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Revised July 29, 2015

Senate Expansion of "Moving to Work" Block Grants Would Sharply Cut Number of Families with Housing Vouchers

By Will Fischer

The Senate Appropriations Committee recently approved a funding bill for the Departments of Transportation and Housing and Urban Development (HUD) that included two major provisions affecting the Moving to Work (MTW) demonstration program. MTW allows participating state and local housing agencies to obtain broad waivers of federal statutes and rules governing the public housing and Housing Choice Voucher programs, shift funds from those programs to other purposes, and receive funding under special block grant formulas.

The Senate bill directs HUD to increase *more than eightfold* the number of housing agencies participating in MTW, potentially extending it to 35 percent of the nation's vouchers and public housing units. The bill also would block important reforms HUD plans to make at agencies already participating in MTW.

MTW has fostered some useful policy innovations but has also had significant adverse effects. Expanding MTW without substantial reforms — as the Senate bill proposes — would pose major risks for low-income families.

- The Senate provisions would cause as many as 85,000 fewer low-income families to receive voucher assistance, if — as is likely — new MTW agencies use MTW flexibility to shift voucher funds to other purposes at roughly the same rate as agencies that have entered the demonstration in recent years. This would expose low-income families to substantial added hardship, since research shows that vouchers reduce crowding and housing instability and are by far the most effective way to lower homelessness among families with children.
- The provisions could lay the groundwork for even deeper voucher cuts in the future by converting more than 40 percent of voucher funding to block grants that would be more vulnerable to funding reductions.
- The new agencies admitted to MTW would likely extend — to many additional families — harmful or risky policy changes that are common at agencies now in the demonstration, including substantial rent increases for the poorest families.

The risks MTW poses could be reduced through well-designed reforms, such as requirements that participating agencies use most voucher funds for rental vouchers and limits on waivers of key protections for low-income tenants. Unfortunately, the Senate provisions move in the opposite direction by sharply expanding the demonstration while blocking needed reforms.

Senate Bill Would Require Large MTW Expansion and Block Reforms

Despite its name, MTW is a broad deregulatory initiative that is not focused on supporting employment. MTW allows participating agencies to obtain waivers of most of the main laws and regulations governing the public housing and voucher programs, to receive voucher and public housing funding under special formulas, and to shift program funds to purposes other than those normally permitted. Today 39 agencies administering about 430,000 vouchers and public housing units participate in MTW, which was first implemented in 1998.

MTW has allowed agencies to test some promising alternative policies, but it has also allowed transfers of voucher funds that have resulted in fewer families receiving assistance, policy changes that risk serious hardship for vulnerable families, and weak policy evaluation and oversight of federal funds. The Government Accountability Office, HUD's Inspector General, advocates for low-income families in the affected communities, and members of Congress from both parties have criticized the demonstration on some or all of these grounds.

In 2012, the Republican leadership of the House Financial Services Committee circulated a proposal — developed through negotiations among a range of stakeholders — as part of a draft of the Affordable Housing and Self-Sufficiency Improvement Act (AHSSIA) that would have expanded MTW but made major reforms to limit reductions in the number of families that agencies assist, require rigorous evaluation of major policy changes, and address other shortcomings of the demonstration.[1] HUD has announced plans to institute reforms addressing some of the same concerns when it renews agreements governing current MTW agencies' participation, which are due to expire in 2018.[2]

The Senate Appropriations Committee's Transportation-HUD bill, however, takes a very different approach, expanding MTW sharply with virtually no reforms. The bill would direct HUD to admit to MTW 300 additional agencies that administer between 200,000 and 800,000 vouchers and public housing units.[3] Larger agencies have been more likely to seek and obtain MTW status in the past, so

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[1] Will Fischer, "Moving to Work Compromise Would Reduce Risk from Expanding Demonstration," Center on Budget and Policy Priorities, June 25, 2013, http://www.cbpp.org/research/moving-to-work-compromise-would-reduce-risk-from-expanding-demonstration.

[2] Will Fischer, "HUD Seeks Significant Improvements to 'Moving to Work' Demonstration, But Additional Changes Needed," Center on Budget and Policy Priorities, January 21, 2015, http://www.cbpp.org/research/hud-seeks-significant-improvements-to-moving-to-work-demonstration-but-additional-changes.

[3] The Senate bill directs HUD to admit 300 agencies, including at least 150 agencies with 600 or fewer vouchers and public housing units, at least 125 agencies with 601 to 5,000 units, and no more than 20 agencies with 5,001 to 22,000 units. The bill also requires that all agencies admitted be high performers under HUD's public housing performance measurement system (though not under the voucher performance measurement system). Performance scores vary from year to year, so this does not indicate which specific agencies HUD would be able to admit, but HUD would likely interpret it to mean that all agencies admitted must administer some public housing (which would exclude about 800 agencies that administer only vouchers). If HUD admitted the smallest non-MTW agencies in each size category that administer some public housing the expansion would cover approximately 200,000 units; if HUD admitted the largest agencies permitted the expansion would cover about 800,000 units.

the number of vouchers and public housing units affected would likely be toward the high end of this range. If close to 800,000 units were added to MTW, the demonstration would cover about 35 percent of the vouchers and public housing units nationwide. In addition, the bill would direct HUD to extend current MTW agencies' agreements with no changes except those that the agencies favor. The most important reforms that HUD anticipated implementing in 2018 are opposed by a number of MTW agencies (which, like many government agencies and private entities, can be resistant to change), which means the Senate bill would effectively block them.

The Senate bill would likely result in an MTW demonstration that allows agencies to institute policies similar to those implemented in the current demonstration, but on a much larger scale. This outcome could have serious adverse effects on federal rental assistance programs and the vulnerable families they serve.

Provisions Would Sharply Reduce the Number of Families Receiving Vouchers

MTW allows participating agencies to transfer unlimited funds from the voucher program to other purposes. Agencies are required to assist "substantially the same" number of low-income families as they would without MTW funding flexibility, but HUD has interpreted this in a manner that does little to prevent funding shifts that result in fewer families receiving meaningful assistance.[4]

In addition, MTW agencies receive nearly all of their voucher funding through block grant formulas, which adjust voucher subsidy and administrative funding from year to year based on inflation, regardless of how many families an agency assists or how it uses its funds. By contrast, non-MTW agencies receive subsidy funding based on the cost of the authorized vouchers they used in the previous year adjusted for inflation, and administrative funds based on the number of their vouchers that are actually in use. The funding policies under MTW provide much weaker incentives for MTW agencies to issue vouchers to low-income families than is the case for non-MTW agencies, and in practice MTW agencies use far fewer vouchers than they could with available funds.

MTW Funding Shifts Reduce Number of Families Assisted

In 2014, MTW agencies shifted $590 million — about 19 percent of their total voucher subsidy funding — to other purposes or accumulated the funds as reserves.[5] About 63,000 families who could have been assisted with available funds were left without vouchers as a result.[6] Some MTW

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[4] HUD has implemented the requirement by assessing whether an agency assists substantially the same number of families as it did when it entered MTW (adjusted for new voucher awards and the removal of public housing units). This "baseline" is often well below the number of families the agency could assist if it didn't transfer funds, mainly because some MTW agencies had large numbers of idle vouchers and vacant public housing units when they entered MTW but received funding for those units under the funding formulas then in place. In addition, HUD counts nearly every income-eligible family that receives any type of MTW-funded housing-related benefit as "assisted" even if the assistance is very small. As a result, agencies can reduce the number of families receiving substantial rental assistance while "assisting" many other families with only very small amounts of rental aid, and then use the freed-up funds for other purposes.

[5] MTW agencies used 81 percent of all of their funded vouchers, including vouchers above their "authorized caps," in 2014. Congress permits MTW agencies, but not other agencies, to use vouchers above the number they are authorized to administer, and some MTW agencies receive sufficient funds to do so. In 2014, MTW agencies used 86 percent of the somewhat smaller number of vouchers that were covered by available funds and were below their authorized caps.

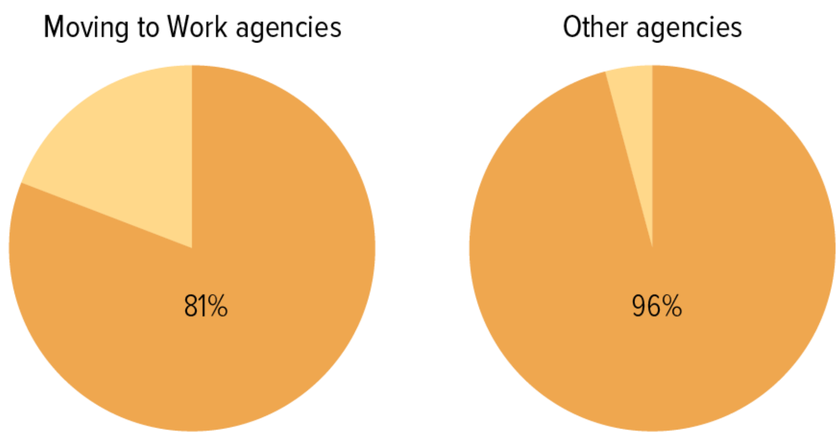
[6] We estimated the number of families left unassisted as a result of funding shifts by dividing the amount of voucher subsidy funds not used for voucher subsidies at each agency by the average cost of that agency's vouchers.

agencies shifted voucher funds even more aggressively, including four that provided vouchers to fewer than 70 percent of the families they could have assisted. By contrast, in 2014 *non*-MTW agencies used 96 percent of the vouchers they were authorized and funded to use. (See Figure 1.)

FIGURE 1

"Moving to Work" Agencies Use Smaller Share of Available Vouchers Than Other Agencies

Vouchers in use as share of vouchers agencies could use with annual funding, 2014



Source: CBPP analysis of Department of Housing and Urban Development data.

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MTW agencies' diversion of voucher funds is problematic because vouchers are a proven, highly effective form of housing assistance. Research shows that vouchers sharply reduce homelessness, crowding, and housing instability, problems that have been linked to long-term harmful effects on children's health and development.[7] A rigorous study released this month comparing the major policies used to address homelessness among families with children found that vouchers were by far the most effective. (See Figure 2.) Compared with a control group, homeless families issued vouchers were 56 percent less likely to become homeless again, 55 percent less likely to report incidents of domestic violence, and 42 percent less likely to have their children placed in foster care or temporarily housed with other family members.[8] Other research has found that vouchers reduce low-income families' rents more cost-effectively than programs that build new affordable housing.[9]

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[7] Will Fischer, "Research Shows Housing Vouchers Reduce Hardship and Provide Platform for Long-Term Gains Among Children," Center on Budget and Policy Priorities, March 10, 2014, http://www.cbpp.org/research/research-shows-housing-vouchers-reduce-hardship-and-provide-platform-for-long-term-gains.

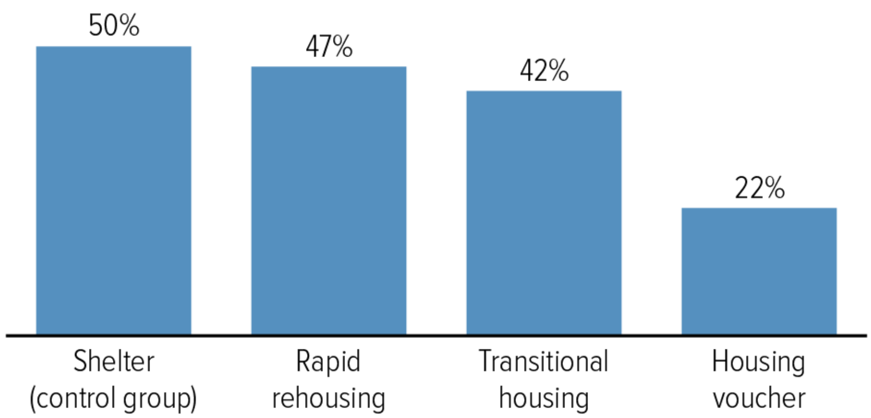
[8] Gubits et al, *Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families,* prepared for Department of Housing and Urban Development, July 2015, http://www.huduser.org/portal/sites/default/files/pdf/FamilyOptionsStudy_final.pdf.

[9] Government Accountability Office, "Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs," GAO-02-76, January 2002, http://www.gao.gov/new.items/d0276.pdf.

FIGURE 2

Housing Vouchers Most Effective Way to Reduce Homelessness for Families in Shelters

Share of families reporting, 18 months after receiving assistance, that they had recently been homeless or living doubled up with others



Note: The difference in outcomes for families receiving rapid rehousing assistance and those in shelters was not statistically significant.

Source: Department of Housing and Urban Development, "Family Options Study: Short-Term Impacts of Housing and Services Interventions for Homeless Families," Exhibit ES-5

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Agencies use funds transferred out of their voucher programs for a wide range of purposes, including agency administrative budgets, public housing operations and repairs, services for low-income families, and construction of affordable housing. These activities often have benefits, but they do little or nothing to offset the loss of vouchers by extending assistance to additional families.[10]

Agencies can use funds transferred out of the voucher program for other forms of rental assistance, but they do not do so on nearly the scale needed to offset the loss of vouchers. The five MTW agencies that transferred the most funding out of the voucher program in 2014 provided vouchers to about *32,000* fewer families than they could have with available funds. But these agencies report using MTW funds to provide housing assistance to only *3,600* families outside the voucher and public housing programs. Moreover, most of those families received assistance that is

[10] Voucher funding transfers have enabled MTW agencies to preserve or replace some public housing that would otherwise have been lost, but it is impossible to determine how many units were preserved *due to those agencies' MTW status* since many agencies outside MTW have also taken steps to preserve public housing (and did so without reducing the number of families receiving housing vouchers). Overall, the number of public housing units at MTW agencies has dropped much *more* rapidly than at non-MTW agencies. Some MTW agencies have transferred public housing to the voucher program as "project-based vouchers," but families living in those units show up in our estimates of the number of families that MTW agencies assist in the voucher program.

targeted on families with higher incomes than families the voucher program typically serves; such assistance is not effective at enabling the poorest families to afford housing.[11]

There is also no evidence that transfers of MTW funds for services or other purposes pay for themselves (for example, by increasing tenant incomes and rent payments or freeing up subsidies to assist new families by enabling current tenants to afford housing on their own).[12] Funding transfers that don't achieve these outcomes or provide housing assistance through other programs will exacerbate the already severe unmet need for rental assistance. Fewer than one in four low-income families eligible for vouchers receive *any* federal rental assistance, and there are long (often multi-year) waiting lists for assistance in most of the country. HUD estimates that in 2013, some 7.7 million renter households that had incomes below half of the median income in their area and did not receive any rental assistance either lived in substandard housing or paid more than half their income for housing.[13]

Senate Provisions Could Reduce Number of Families With Vouchers by as Many as 85,000

The Senate bill's MTW expansion would likely leave substantial numbers of additional families without vouchers. Low voucher utilization rates are widespread among MTW agencies regardless of those agencies' characteristics. Compared with non-MTW agencies, both small and large MTW agencies use a much lower share of the vouchers they could support with their funds. Agencies that have participated in MTW for ten years or more have the lowest utilization rates on average, but even the more recent agency entrants leave unused 15 percent of the vouchers they could use with their funds — more than triple the percentage at non-MTW agencies.[14]

Nothing in the Senate bill would alter the incentives or rules governing voucher use at MTW agencies, so there is every reason to expect that new MTW agencies would eventually leave vouchers unused at roughly the same rate as current MTW agencies.[15] (This would likely occur over several years rather than immediately.) If new MTW agencies ultimately shift funds out of the voucher program at the same rate as the agencies that have entered MTW in recent years, the new agencies

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[11] The five agencies were Atlanta, Chicago, the District of Columbia, Oakland, and Philadelphia. The great majority of the 3,600 families were residents of Low Income Housing Tax Credit (LIHTC) developments that were built using some MTW funds but receive no ongoing rental assistance. LIHTC developments must be affordable to households with incomes at 60 percent of the local median income. Without ongoing rental assistance, however, LIHTC generally doesn't make housing affordable to families with incomes below 30 percent of median income — the group that is usually targeted by the voucher program and faces the greatest risk of homelessness or other housing-related hardship.

[12] Barbara Sard, "Most Rental Assistance Recipients Work, Are Elderly, or Have Disabilities," Center on Budget and Policy Priorities, July 17, 2013, http://www.cbpp.org/cms/?fa=view&id=3992, pp. 8-9 and 16-18.

[13] Barry L. Steffen et al, "Worst Case Housing Needs: 2015 Report to Congress," Department of Housing and Urban Development, April 2015, http://www.huduser.org/portal//Publications/pdf/WorstCaseNeeds_2015.pdf.

[14] Agencies that entered MTW earlier transfer voucher funds at a somewhat higher rate, in part because at the time that they entered MTW, funding for many of those agencies was significantly above the level they needed to support the vouchers they were using at that time.

[15] The risk of voucher cuts may be made worse by the Senate bill's omission of requirements — included in some MTW expansion proposals, such as section 242 of the Administration's 2016 HUD budget request — that agencies be high performers under the voucher performance measurement system and meet a minimum voucher utilization threshold at the time they apply. This would allow agencies with poorly administered voucher programs to enter MTW, and those agencies may be more likely to shift voucher funds to other purposes.

would provide vouchers to between 15,000 and 55,000 fewer families, depending on the size of the agencies that HUD admits to MTW.[16] Since, as noted, larger agencies are more likely to apply for and obtain MTW status, the voucher loss is likely to be toward the high end of this range.

The Senate provision blocking HUD reforms at existing MTW agencies would also cause fewer families to receive vouchers. One of those reforms would direct agencies to use at least 90 percent of their voucher funds for rental assistance, which would require them to assist about 30,000 more families than they did in 2014 (assuming the requirement is well designed and enforced).[17] When the impact of effectively prohibiting this reform is taken into account, along with the funding shifts that would be permitted at new MTW agencies, the Senate bill could result in between 45,000 and 85,000 fewer families receiving vouchers.

Importantly, these reductions *would not result in federal savings*, since MTW agencies' funding is not adjusted downward even if they reduce the number of families they assist. Instead, the reductions would mean that fewer families receive vouchers per dollar of federal funding.

MTW Block Grants Could Lead to Large Funding Cuts Over Time

MTW expansion could lay the groundwork for much deeper long-term reductions in housing assistance because the block grant formulas used to fund MTW agencies would be more vulnerable to funding cuts. Congress has cut funding considerably for most programs funded as block grants, both in housing and in other program areas.[18]

The 2015 funding levels for the three major housing block grants were all sharply below their inflation-adjusted 2001 funding levels. (See Figure 3.) The Native American Housing Block Grant — which was created in 1998 to consolidate funds provided to Native American tribes and tribal housing agencies through vouchers, public housing, and several smaller funding streams — has lost 26 percent of its value. Funding is 50 percent lower for the Community Development Block Grant (CDBG) and 63 percent lower for the HOME Investment Partnerships program. The same 2016 Senate appropriations bill that would sharply expand MTW would virtually eliminate HOME, cutting funding to 3 percent of its inflation-adjusted 2001 funding level.

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[16] We estimated the 15,000 voucher figure by (1) multiplying total 2014 voucher subsidy funding at the smallest 300 agencies that could be admitted to MTW under the Senate bill's size criteria by the percentage (85 percent) of voucher subsidy funds used for voucher subsidies at the 15 MTW agencies admitted after 2005, (2) dividing this amount by each of the 300 agencies' average voucher costs to estimate how many vouchers the agency would lease if it shifted funds at the same rate as recently admitted MTW agencies, and (3) comparing that number of vouchers with the number the agency actually leased in 2014. We estimated the 55,000 figure by repeating these calculations for the largest agencies that could be admitted under the Senate bill's size criteria.

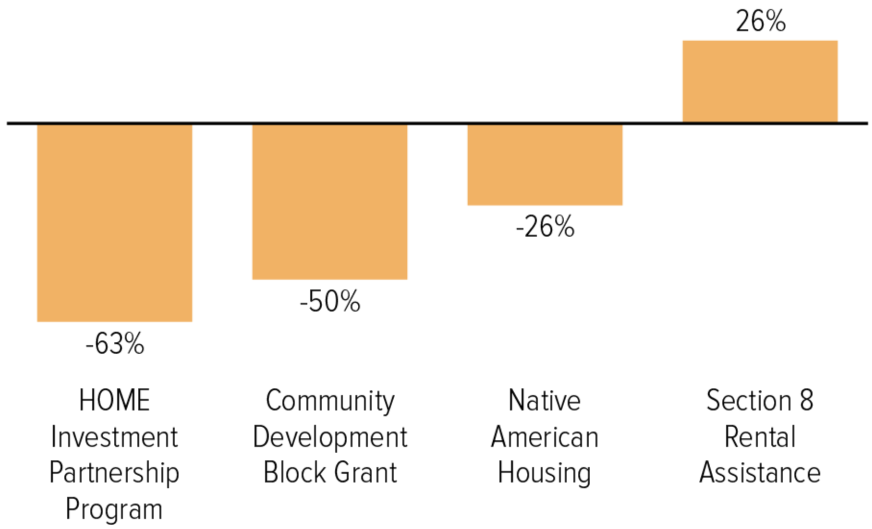
[17] HUD has not publicly released the details of the planned changes. At one point, it indicated that it could allow some expenditures on development projects to count toward the 90 percent requirement. If it did so, the number of additional families that would receive rental assistance as a result of this reform would be lower than 30,000, and the impact of the Senate bill's provision blocking the reforms would be smaller.

[18] Richard Kogan, "History Suggests Ryan Block Grant Would Be Susceptible to Cuts," Center on Budget and Policy Priorities, July 28, 2014, http://www.cbpp.org/blog/history-suggests-ryan-block-grant-would-be-susceptible-to-cuts.

FIGURE 3

Major HUD Block Grants Have Declined Sharply Compared with Section 8 Rental Assistance

Percent change in annual funding, 2001 to 2015, adjusted for inflation



Note: Figures show changes in budget authority, except for Section 8, where outlays are shown to minimize distortions due to rescissions and other factors. Fiscal year 2015 Section 8 outlays are projected based on data for the first nine months of the fiscal year (through June 2015). "Section 8" combines tenant-based (voucher) and project-based rental assistance programs.

Source: Office of Management and Budget

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By contrast, Congress has *raised* funding for the voucher program and Section 8 Project-Based Rental Assistance — the two largest housing programs that are not block grants — substantially over time to keep pace with factors such as the widening gap between market rents and the amount that low-income families can afford to pay for housing.

Two features make block grants particularly vulnerable to funding cuts. First, the formulas used to set their funding levels typically do not take into account factors such as the number of families assisted or the actual cost of assistance. As a result it is more difficult to make a compelling case for why policymakers should maintain funding at the current level, let alone increase it to keep pace with inflation and other factors that affect the need for assistance. Second, since block grants provide flexibility in how funds are used, federal policymakers can cut funding (or freeze funding and allow inflation to erode its value) and leave it to state and local agencies to make the difficult decisions about what to cut.

Under the voucher formula used for non-MTW agencies today, by contrast, identifying the amount needed to continue to fund all vouchers in use is straightforward. Moreover, cuts in voucher funding lead directly to reductions in the number of assisted families, so the consequences of underfunding are clear to policymakers and the public. This is the primary reason why Congress has generally provided sufficient funding to cover the cost of vouchers in use.[19]

As noted above, MTW agencies use close to 20 percent of voucher subsidy funds for administration, public housing operations and repairs, development and other purposes aside from voucher subsidies. Housing agencies have sought to use voucher funds for these purposes in part because Congress has cut (or inadequately increased) the funding streams designed to support them, including voucher administrative fees, the public housing operating and capital funds, HOME, and CDBG. This suggests that if more voucher agencies shifted funding in the manner that MTW agencies do, policymakers could reduce voucher funding and claim that agencies could implement the cuts by cancelling development projects or scaling back budgets for administration or public housing operations, rather than by cutting rental assistance for vulnerable families.

It may be argued that MTW has not led to substantial voucher funding cuts so far. But the great majority of the voucher program continues to be funded through the regular voucher formula. Under the Senate bill, by contrast, more than 40 percent of voucher funding could be provided through MTW block grants. (This exceeds the 35 percent of vouchers and public housing units that MTW could cover after expansion, because current MTW agencies administer 13 percent of vouchers but receive 18 percent of voucher funds.)

If this occurred, the chance of large-scale funding cuts would increase markedly. And housing agencies would have more flexibility under MTW to respond to federal funding cuts through such actions as changing higher rents to low-income families or assisting higher-income families that are less expensive to serve. Nearly all such cuts would come through measures that would adversely affect the neediest families and diminish the voucher program's effectiveness in reducing homelessness and other serious hardship.

MTW Permits Policy Changes That Pose Risks for Families and Haven't Been Adequately Evaluated

MTW allows HUD to waive nearly all provisions of the United States Housing Act — the main statute governing public housing and vouchers — and related regulations. This sweeping authority has allowed MTW agencies to eliminate some rules that are unnecessary or excessively burdensome. But it can also undermine key program standards that protect low-income families and make rental assistance effective in addressing homelessness and other problems.

For example, under regular program rules voucher holders and public housing tenants generally pay no more that 30 percent of their incomes for rent. Housing agencies can charge the lowest-income families a "minimum rent" that exceeds 30 percent of their income, but this minimum rent cannot exceed \$50 a month. Congress has considered raising this \$50 cap in recent years, to \$69 in the most prominent proposal. But these proposals have been highly controversial — because of

[19] The voucher program received substantially less funding in 2013 than was needed to cover the cost of vouchers in use, but even this exception illustrates the larger pattern. The House and Senate appropriations committees and the President's budget all proposed higher voucher funding levels. Those funding levels were not actually appropriated because Congress provided appropriations for most HUD programs under a continuing resolution that froze most funding at 2012 levels — and funding was then cut further due to the sequestration reductions required by the Budget Control Act, which accounted for the majority of the 2013 voucher shortfall.

their impact on some of the nation's most vulnerable families and their potential to increase homelessness — and they haven't been enacted.[20]

MTW, however, eliminates limits on tenant rents entirely. More than half of MTW agencies have raised rents on at least some families with little or no income above $50, and several have raised rents for some such families to $200 or more.[21] Minimum rent increases can be appealing to housing agencies in part because they reduce subsidy costs, freeing up resources that can be used for other purposes. In addition, proponents sometimes claim that the increases will encourage self-sufficiency. Yet there is no evidence that requiring destitute families to pay added rent charges each month makes them more likely to get back on their feet. To the contrary, a growing body of research suggests that extreme poverty — which these rent increases exacerbate — damages children's brain development and long-term education and employment prospects.[22]

Agencies are required to have policies to exempt families facing hardship from minimum rents. But such policies typically do little to protect families, partly because they require destitute tenants — many of whom have physical or mental disabilities or very low education levels and may have difficulty dealing with bureaucratic requirements — to seek exemptions. A 2010 HUD study found that 82 percent of state and local agencies that imposed minimum rents exempted less than 1 percent of the affected households.[23] MTW hardship policies may be more (or less) effective, but this is not known because MTW agencies are not required even to report how many families request or are granted exemptions.

More broadly, it isn't possible to assess the full effects of minimum rent policies or other rent changes without an evaluation comparing outcomes for families who face minimum rent increases with outcomes for comparative families who do not. Without a controlled evaluation, it is impossible to determine whether changes in outcomes like employment or homelessness stem from the policy or from other factors (such as local economic trends or demographic changes in the agency's caseload). HUD recently initiated an evaluation at four MTW agencies of a package of rent changes that includes higher minimum rents, but the results will not be available for several years. It is difficult to justify allowing large numbers of additional agencies to raise rents on the poorest families until the results from this evaluation are available.

For most other policy changes that MTW agencies have undertaken — including some that pose substantial risks for low-income families — no controlled evaluation is even under way. For example, 11 MTW agencies have imposed work requirements and eight have set time limits on

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[20] Barbara Sard, "Higher Rents for Poorest Housing Recipients a Bad Idea," Center on Budget and Policy Priorities, July 23, 2015, http://www.cbpp.org/blog/higher-rents-for-poorest-housing-recipients-a-bad-idea.

[21] These figures include agencies that set flat rents or subsidy levels for all families regardless of income, as well as those that raise minimum rents but maintain income-based rents for most families.

[22] Jack P. Shonkoff, *et al.,* "The Lifelong Effects of Early Childhood Adversity and Toxic Stress," *PEDIATRICS*, volume 129, number 1, pp. e232 -e246, 2012, http://pediatrics.aappublications.org/content/129/1/e232; Mark M. Kishiyama *et al.,* "Socioeconomic Disparities Affect Prefrontal Function in Children," *Journal of Cognitive Neuroscience,* 21(6), pp. 1106–15, 2009; Greg J. Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty," *Pathways,* Winter 2011,

http://www.stanford.edu/group/scspi/_media/pdf/pathways/winter_2011/PathwaysWinter11_Duncan.pdf.

[23] Abt Associates et al, *Study of Rents and Rent Flexibility*, prepared for HUD Office of Public and Indian Housing, May 26, 2010, http://www.huduser.org/publications/pdf/Rent%20Study_Final%20Report_05-26-10.pdf .

housing assistance, according to a review of MTW policies commissioned by groups affiliated with state and local housing agencies.[24] These policies are intended to encourage self-sufficiency, but they could also lead to significant hardship — for example, for families subject to work requirements that lose assistance because a parent cannot find a job, or for working-poor families whose assistance is cut off by time limits but do not earn enough to afford housing on their own. These policies consequently could significantly undermine the voucher program's effectiveness in reducing homelessness, overcrowding, and housing instability. We cannot reliably assess their impact because they have not been rigorously evaluated, but MTW expansion would nonetheless allow agencies to extend them to very large numbers of additional poor families.

Reforms Would Advance MTW's Goals With Fewer Risks

There is no compelling rationale to expand MTW, since the demonstration is already very large and HUD could more efficiently test any alternative policies that MTW agencies are not already testing through targeted, temporary demonstrations. If policymakers expand MTW, however, the expansion should include significant reforms to reduce the demonstration's adverse effects. Congress should also refrain from limiting HUD's authority to make similar reforms at agencies currently participating in MTW. The most important reforms include:[25]

- **Limiting shifts of voucher funds and reductions in families assisted.** HUD has indicated that it would use the extensions of MTW agreements to better implement the existing requirement that agencies assist substantially the same number of low-income families as they would without MTW funding flexibility (for example by more accurately calculating the "baseline" number of families agencies would assist without MTW funding flexibility), and also to require current MTW agencies to use at least 90 percent of their voucher subsidy funds for rental assistance.[26] The 90 percent requirement would be far more effective if agencies also received 90 percent of their voucher funds through the same cost-based formula as is used for non-MTW agencies.

  These changes — which should be applied to existing and new MTW agencies alike — would stem reductions in assistance that could increase homelessness in the near term and reduce the risk that MTW expansion would expose the voucher program to long-run cuts like those faced by the major housing block grants. Congress should make available adequate resources for some activities that are funded in part by MTW transfers today, including voucher administrative costs, public housing operating subsidies, and renovation of public housing developments — all of which have been deeply underfunded in recent years. But it should do

[24] Jill Khadduri et al, "Innovations in the Moving to Work Demonstration," Abt Associates, December 2014, http://www.pahrc.org/studies/Innovations_in_the_Moving_To_Work_Demonstration_Full_Report.pdf.

[25] The Moving to Work Reform Act, a bill introduced on July 29 by Financial Services Committee Ranking Member Maxine Waters, would require that HUD include measures in each of these areas — as well as other beneficial reforms — in all future MTW agreements.

[26] As mentioned in note 17, HUD indicated at one point that it could count expenditures on development of affordable housing toward the 90 percent requirement. This would make the requirement less effective, since development expenditures tend to be less cost effective than direct rental assistance and may reduce rents only modestly below market rents (making them much less effective than direct rental assistance in providing stable housing for the neediest families). Other details of the 90 percent requirement and the improvements to the requirement to serve substantially the same number of families would also influence their effectiveness. See Fischer 2015 (note 2 above) for additional discussion of these issues.

so directly (including by adequately funding preservation of public housing through HUD's Rental Assistance Demonstration), rather than by allowing transfers that reduce the number of vouchers available to needy families.

- **Prohibiting waivers of key tenant rights and program standards.** The compromise MTW expansion in the 2012 AHSSIA draft prohibited waivers of key program standards (such as requirements that most vouchers be targeted on families with incomes below 30 percent of the area median income) along with requirements regarding tenant rights.
- **Limiting policy changes that risk hardship for low-income families and requiring that they be rigorously evaluated.** Congress should not allow agencies to implement new time limits, work requirements, or major rent changes unless those policies will be subject to controlled evaluations. It would not be feasible to conduct such evaluations at every agency in an expanded MTW, so Congress should allow only a limited number of new agencies — perhaps five or ten — to test such policies, given their potential impacts on homelessness and on destitute families.
- **Requiring MTW agencies to do more to support housing choice.** Research shows that using vouchers in low-poverty neighborhoods can have a major positive impact on young children's adult earnings and rates of college attendance, along with other positive effects.[27] Most MTW agencies, however, do little to help families move to such neighborhoods, even though one of MTW's three statutory goals is to "increase housing choices." HUD should require MTW agencies whose vouchers are disproportionately concentrated in high-poverty, low-opportunity areas to develop and put into effect a plan to provide participants access to a wider range of neighborhoods.

Taken together, these changes would allow MTW agencies to experiment with a wide range of policy variations and give them flexibility to transfer voucher funds to other purposes. Some risk would remain that MTW would lead to adverse consequences for low-income families. The changes would, however, avoid very large funding transfers or fundamental policy changes that could severely damage the voucher program's capacity to protect the lowest-income families from homelessness and other hardship.

[27] Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," May 2015, http://scholar.harvard.edu/files/lkatz/files/mto_manuscript_may2015.pdf; Barbara Sard and Douglas Rice, "Creating Opportunity for Children: How Housing Location Can Make a Difference," Center on Budget and Policy Priorities, October 15, 2014, http://www.cbpp.org/research/creating-opportunity-for-children.