More than 50,000 families currently have welfare-to-work vouchers, as some PHAs have contributed regular vouchers to the welfare-to-work program, temporarily or on an ongoing basis. In July 2002, PHAs had leased an average of 102 percent of their original allotment of

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[13] Sheila Rafferty Zedlewski, *The Importance of Housing Benefits to Welfare Success*, The Brookings Institution Center on Urban & Metropolitan Policy and The Urban Institute, April 2002. The Urban Institute's 1999 National Survey of American Families found that 36 percent of families with incomes below the poverty line that had left welfare in the prior two years had housing assistance, as did 24 percent of leaver families with incomes between 100 and 200 percent of poverty.

[14] Some 44,800 vouchers were awarded through a competitive process. Some PHAs applied and were funded jointly. The appropriations act also set aside funds for agencies serving certain areas; eight agencies received 5,200 vouchers as a result of these set-asides.

[15] The FY 1999 program also included families that were eligible for but not receiving assistance or services under the TANF program. PHAs have reported that this category is difficult to apply in practice, since PHAs did not have the necessary expertise to make this determination themselves and welfare agencies were reluctant to spend staff time determining eligibility for a family that was not applying for aid. The Senate bill's amendment of the program, discussed in the next section, eliminates this eligibility criterion.

[16] The FY 1999 program, as implemented by HUD, required PHAs to determine that a housing voucher was "critical" to a family's success at obtaining or retaining employment. This is a difficult determination for a housing agency to make. Most PHAs that implemented the requirement simply required a family to show it had inadequate or overly expensive housing.

[17] Quadel Consulting Corporation, *Welfare to Work Voucher Program: Final Report*, 2001. Also available on the internet at http://www.hud.gov/offices/pih/programs/hcv/wtw/resources/bs11/yr1finalreport.cfm.

welfare-to-work vouchers. Only 14 PHAs — 10 percent of the PHAs participating in the program — have not fully utilized their welfare-to-work vouchers. These results are substantially better than those for regular Section 8 vouchers.

To ensure that all of the current welfare-to-work vouchers are used, HUD is reallocating 1,765 vouchers (3.5 percent of the 50,000 vouchers Congress has funded) from the small number of PHAs that have not used all of their vouchers to agencies already in the program that have a good track record.

Because welfare-to-work vouchers that become available as families leave the program are reissued to other eligible families, the total number of families ever served by the program is larger than the number holding vouchers at any point in time. In the roughly two and a half years the welfare-to-work voucher program has been in operation, it has benefited more than 60,000 families.

Families with Welfare-to-Work Vouchers Are More Successful At Finding Housing Than Families With Regular Vouchers

The success of the welfare-to-work voucher program to date suggests that funding additional vouchers as welfare-to-work vouchers may be an effective strategy to increase voucher success rates. A recent HUD study found that 77 percent of the families issued welfare-to-work vouchers in 2000 succeeded in using the vouchers to rent housing, compared with a 65 percent success rate for families issued regular vouchers.[18] (Vouchers that families are unable to use within the allotted time are returned to the PHA and reissued to new families.) The study's authors speculated that families with welfare-to-work vouchers may have had more success because they were more motivated or because they received additional services from welfare agencies or PHAs to help them find housing. Examples of partnerships that have promoted voucher success are discussed below.

Welfare-to-work vouchers have worked so well that 40 percent of the participating agencies have expanded their welfare-to-work programs by transferring regular vouchers that have become available. For example, the Lake County (IL) housing authority is currently leasing 241 percent of the original number of vouchers awarded, while the Housing Authority of Baltimore City is leasing 134 percent of its original award.

The greater success experienced by families with welfare-to-work vouchers is particularly noteworthy in light of recent concerns about voucher utilization. While implementation of the 1999 welfare-to-work voucher program took longer for some agencies than might have been expected, these delays are unlikely to recur. Thanks to their experience with the initial program, many PHAs know how to create the working partnerships necessary for

[18] Meryl Finkel and Larry Buron, *Study on Section 8 Voucher Success Rates, Volume 1: Quantitative Study of Success Rates in Metropolitan Areas*. Also available on the Internet at http://www.huduser.org/publications/pdf/sec8success.pdf. Because only 18 percent of the total number of households in the study received welfare-to-work vouchers, the higher success rate of these families increased the national success rate by only four percentage points, to 69 percent.

an effective voucher program, and HUD can draw on these lessons to help new agencies. In addition, PHAs now have experience distributing substantial numbers of new vouchers quickly, even in tight housing markets. Prior to the award of the FY 1999 welfare-to-work vouchers, most PHAs had not received new vouchers for at least five years.

Welfare-to-Work Vouchers Encourage Welfare-Housing Agency Collaboration

The welfare-to-work program has encouraged an unprecedented amount of collaboration between welfare and housing agencies.[19] Research results and anecdotal reports from around the nation both support this finding.

In Grand Rapids, Michigan, for example, the housing agency operating the welfare-to-work program has partnered with the state TANF agency and the local workforce agency. Representatives of each agency serve on councils together, the TANF agency subsidizes security deposits for voucher holders, and TANF and workforce agency staff refer clients to the housing agency for housing assistance.[20]

Similarly, the Anaheim (CA) Housing Authority and the Orange County Social Service Agency have streamlined and coordinated their functions so families with welfare-to-work vouchers can receive a broad range of housing search assistance. This collaboration has increased voucher holders' success in renting new housing. Responding to this success and to the county welfare agency's offer of nearly $700,000 in TANF funds over a three-year period to help current and recent TANF families to use vouchers, the Anaheim Housing Authority decided to dedicate additional vouchers to double the size of the program. The AHA uses the TANF funds to increase outreach to landlords, to pay transportation costs so families can look at rental units, to provide security deposits and moving costs, and to help families purchase necessary appliances. Despite the agency's location in an extremely tight and expensive rental market, the success of welfare-to-work voucher recipients has enabled the agency to use 98 percent of its total allocation of vouchers.[21]

Operating a welfare-to-work program also has helped participating PHAs improve their overall effectiveness. The knowledge that housing agency staff gain about local self-sufficiency resources can help them serve families with regular vouchers more effectively. Almost two-thirds of the PHAs administering welfare-to-work vouchers that responded to a recent survey stated that the program had improved their relations with local service delivery organizations. Moreover, while 42 percent of the responding PHAs indicated that their relationship with local

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[19] Robin Smith and Jennifer E.H. Johnson, *Welfare to Work Housing Voucher Program: Early Implementation Assessment, Final Report,* The Urban Institute, 2001.

[20] See *Learning From Each Other: Effective Use of Partnerships to Improve Lease up and Delivery of Services in Grand Rapids, MI,* http://www.hud.gov/offices/pih/programs/hcv/wtw/ppp/learning/grandrapids_mi.cfm.

[21] See *Learning From Each Other: Working With the Local TANF Agency to Help Families Move From Welfare-to-Work in Anaheim, CA,* http://www.hud.gov/offices/pih/programs/hcv/wtw/ppp/learning/anaheim_ca.cfm. The county contributed funds from its allocation of CalWORKS performance incentive funds, which it earned by reducing the number of families receiving welfare benefits and increasing families' employment and earnings.

How the Welfare-to-Work Voucher Program Has Helped Families: Two Examples*

Keeping a job. Cartina M., a 27 year-old single parent, was issued a welfare-to-work housing voucher by CHAC Inc. (the Chicago Section 8 agency) on June 30, 2000. At that time, Cartina was receiving TANF benefits and living in a high-crime area that had a 52-percent poverty rate. After receiving the voucher, she found a job in the suburbs, earning $7.00 per hour working as a pricing clerk at Montgomery Ward's jewelry department. In October 2000, she used her voucher to move to Oak Park, which reduced her commute by 90 minutes each way and allowed her to concentrate on improving her life instead of worrying about her safety and her daughter's. In November 2000, Cartina joined Oak Park's Family Self-Sufficiency program. (FSS is a HUD-sponsored employment and savings incentive program.) Her goals are to earn her GED and receive computer training.

Increasing earnings and leaving TANF. Anna L., a 20-year-old single parent of two children, was referred to the Phoenix Housing Authority's welfare-to-work voucher program by the state's TANF program. In July 2000, Anna used the voucher to find a decent, safe apartment that is close to the public transportation she needs to get to work and within walking distance of her childcare center. Anna initially found a temporary job that paid $6.56 an hour; her earnings have since increased to $10.45 per hour. She no longer receives welfare assistance and works full time for the City of Phoenix as a Customer Service Clerk. Anna has also enrolled in the Family Self-Sufficiency program and is taking computer courses to expand her employment opportunities. Anna says, "I never would have been able to do any of this without the welfare-to-work voucher."

*Based on stories submitted by housing agency staff and supplemental interviews. See http://www.hud.gov/offices/pih/programs/hcv/wtw/ppp/success.cfm.

TANF agencies was "non-existent or weak" before the welfare-to-work program, only 12 percent reported such lack of collaboration a year after the program's initiation.[22]

In addition, collaboration on the welfare-to-work program has led welfare and housing agencies to develop additional joint projects. In the Texoma region of Texas, for example, the Texoma Council of Governments (which administers the local welfare-to-work voucher program) received a grant from the Texas Department of Human Services to offer a range of services to TANF families that the welfare agency did not provide. Services include emergency housing assistance to help families secure or retain housing or utility service. Security deposit funds available through this program helped welfare-to-work voucher recipients move to areas with greater employment opportunities, where owners require larger deposits than families on welfare could afford.[23]

In addition to providing families with affordable housing and encouraging collaboration between welfare and housing agencies, the 1999 welfare-to-work voucher program had the

[22] Quadel Consulting Corporation, n. 17.

[23] *Learning From Each Other: Promoting Self-Sufficiency In the Texoma Region (Texas): Housing, Utilities, and Vehicle Repair Assistance*, available at http://www.hud.gov/offices/pih/programs/hcv/wtw/ppp/learning/texoma_tx.cfm.

further goal of increasing families' earnings and employment. An evaluation is underway to determine the extent to which this goal has been reached. Early reports indicate that welfare-to-work vouchers have helped many families leave welfare and move toward self-sufficiency. (See the box above for two examples of how welfare-to-work vouchers have helped individual families.)

The Permanent Authorization of Welfare-to-Work Vouchers Will Improve the Program and Secure Additional Resources

The Senate VA-HUD Appropriations bill includes permanent authorization for a Welfare-to-Work Housing Voucher Program. Section 215 of the bill adds this program to the U.S. Housing Act. (There was no separate authorization for the welfare-to-work vouchers that were funded in fiscal year 1999.) The Senate bill maintains essentially the same eligibility criteria for families as the FY 1999 program.[24]

Section 215 builds on the experience of agencies that have administered the welfare-to-work program, making a number of improvements that should enhance collaboration among housing, welfare, and workforce agencies on an ongoing basis and should increase the likelihood that families will be able to use their vouchers to move to areas with more jobs. In addition, the new law will provide greater incentives to PHAs and welfare and workforce agencies to contribute their own resources to establish or expand similar programs.

Improvements in Inter-Agency Collaboration

To help ensure that housing agencies maintain ongoing partnerships with welfare and workforce agencies in implementing welfare-to-work voucher programs, PHAs would only qualify for the new vouchers if they are carrying out an effective welfare-to-work housing program or have a signed memorandum of understanding with the local welfare and workforce agencies specifying their responsibilities.[25] Agencies must collaborate to identify eligible

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[24] As noted in footnote 16, the FY 1999 program, as implemented by HUD, required PHAs to determine that a housing voucher was "critical" to a family's success at obtaining or retaining employment. Section 215 allows either the PHA or a welfare or workforce agency to determine that a family meets the criterion of need for a housing voucher. "Need" can be shown if the family wishes to move to an area of greater employment opportunity or closer to a current place of employment or transportation to employment, or if the voucher may help a family participate effectively in a program to overcome barriers to employment, retain employment, or increase hours of employment. See also n. 15.

[25] Agencies that did not receive welfare-to-work vouchers in FY 1999 may qualify as administering an effective welfare-to-work housing program if they are administering a state- or locally-funded program, or if they have committed a portion of their regular federal housing vouchers to a program operated in collaboration with the local welfare and workforce agencies. Some PHAs administer programs using TANF or state maintenance-of-effort funds, state or local general funds, or HOME block grant funds to provide rental assistance. For example, housing agencies in New Jersey and Connecticut that administer federal housing voucher programs have also administered rental subsidy programs for families moving from welfare to work that are funded with state maintenance-of-effort funds. In determining whether a PHA has an effective welfare-to-work housing program, HUD must consider whether the agency has an ongoing collaboration with the local welfare and workforce agencies that will ensure the agencies will work together and provide necessary services and benefits to participating families in the future.

families, determine selection criteria (within federal parameters) in light of local circumstances, and provide additional payments and services necessary for families to overcome barriers to employment and obtain housing close to employment or transportation to employment.

In contrast, the FY 1999 appropriations act required only that a PHA consult with the agencies administering TANF and the local Workforce Investment Act program to develop a proposed welfare-to-work voucher program, and include, if possible, a certification of general support and cooperation from these agencies in its application. PHAs that could not obtain such a certification were excused from the requirement. Some PHAs have reported difficulty in securing the ongoing cooperation of welfare or workforce agency staff after vouchers were awarded; few PHAs have been able to count on contributions of services or funds from these agencies to make their programs more effective. Section 215 seeks to address these weaknesses and ensure that housing agencies can count on families receiving the additional services they need from welfare and workforce agencies to make the most of the opportunities that welfare-to-work vouchers afford.

Improvements in Voucher Mobility

One of the strong rationales for funding welfare-to-work vouchers in fiscal year 1999 was the recognition of the growing "spatial mismatch" between where a majority of TANF recipients live (central cities) and where a majority of job growth is occurring (the suburbs).[26] Anecdotal evidence suggests, however, that relatively few families have used these vouchers to move from central city to suburban locations. A primary obstacle has been HUD's requirement that a family can only move to an area served by a PHA that administers a welfare-to-work voucher program. Only about a quarter of agencies that received welfare-to-work vouchers are operating joint city-suburban programs or serve an area larger than a single city. Outside of these areas, it is unlikely that PHAs in both the central city and a nearby suburb administer welfare-to-work voucher programs. As a result, families with welfare-to-work vouchers are frequently not permitted to move with their vouchers from central cities to suburban areas.

Section 215 would help overcome this problem. It would require HUD, in awarding new welfare-to-work vouchers, to give preference to PHAs that will facilitate families' moves to areas with greater job opportunities. A PHA could qualify for this preference by serving a broad geographic area or by forming agreements with other PHAs to smooth the transfer of voucher

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[26] Between 1992 and 1997, the number of new jobs in the suburbs of the largest central cities was more than double that in the cities themselves. In about a quarter of the cities, the number of jobs fell while the number of jobs in the surrounding suburbs increased. This decentralization of employment affects cities in all parts of the country, although about 20 percent of cities have bucked the trend. U.S. Department of Housing and Urban Development, State of the Cities Database, available at http://socds.huduser.org/index.html, accessed March 28,2002. John Brennan and Edward W. Hill, *Where Are the Jobs?: Cities, Suburbs, and the Competition for Employment*, Survey Series, Center on Urban and Metropolitan Policy, The Brookings Institution, November 1999. More than half of welfare recipients in the mid-1990s lived in central cities. Monica G. Fisher and Bruce A. Weber, *The Importance of Place in Welfare Reform: Common Challenges for Center Cities and Remote-Rural Areas,* The Brookings Institution Center on Urban and Metropolitan Policy and Rural Policy Research Institute, June 2002. Welfare caseloads have declined at a lower rate in cities than in other areas, resulting in an increasing concentration of welfare families in urban areas. Paul Leonard and Maureen Kennedy, *What Cities Need from Welfare Reform Reauthorization*, The Brookings Institution Center on Urban and Metropolitan Policy, January 2002.

administration to another agency when a family moves from one PHA's jurisdiction to another's. (Section 215 does not directly address HUD's policy restricting families' moves to areas served by a PHA administering a welfare-to-work voucher program. See the box below concerning the further changes in the welfare-to-work voucher program that would be made by S. 2721.)

Encouraging States and Housing Agencies to Contribute Additional Resources

Future increases in federal funds for welfare-to-work vouchers are unlikely to be sufficient to assist most or all of the families that need affordable, better-located housing to move from welfare to work. Housing agencies and state and local governments will need to contribute additional resources. Section 215 would provide an incentive for housing agencies to do so by creating a preference in the competition for new welfare-to-work vouchers for PHAs that commit some of their existing vouchers to this population as those vouchers become available, as well as for PHAs that administer state- or locally-funded welfare-to-work housing subsidies. In addition, state welfare agencies may be more willing to commit TANF or state maintenance-of-effort funds to rental assistance if doing so may leverage additional federal housing resources for their clients.[27]

The criteria that Section 215 would establish for awarding new welfare-to-work vouchers would require that PHAs have in place a working partnership with welfare and workforce agencies, including agreements to provide payments and services to help families overcome non-housing barriers to employment. The opportunity for PHAs to receive additional vouchers by meeting this requirement creates incentives for PHAs and welfare and workforce agencies to collaborate, and for welfare and workforce agencies to dedicate resources for work supports for voucher holders. These mutual incentives have the potential to help all of these agencies to meet their goals. The striking results from the MFIP demonstration discussed above are the latest to indicate that investments to help families obtain and keep jobs may be most successful when combined with housing assistance.

[27] At least ten states and three counties in additional states have committed TANF or state matching funds to housing programs that benefit families for nine months or longer. Language included in the Senate Finance Committee TANF reauthorization bill would make it easier for states and counties to commit TANF funds for such housing assistance.

S. 2721 Contains Additional Improvements to the Welfare-to-Work Program

Section 215 of the Senate VA-HUD appropriations bill is modeled on section 8(d) of The Housing Voucher Improvement Act of 2002 (S. 2721), filed by Senate Banking Committee Chairman Paul Sarbanes and other Senators in early July. S. 2721 would authorize a Welfare-to-Work Housing Voucher Program identical in most respects to Section 215, although it also includes some additional provisions that could make the program even more effective. Unique provisions included in S. 2721 would:

- Increase participating families' financial incentives to work by:
  - ➢ ensuring that PHAs expand their Family Self-Sufficiency programs* if necessary so families with welfare-to-work vouchers can participate and thereby build savings as their incomes increase; and
  - ➢ enabling PHAs to disregard, with HUD approval, a portion of the earned income of a family with a housing voucher in determining the rent the family must pay. (Currently, earnings disregards are not permitted for families with vouchers unless an individual has a disability.)
- Help voucher-holders move to suburban areas with more jobs by permitting a family to move to an area even if the PHA that serves the new area does not administer a welfare-to-work voucher program.
- Provide additional administrative funds to promote effective program design and implementation by authorizing a "preliminary fee" to each PHA receiving its first welfare-to-work vouchers.

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* The Family Self-Sufficiency program is a HUD-administered employment and savings incentive program for low-income families that have housing vouchers or live in public housing. The PHA deposits in a savings account an amount equal to the additional rent a family pays as its earnings rise. In addition, families receive case management services to help them achieve their five-year self-sufficiency goals. 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/4-12-01hous.htm.

Congress Should Fund at Least as Many Vouchers as the Administration Requested and Set One-Third Aside as Welfare-to-Work Vouchers

The Senate VA-HUD appropriations bill includes funding for approximately 3,300 new welfare-to-work vouchers, out of a total of 15,000 new vouchers.[28] Additional welfare-to-work

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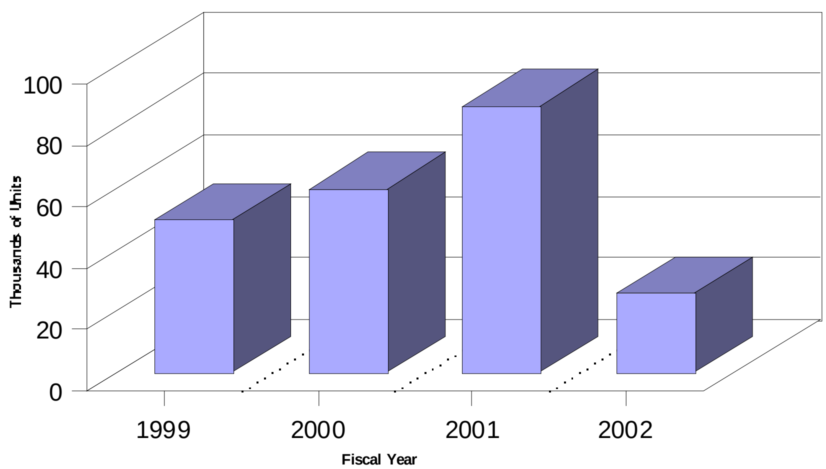
[28] The bill allocates $90.1 million for new housing vouchers to increase the number of households receiving federal housing assistance. The Senate bill divides this sum in three parts: $40 million for vouchers for disabled individuals who are not elderly, $30.1 million for regular (or so-called "fair share") vouchers to be distributed by PHAs in accordance with local priorities, and up to $20 million for welfare-to-work vouchers. At an average cost of approximately $6,000 per voucher, this appropriation would fund 15,000 new vouchers. (The Committee Report states the intent of the Appropriations Committee to fund 15,000 additional vouchers. The bill does not prescribe the number of vouchers funded.) Because vouchers for single individuals cost about $1,000 less than the average, however, the bill would be likely to fund about 16,245 new vouchers: 7,900 for non-elderly disabled individuals (the same number funded in FY 2002), 5,012 "fair share" vouchers, and 3,333 welfare-to-work vouchers.

vouchers and regular Section 8 vouchers beyond these levels are needed, not only to help the roughly half a million families that leave welfare each year without housing assistance to succeed in the workplace and meet their families' basic needs,[29] but also to help the millions of additional households that have what HUD considers to be "worst-case" housing needs.[30]

The Administration's budget requested 34,000 new vouchers and justified this request in part by stating that vouchers would help families move out of public assistance. For the current year, Congress funded 25,900 new vouchers; for the three previous years, new vouchers averaged more than 60,000 per year. (See Figure 2.) The Senate Appropriations Committee's report states that it funded less than half the Administration's request for new vouchers because of ongoing concerns about the voucher program's effectiveness and its failure to live up to the promise of offering housing choices in better neighborhoods. As discussed above, however, families with welfare-to-work vouchers were significantly more successful in using their vouchers than other families, and nearly all welfare-to-work vouchers are in use. Moreover, families with housing vouchers are less likely than families with other types of federal housing assistance or unassisted poor renters to live in high-poverty neighborhoods.[31]

Figure 2

Incremental Units of Section 8 Tenant-Based Rental Assistance, '99-'02



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[29] In fiscal year 2001, an estimated 1.2 million TANF cases closed that contained an adult. (See Mark Greenberg et al., *At What Price?* Center on Law and Social Policy, April 2002, available at http://www.clasp.org/DMS/Documents/1023208530.14/At_What_Price_anaylsis.pdf.) Based on data from the National Survey of American Families, about two-thirds of welfare leavers do not have housing assistance (see n. 13). We reduced the estimated number of families leaving welfare annually without housing assistance from 800,000 to 500,000 to account for case closings due to administrative errors and families that return to the TANF rolls.

[30] Based on data from the 1999 American Housing Survey, HUD estimated that there were about 4.9 million unassisted renter households with incomes below 50 percent of the area median that paid more than half their income for housing costs or lived in severely substandard housing in 1999. Families with children make up about 40 percent of the households with worst-case needs. U.S. Department of Housing and Urban Development, *A Report on Worst Case Housing Needs in 1999: New Opportunity Amid Continuing Challenges*, 2001**.**

[31] Sard and Waller, n. 10 above.

Furthermore, the Senate Appropriations Committee's rationale is contrary to the recommendations of the Millennial Housing Commission, a bipartisan body established by Congress to analyze how current housing programs could be improved and what new programs should be added. In its recent report to Congress, the MHC recommended appropriating additional funds for "substantial annual increments" of housing vouchers. The Commission based its recommendation on findings that the housing voucher program "is flexible, cost-effective, and successful in its mission . . . [and] should continue to be the linchpin of a national policy providing very low-income renters access to the privately owned housing stock."[32]

To be sure, the regular voucher program could be made more effective. Reforms contained in bills pending in both the House and the Senate should increase families' success at using vouchers, enhance the ability of voucher-holders to move to lower-poverty neighborhoods, and ensure higher utilization of available voucher funds. (S. 2721, the Housing Voucher Improvement Act of 2002 introduced in July by Senator Sarbanes, chair of the Senate Banking Committee, contains a comprehensive set of modifications to the voucher program, including measures that would encourage owners to participate in the program, increase PHAs' flexibility to raise voucher payments in markets with rapidly escalating rents, and provide additional help to families in their search for housing. Similar but less extensive changes to the voucher program are contained in H.R. 3995, the Housing Affordability for America Act of 2002. Introduced by Representative Marge Roukema, chair of the House Financial Services Subcommittee on Housing and Community Opportunity, H.R. 3995 would revise many other HUD programs in addition to the voucher program. It was approved by the full Financial Services Committee in July and is likely to be considered by the full House in September.)

Even if the voucher program changes in these bills are not enacted this year, additional vouchers – including additional welfare-to-work vouchers – should be funded. While statutory changes would help improve how PHAs administer their existing vouchers, only agencies with a proven record of using voucher resources effectively are eligible to receive new vouchers. Congress and HUD hold PHAs to a higher standard to receive new vouchers than to renew existing contracts, to assure that new vouchers will result in affordable housing for the intended number of additional families.[33] There is strong demand from PHAs for additional welfare-to-work vouchers: when HUD recently announced the availability of approximately 1,700 vouchers that were being reallocated from agencies that had not used them, 46 of the 131 PHAs with welfare-to-work programs applied for a total of 11,334 more such vouchers. These PHAs indicated that in they could use *seven times* the number of vouchers becoming available.

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[32] *Meeting Our Nation's Housing Challenges: Report of the Bipartisan Millennial Housing Commission,* May 2002, at 59.

[33] To receive new vouchers funded in fiscal year 2001, HUD required PHAs to show that they had used at least 95 percent of their allocated vouchers in their last completed fiscal year and that they could lease all the new vouchers they were requesting within 12 months. In fiscal year 2002, Congress required that PHAs have at least a 97 percent utilization rate to receive new "fair share" (or regular) vouchers. In addition to applying this threshold requirement, HUD issued selection criteria that reward PHAs that used at least 99 percent of their voucher funds. Beginning in 2002, HUD may reallocate a portion of the vouchers of a PHA that has failed to bring its voucher utilization rate up to 95 percent. To receive reallocated vouchers, HUD requires that PHAs have at least a 97 percent voucher utilization rate.

Why Should Congress Fund New Welfare-to-Work Vouchers When Regular Vouchers Are Not Fully Utilized?

There has been concern in recent years that PHAs have not used all their vouchers, causing a significant amount of funds to be recaptured and directed to other programs, including programs outside of the jurisdiction of the VA-HUD appropriations subcommittees. If current funds are not all being used, it may be asked, why should more vouchers – including welfare-to-work vouchers – be funded.

First, many agencies do use all their vouchers and could assist many more families if they had additional vouchers to issue. The agencies that will receive any new vouchers are those that have proven they can use them. *No agencies that have failed to make full use of their voucher funds will be eligible for new funds.* (See note 33.) For welfare-to-work vouchers in particular, there is an additional reason new vouchers should be appropriated. Unless vouchers are designated as welfare-to-work vouchers, the competition to receive them will not encourage interagency collaboration and only a portion of the vouchers will benefit families making the transition from welfare to work.

In addition, HUD has undertaken a number of reforms that have begun to reduce the amount of unused voucher funds. Recent HUD data indicate that about five percent of all voucher funds are not used and that the percentage of all voucher funds going unused is declining.* Bills pending in both the House and Senate (H.R. 3995 and S. 2721) contain additional reforms that should further improve voucher utilization and reduce unused voucher funds. These provisions would provide PHAs with additional flexibility to increase voucher holders' success in using their vouchers and require HUD to reallocate unutilized vouchers to high-performing agencies that can serve the same area as a chronically under-performing agency. (Under HUD's current policy, vouchers may be reallocated without regard to the effect of the reallocation on how long families in the original area wait for voucher assistance.)

Another point to consider is that unused regular voucher funds are unlikely to be available in fiscal year 2003 to serve additional families. Any unused FY 2003 funds will not be available until fiscal years 2004 or 2005. (HUD is able to recapture unused funds only after the completion of PHAs' fiscal years, which are staggered on a quarterly basis. As a result, recapture of unused FY 2003 funds does not begin until federal fiscal year 2004, and continues during fiscal year 2005.) Nor is it likely that recaptured voucher funds from fiscal year 2002 and earlier years will be available for reallocation in 2003. The FY 2002 supplemental appropriations bill rescinded $388.5 million in recaptured Section 8 funds (from the voucher and project-based programs), and both the Administration's FY budget 2003 request and the pending Senate VA-HUD appropriations bill would rescind another $1.1 billion in FY 2002 and earlier Section 8 funds. The Senate bill would prevent HUD from reallocating voucher funds to PHAs that could use them to serve additional families unless HUD recaptures more than the amounts rescinded.

In short, HUD is unlikely to have recaptured funds available to enable PHAs to provide vouchers to additional families during fiscal year 2003 and will need new voucher funds for this purpose.

*HUD's *Section Eight Management Assessment Program: Report to Congress* (April 2002) states that the national utilization rate of voucher funds has increased to 94.6 percent for PHAs with fiscal years ending June 30, 2001.

Vouchers are the best investment Congress can make to alleviate quickly the severe housing problems of the lowest-income families. (Additional funds also are needed in many areas for housing rehabilitation and new construction.) Failure to make this investment will undercut efforts to help families move from welfare to work and will make it more difficult to foster the well-being of children in low-income families. Congress should fund at least the 34,000 new vouchers requested by the Bush Administration and set aside at least one third of the overall number of new vouchers for families moving from welfare to work.

Conclusion

Housing vouchers can advance the goals of welfare reform by helping families move off welfare and succeed in the workplace. Welfare-to-work vouchers appear to have been especially effective: families with these vouchers have had considerable success in using them to find housing, and the program has fostered new ties between housing and welfare agencies.

The Senate VA-HUD appropriations bill for fiscal year 2003 includes several improvements to the welfare-to-work voucher program that should enable housing agencies to build on the program's successes to date. The bill's funding for new vouchers, however, is inadequate. Congress should fund at least the 34,000 new vouchers requested by the Administration and set aside at least one-third of these new vouchers for families moving from welfare to work.