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## ABSTRACT

This paper describes the Family Self-Sufficiency (FSS) program, an employment and savings incentive program for low-income families that have Section 8 vouchers or live in public housing. It consists of both case management services to help participants pursue employment and other goals and escrow accounts into which the public housing agency (PHA) deposits the increased rental charges that families pay as their earnings rise. The paper analyzes the value of the FSS program for tenants (asset accumulation, employment, and earnings) and for PHAs (better public relations, improved services, and enhanced standing with HUD). It offers suggestions for overcoming perceived or actual barriers to PHA implementation or expansion of the program (lack of funding for case management, staff expertise, resident interest in FSS, and community employment opportunities and services). It discusses how the FSS program promotes welfare reform goals by encouraging work, providing funds for work expenses or emergencies, and offering case management. It also highlights how welfare agencies may advance welfare reform goals by helping PHAs expand their programs and by encouraging families that receive TANF benefits to participate in FSS. (Contains 63 endnotes.) (SM)

# THE FAMILY SELF-SUFFICIENCY PROGRAM

HUD's Best Kept Secret For Promoting  
Employment And Asset Growth

*Barbara Sard<sup>1</sup>*



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## **I. Executive Summary**

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The Family Self-Sufficiency (FSS) program is an employment and savings incentive program for low-income families that have Section 8 vouchers or live in public housing. The FSS program was enacted in 1990, based on a proposal by the first Bush Administration. It consists both of case management services that help participants pursue employment and other goals, and of escrow accounts into which the public housing agency (PHA) deposits the increased rental charges that a family pays as its earnings rise. Families that complete the program may withdraw funds from these accounts for any purpose after five years.

The FSS program provides a unique opportunity for PHAs to implement a program that directly benefits both themselves and public housing and Section 8 residents at little or no additional cost to the PHA. (The U.S. Department of Housing and Urban Development covers most program costs.) Despite the many potential advantages of the FSS program, however, it is currently underutilized. Fewer than half of PHAs offer the FSS program to residents. In addition, most agencies that do offer FSS sharply limit program size. As a result, fewer than five percent of families with children in the public housing and Section 8 voucher programs currently participate in FSS.

If PHAs expand their FSS programs and more PHAs initiate them, additional families could be assisted in becoming and remaining employed and obtaining higher-paying jobs by enhancing their skills. In addition, the higher rents that families pay as their earnings increase would be transformed into savings they could use to purchase or repair cars needed for work, buy homes, overcome financial emergencies, or for other purposes.

This paper analyzes the value of the FSS program for tenants and PHAs and offers suggestions for overcoming perceived or actual barriers to PHA implementation or expansion of the program. It also highlights how welfare agencies may advance welfare reform goals by helping PHAs expand their programs and by encouraging families that receive TANF benefits to participate in FSS.

## **How Does the FSS Program Benefit PHAs?**

The benefits of the FSS program to PHAs fall under three general categories. First, FSS can help improve a PHA's relations with tenants, property-owners, and the local community. An FSS program that assists tenants in building careers may help counter the negative perceptions that many tenants have of PHAs. The positive image of FSS participants motivated to improve themselves also can encourage more property-owners to make housing available to families with vouchers. Among the general public as well, local media coverage of FSS "success stories" may improve PHAs' reputations and ease negative stereotypes of subsidized tenants.

Second, the FSS program can help PHAs provide better and more comprehensive services to residents. Through FSS, for example, PHA staff can develop relationships with staff of local agencies that provide employment-related services such as job training and child care. In addition, FSS programs' core elements — helping participants secure stable employment and save money — can facilitate PHA programs that help public housing tenants and Section 8 participants purchase their own homes. And since every FSS participant who increases earnings enough to leave public housing or cease to receive Section 8 assistance frees up a housing subsidy for a new eligible family, FSS can enable PHAs to serve more poor families.

Third, successful implementation or expansion of an FSS program may improve a PHA's standing with HUD. HUD's tools for evaluating PHAs' management of the Section 8 and public housing programs give credit to PHAs for establishing FSS programs that increase families' earnings. This improved standing may enable a PHA to secure increased HUD funding, such as additional housing vouchers or HOPE VI revitalization funds for seriously distressed public housing.

## **How Does the FSS Program Benefit Participants?**

For participants, the primary benefit of FSS participation appears to be asset accumulation. As of November 2000, about 48 percent of FSS participants who had been enrolled in FSS for 12 months or more had positive escrow balances. These families had an average escrow balance of about \$2,400 and were adding to their accounts at the average rate of about \$300 per month. Some 45 percent of the families that were considered to have successfully completed the FSS program between the fall of 1999 and November 2000 received escrow funds averaging nearly \$5,000 per family.

In addition, current national data suggest an improvement in employment status and full-time work from enrollment in FSS until program completion. It is not possible from the available data to determine the change in employment or earnings for particular families or the extent to which any such changes may be attributable to the FSS program. Data for a few individual FSS programs, however, indicate that a substantial proportion of families experience a large increase in earnings while participating in FSS.



Even if a family forfeits its escrow account due to failure to complete the program successfully – about half the families that enroll exit before completion – the family is in no worse financial position than if it had simply paid the increased rent otherwise due. The only families that face a financial risk from participating in FSS are those in the apparently small number of Section 8 FSS programs in which the PHA may terminate a family's Section 8 subsidy as a sanction for non-compliance with the FSS contract.

### **How Does the FSS Program Promote Welfare Reform Goals?**

Approximately 560,000 families in the public housing and Section 8 voucher programs currently receive income from TANF or state general assistance programs. Fewer than 1.5 percent of these families appear to be participating in FSS.

Increased participation of TANF families in FSS could assist welfare agencies and promote welfare reform goals in three ways. First, FSS participation encourages work. Every FSS participant who is a head of household must become employed. Participants who do not meet the employment goals established in their FSS contracts may be terminated from the FSS program, thereby forfeiting their escrow funds. The program also provides an incentive to *remain* employed: by the end of the FSS contract, participants must have been off of welfare assistance for at least 12 months and employed to obtain their escrow funds. Second, the interim withdrawals that FSS participants are permitted to make from their escrow accounts for work-related expenses or emergencies can help families overcome obstacles that have traditionally impeded long-term job stability. Third, the case management services provided through FSS may supplement the services available through the welfare agency.

### **Collaboration Between Housing and Welfare Agencies Can Make FSS Programs More Effective**

By working together, PHAs and welfare agencies can enhance the effectiveness of FSS programs for families receiving welfare benefits. One form of cooperation is information-sharing, for example through the inclusion of a staff person from the welfare agency on the FSS Program Coordinating Committee, which provides advice to a PHA on the design of its FSS program and promotes partnerships between the PHA, human service agencies and employers.

In addition, there are three programmatic measures that welfare agencies could undertake to enable more of their clients to benefit from FSS. First, where PHAs are enrolling additional families in their FSS programs, welfare agencies can encourage families to enroll before they begin working. (Enrolling in FSS before earnings increase results in a more substantial accumulation of assets.) Second, where PHAs are not operating FSS programs or are not enrolling additional families due to a lack of resources for case management, welfare agencies can contribute funds or staff to overcome this barrier to expansion. Third, TANF agencies

should ensure that their asset rules do not deter families from enrolling in FSS by denying TANF benefits or other work supports to families based on the amount of their escrow funds.

## **Perceived Barriers to Operating FSS Programs and How to Overcome Them**

The reasons PHAs cite for failure to run an FSS program or to expand a current program sometimes reflect misconceptions about FSS. However, they also can reflect actual problems that require creative solutions on the part of PHAs, welfare agencies, and service providers.

One of these reasons is lack of funding for case managers. In recent years HUD has taken significant steps to help PHAs operating Section 8 FSS programs overcome this barrier. Prior to 1999, HUD funding for FSS coordinators was generally limited to PHAs that administered fewer than 1,000 vouchers and certificates. HUD expanded the eligibility for FSS coordinator funding in 1999 — making it available to any Section 8 agency regardless of size — because of its stated belief that “The FSS program has been found to be a critical element of welfare reform efforts in many communities.” In 2001, HUD has nearly doubled the amount of funds available for Section 8 FSS coordinators compared with recent years. With \$45 million available, HUD expects to be able to fund at least one FSS coordinator for each Section 8 FSS program with 25 or more approved slots, including new programs. Depending on the demand for funds, large FSS programs may receive additional funding for up to one coordinator for every 50 approved FSS slots. (Applications for Section 8 FSS Coordinator funds are due April 25, 2001.)

This increase in HUD funding for Section 8 FSS coordinators responds to the need of many PHAs for additional case managers to staff their FSS programs adequately. It is unclear, however, whether the Bush Administration will continue this new policy. Moreover, HUD has not announced a parallel increase in funding for public housing FSS coordinators. Prior to 2001, PHAs that operate public housing FSS programs have been allowed to access additional HUD funding for only a single FSS coordinator regardless of FSS program size. PHAs may tap their Section 8 administrative fees or public housing operating subsidy or may seek other funds from HUD, state or local governments, or private sources to meet the staffing costs of their FSS programs. Nevertheless, the absence of adequate assured funding for FSS programs suggests that HUD should consider whether to request additional funds from Congress for this purpose.

Another perceived barrier to operating FSS programs is lack of staff expertise necessary to supervise the delivery of case management services. PHAs have developed many strategies to overcome this problem, such as contracting with external organizations for the provision of case management services or joining with other PHAs to operate a single, larger FSS program. In some areas, staff of FSS programs meet regularly to learn from each other how to operate more effective programs.

A third perceived barrier — one often cited by PHAs as a reason not to implement or expand an FSS program — is lack of resident interest. Results from a 1996 survey indicate this lack of interest largely reflects the incorrect belief that participation in the program could result

in loss of a family's housing voucher if the participant does not comply with all program requirements. In addition, some residents believe that receipt of savings accumulated in FSS escrow accounts is contingent on leaving the public housing or Section 8 program. PHAs need to counteract these misunderstandings with effective outreach. They also can use a wide variety of methods to interest residents in FSS, such as inviting successful graduates to tell their stories to potential new participants.

A fourth perceived barrier is lack of employment opportunities and services in the community. In some (often rural) areas, FSS case managers can guide participants to tailor their job search to match the specific employment situation in their area. Independently or together with other community partners, PHAs also can raise funds to bring additional services to the community that benefit FSS participants.

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## I. Introduction

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The Family Self-Sufficiency (FSS) program is an employment and savings incentive program for families that have Section 8 vouchers or live in public housing.<sup>2</sup> It provides a unique opportunity for public housing agencies (PHAs) to implement a program that directly benefits both themselves and public housing and Section 8 residents at little or no additional cost to the PHA. Despite the many potential advantages of the FSS program, however, it is currently underutilized.

Fewer than half of PHAs offer the FSS program to residents. In addition, most agencies that do offer FSS sharply limit program size. As a result, fewer than five percent of families with children in the public housing and Section 8 voucher programs currently participate in FSS.<sup>3</sup>

If PHAs expand their FSS programs and more PHAs initiate them, additional families could be assisted in becoming and remaining employed. In addition, the higher rents that families pay as their earnings increase would be transformed into savings they could use to purchase or repair cars needed for work, buy homes, overcome financial emergencies, or for other purposes.

This paper analyzes the value of the FSS program for tenants and PHAs and offers suggestions for overcoming perceived or actual barriers to PHA implementation or expansion of the program. It also highlights how welfare agencies may advance welfare reform goals by helping PHAs expand their programs and by encouraging families that receive TANF benefits to participate in FSS.

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## II. What Is the Family Self-Sufficiency Program?

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The FSS program has two main components: case management and an escrow account. Families receive case-management services to identify employment goals and to help them access skill-building and supportive service programs available in the community to help achieve these goals. As a family's earnings increase, the PHA deposits the increased rental charges that a family pays into an escrow account. Escrow funds may be used to pay for college or vocational education, for work-related expenses such as car repairs or work clothing, or for homeownership. Families that complete the program may withdraw funds from these accounts for any purpose after five years.

The FSS program was enacted in 1990, based on a Bush Administration proposal. Congress modified the program in 1992 and 1998. Any agency with a public housing or Section 8 voucher program may operate an FSS program, subject to HUD approval. Certain PHAs are required to implement FSS programs.<sup>4</sup> All current residents of public housing or participants in the Section 8 voucher program are eligible for FSS. FSS applicants may be screened only for their motivation to participate fully. Briefly, the program works as follows:

- A PHA that wishes to establish an FSS program or expand its program beyond the current number of authorized participants must submit an Action Plan to HUD for approval. The Action Plan must describe the families expected to participate, their likely needs and the services available in the community to meet those needs, as well as other key program policies. The proposed strategies to help families increase their employment and earnings must be developed in consultation with public housing or Section 8 residents and in coordination with the agencies that administer welfare-related and other employment programs in the area.<sup>5</sup>
- After a PHA has an approved FSS Action Plan, it solicits families to join the program. If the PHA's program has open slots, an individual who has a Section 8 voucher or lives in public housing may volunteer to join the program. She then

enters into a contract with the PHA, which usually lasts for five years. (Shorter contracts may be used where appropriate to meet families' goals. The PHA also may permit brief extensions of the five-year period.) The contract sets out the individual's specific plans to acquire educational or vocational training and the social services needed to improve the individual's job prospects and earning potential. In addition, it clarifies specific interim goals for the participant, such as getting a job or completing a training program, as well as long-term goals such as a higher salary level, a job with benefits, or homeownership.

- HUD rules require two provisions in each contract: the head of the household must become employed, and, if the family receives welfare benefits, each member of the family must become independent of "welfare assistance" and remain so for the 12 months prior to the completion of the contract.<sup>6</sup> All other contract provisions are negotiated between the participant and the PHA.
- A case manager works with each participant. The case manager helps the participant identify and access supportive services in the community, including child care, transportation, credit and money counseling, and educational or training programs. Case managers also can help FSS participants cope with crises that often get in the way of achieving employment objectives. Some also organize support groups and participant newsletters to help participants assist one another. (Funding for case management services is discussed below at 25.)
- As the FSS participant achieves the employment-oriented goals in the contract, her income is likely to increase. When other public housing or Section 8 tenants experience an income increase, they generally must pay 30 percent of that increase to the housing agency in the form of higher rent. An FSS participant also pays the increased rent, but the PHA deposits an amount equal to the increased rent in an FSS account for the participant each month for the duration of the five-year contract.<sup>7</sup> Because the amount of money that families are able to save reflects not just their level of income but also their increase in income while in the program, it

#### **How the FSS Escrow is Calculated**

If an FSS participant receives \$400 per month in TANF benefits when she enters the program, and after completing a training program gets a job that pays \$1000 per month (and causes her to lose her TANF benefits), 30 percent of the increased income (i.e., 30 percent of \$600, which is \$180) is deposited in the FSS escrow account each subsequent month. If the participant's earnings increase again during the FSS contract, the escrow deposit will increase as well. For example, if her earnings increase to \$1,200 per month, the escrow deposit will increase to \$240 per month (i.e., 30 percent of \$800, the difference between her initial income and her total earnings). If this participant worked for 18 months at the initial salary and three years at the increased rate of pay before completing her FSS contract, she would accumulate a total of \$11,880 in her escrow account (18 months at \$180 per month plus 36 months at \$240 per month).

is particularly important for PHAs and welfare agencies to encourage families to join the program before they become employed or increase their income substantially.

- The participant accumulates savings plus interest in the escrow account over the course of the FSS program and can access the money when she has successfully completed the contract, is employed, and all family members have been off “welfare assistance” for the last 12 months of the contract.<sup>8</sup> There is no requirement to use the funds for a particular purpose. In addition, housing agencies may allow families to withdraw escrow funds during their participation in FSS to cover certain work- or education-related expenses (such as car repairs) or for other purposes related to the goals in the family’s FSS contract.
- If the participant fails to meet the terms of the contract (despite any extensions the PHA may offer), she forfeits the funds in the escrow account. A PHA may not evict a family from its public housing unit because of a failure to comply with the FSS contract or failure to complete the program. A PHA may terminate a Section 8 subsidy for failure without good cause to comply with an FSS contract, but very few PHAs have exercised the option to do so. HUD estimates that fewer than one-fourth of FSS programs around the country have adopted the housing termination option and that this penalty has rarely been invoked.<sup>9</sup>

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### **III. How Does the FSS Program Benefit PHAs?**

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The benefits of the FSS program to PHAs fall under three general categories. First, the FSS program can help improve a PHA's relations with tenants, property-owners, and the local community. Second, the FSS program can help PHAs provide better and more comprehensive services to residents. Finally, successful implementation or expansion of an FSS program may improve a PHA's standing with HUD and may result in additional HUD funding.

#### **Better Relations with the Public**

*Improving Relations with Tenants.* Unfortunately, tenants frequently distrust PHA staff, and do not look to PHA staff as a potential source of assistance. An FSS program that assists tenants in building careers and achieving their goals may help counter such negative perceptions. A PHA's voluntary implementation of an FSS program or the operation of a larger-than-required program may further promote a positive image of the PHA's commitment to the well-being of its tenants. Conversely, a PHA's failure to operate an FSS program of the required minimum size could adversely affect how the PHA is viewed by tenants and the community. As part of the new annual PHA Plan process, PHAs must report on the implementation of voluntary and mandatory FSS programs. The Plan, which must be developed in conjunction with a Resident Advisory Board and be available to tenants and the general public, must state whether the PHA is required to operate an FSS program and how the actual number of program participants compares to the required program size.

*Improving Relations with Property Owners.* Some PHAs have made the FSS program part of their strategy to recruit and retain property owners that rent to families with vouchers, by featuring stories about the accomplishments of FSS families in newsletters and workshops for current and prospective landlords. The positive image of families motivated to improve themselves can help attract owners to support families' efforts by making housing available to them. In addition, FSS case managers may help retain owners in the Section 8 program by



resolving conflicts between families and their landlords and preventing problems such as utility shut-offs.

*Improving Relations with the General Public.* Widespread implementation of self-sufficiency programs such as FSS may promote more positive perceptions of subsidized housing programs among the general public. Coordination with local service providers creates opportunities for PHAs to convey their achievements to local institutions that know little about their work in the community. Local media coverage of FSS “success-stories” may improve PHAs’ reputations and reverse negative stereotypes of subsidized tenants. Success stories that link assisted housing programs with families’ efforts to help themselves have been shown in focus groups and surveys to increase public support for low-income housing programs.<sup>10</sup>

“The program shows the community what they want to see. It shows that clients want to get off of welfare and need a hand up. It shows them that once they have the support, they can get beyond minimum wage jobs to living wage jobs.”  
Glenda Galaba, FSS Coordinator, Vancouver, WA.

## **Improved Services to Residents and Applicants**

*Increased Employment-related Resources for Residents.* While the FSS program does not provide funding for employment or supportive services other than case management, it can facilitate collaborative relations with local agencies to access additional resources for residents. The FSS Program Coordinating Committee (PCC) helps develop relationships between PHA staff and staff of local agencies that provide employment-related services. Most PCCs include representatives of welfare agencies, job training programs, child care and transportation providers, education and training institutions, private business councils, and local government.<sup>11</sup>

In addition, local agencies that operate job training and placement programs may grant priority to FSS participants. If agencies’ revenues depend on showing successful outcomes, they are likely to prefer individuals who appear most likely to follow through. The support that FSS case managers provide and the escrow accounts’ incentive to increase earnings may make FSS participants attractive potential clients and enable PHAs to move their tenants to the head of the line.

Operating an FSS program also may help a PHA secure employment-related funds from other agencies. For example, the Housing Authority of Baltimore City (HABC) was able to secure funds from the Department of Social Services and the Mayor’s Office of Employment Development to operate 10 child development centers that are used as training sites for FSS participants. Of the 90 public housing FSS participants who completed the training program by March 1999, over 60 percent worked in child care programs operated by HABC; the others worked in the private sector or operated small group care centers in their homes.<sup>12</sup> Other public housing families benefit from access to quality child care close to their homes.

*Facilitating PHA Homeownership Programs.* Federal law authorizes PHAs to operate special programs to assist public housing tenants and Section 8 participants to purchase their own homes.<sup>13</sup> PHAs also may foster homeownership through collaborations with state and local agencies that help low-income families purchase their own homes. FSS programs' core elements — helping participants secure stable employment and save money — are important to families becoming homeowners. Many FSS programs also have features that enhance residents' opportunities to own their own homes. These features include homeownership counseling, financial management training, and assistance in clearing a negative credit history.

While a primary purpose of FSS has always been to encourage homeownership, the new option whereby recipients of Section 8 vouchers may use these vouchers to pay the monthly costs of a mortgage, taxes, and insurance (rather than to pay rental costs) will bring homeownership within the financial reach of many more Section 8 FSS families. The use of Section 8 vouchers to meet monthly mortgage and other homeownership costs makes homeownership possible for families with earnings as low as \$10,300 per year.<sup>14</sup> Many PHAs are planning to focus their new Section 8 homeownership programs on FSS participants. Fannie Mae has announced that its underwriting standards for mortgages related to the Section 8 homeownership program may permit families that have participated in FSS to qualify even if they do not have the two years of work experience usually required, and will count FSS escrow funds as the borrower's assets.<sup>15</sup>

*Serving More Poor Families.* Every FSS participant who increases earnings enough to leave public housing or cease to receive Section 8 assistance frees up a housing subsidy for a new eligible family.<sup>16</sup> Some PHAs' FSS programs are extremely successful at encouraging such turnover. For example, of the 13 graduates of the Housing Authority of Island County's FSS program in 1998, 12 gave up their vouchers upon graduation.<sup>17</sup> PHAs may point to their operation of public housing FSS programs as a strategy to deconcentrate poverty in public housing developments that justifies continuing to admit poor families with urgent housing needs rather than preferring higher-income applicants.<sup>18</sup>

## **Enhanced Standing with HUD**

*HUD Assessment of Agency Performance.* For PHAs that are required to operate a Section 8 FSS program, FSS performance plays a role in HUD's evaluation of the agency. For public housing, an effective FSS program, mandatory or voluntary, can boost the agency's performance rating; inadequate implementation of a required FSS program may harm an agency's rating. It is likely that many agencies are failing to operate an FSS program of the size required. Data that PHAs have reported to HUD reflect enrollment of only about 40 percent of the number of families required to be participating in FSS.<sup>19</sup>

HUD evaluates PHAs' compliance with key goals and requirements of the Section 8 program under the Section Eight Management Assessment Program, known as SEMAP. Substantial compliance with FSS enrollment requirements and adequate performance in

### Using FSS Escrow Funds to Match Individual Development Accounts

FSS programs can improve families' chances of becoming homeowners through programs that match their savings with additional dollars. Such programs are commonly called Individual Development Accounts (IDAs), a policy tool to enable low-income families to build assets and achieve economic well-being. For PHAs in markets where home sales prices are high, combining FSS with an IDA program may bring homebuying within more families' financial reach.

In 1997, for example, the Washington state regional branch of the Federal Home Loan Bank initiated a home purchase program expressly for FSS participants. The Home Loan Bank administers the "Home Start" program in conjunction with eight housing authorities in four counties in the Seattle area, as well as local banks. Each participating bank has set aside funds – \$250,000 in total – to match FSS escrow accounts at the ratio of two dollars from a bank (up to \$10,000 per family) for every dollar contributed to a family's FSS account. This combined sum is often enough for a downpayment on a modest home in the high-priced Seattle area. By the summer of 2000, 37 families had purchased homes through Home Start. One of these was a woman who had been a welfare recipient when she enrolled in FSS. Six months later, she completed a certified nursing assistance training course and found a job as a certified nurse's aid. Her FSS case manager connected her with a program to clean up her credit rating. Within two years, she had saved over \$4,000 in escrow; with the match from the Home Start program of more than \$8,000, she placed a downpayment on a \$115,000 home in Everett, outside of Seattle.

TANF funds can be used for IDAs, but it is not clear whether a TANF-funded IDA could be "matched" by FSS escrow funds. Such a use of FSS escrow funds would be similar to HHS's policy of allowing an EITC refund to be used to match a TANF-funded IDA. (See HHS Q&A #1 on TANF Policy on Individual Development Accounts on the internet at: <http://www.acf.dhhs.gov/programs/ofa/polquest/idas.htm>.) It would be helpful for HUD and HHS to clarify whether FSS escrow funds may serve as the participant contribution for TANF-funded IDAs or for IDAs under the Assets for Independence Demonstration Program.

establishing escrow accounts for FSS participants account for 7 – 15 percent of total SEMAP points, depending on an agency's size and location. An agency that is required to operate an FSS program is unlikely to be classified as a "high performer" without obtaining the 10 SEMAP points related to FSS. If an agency receives none of the 10 FSS-related points, the PHA must submit a corrective action plan to HUD explaining how it will bring its FSS program into compliance. HUD may cancel the Section 8 program funding of a PHA that fails to correct its FSS performance.<sup>20</sup>

HUD's new tool for evaluating PHAs' management of public housing is the Public Housing Assessment System (PHAS). In a major departure from past policy, seven percent of a PHA's PHAS score is now based on its activities to "coordinate, promote or provide effective programs and activities to promote the economic self-sufficiency of residents."<sup>21</sup> A PHA with a voluntary or mandatory public housing FSS program can claim credit for its performance under this new sub-indicator. It is not yet clear, however, whether HUD will subtract points from the PHAS score of a PHA that is required to operate a public housing FSS program but does not have adequate enrollment or results.<sup>22</sup>

*Additional Funding from HUD.* Running a good FSS program may help PHAs obtain additional funding from HUD. A PHA with a record of success in work-promoting activities, particularly in partnership with other community agencies, is likely to score far better in competing for HOPE VI revitalization funds for seriously distressed public housing than another PHA with equally deteriorated housing and an equally good physical rehabilitation proposal. The criteria used by HUD to award the 50,000 Welfare-to-Work vouchers in 1999 permitted agencies to demonstrate their organizational capacity through successful implementation of an FSS program. In addition, the selection criteria rewarded PHAs that had developed working partnerships with welfare and other human service agencies of the type facilitated by the FSS Program Coordinating Committee.

To date, FSS implementation has not played a role in HUD's determination of which PHAs receive so-called "fair share" incremental vouchers, in contrast to the special purpose Welfare-to-Work vouchers. With the full implementation of SEMAP ratings, however, beginning in fiscal year 2002, HUD may condition awards of fair share vouchers on adequate SEMAP ratings. In addition, HUD may give preference in the fair share competition to the PHAs in each state with the highest SEMAP ratings. For PHAs required to operate Section 8 FSS programs, FSS performance thus could play an increasingly important role in the agency's ability to expand the number of families it serves.

*Compliance with Section 3 Hiring Obligations.* FSS programs may facilitate PHA compliance with Section 3 of the U.S. Housing Act of 1968, which requires PHAs to hire and train public housing residents to the "maximum extent feasible" and to give preference in awarding contracts to resident-owned businesses.<sup>23</sup> For example, staff at the Hartford (Connecticut) Housing Authority and the Chicago Housing Authority responsible for Section 3 compliance worked with FSS case managers to identify FSS participants (from public housing developments as well as the Section 8 program) interested in construction jobs and apprenticeship programs. In addition, savings that tenants accumulate in FSS escrow accounts can enable FSS graduates to establish businesses of their own with which PHAs can contract, which then helps PHAs to meet Section 3 resident contracting requirements.

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#### **IV. How Does the FSS Program Benefit Participants?**

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Although thorough data on the outcomes of FSS participation have yet to be collected and analyzed systematically, information collected by HUD and some individual agencies is promising. FSS participation has the potential for beneficial results for families, with little risk. As discussed below, participation in FSS appears to have a positive effect on asset accumulation and possibly on the rate and hours of employment. Even if a family forfeits its escrow account due to failure to complete the program successfully – about half the families that enroll exit before completion – the family is in no worse financial position than if it had simply paid the increased rent otherwise due. (Of course, the psychological effect of losing the anticipated savings may be adverse.) The only families that face a financial risk from participating in FSS are those in the apparently small number of Section 8 FSS programs in which the PHA may terminate the Section 8 subsidy as a sanction for non-compliance.

##### **Asset Accumulation**

FSS affords a rare opportunity for low-income families to build assets. The FSS program is the only HUD-funded program that directly enables families to save money, and, as indicated below, it appears to be effective in helping families accumulate assets.

Families that have been off of welfare assistance for at least 12 months and successfully complete the program receive their escrow funds and may use them for any purpose. A number of families that complete FSS use their escrow funds to buy their own homes. Many FSS coordinators surveyed in 1996 reported that a majority of families completing the FSS program used their FSS escrow funds toward the purchase of a home.<sup>24</sup> Families that do not buy homes may retain their savings as a cushion against future income fluctuations or job loss. Such a cushion may be particularly important for families that have reached their five-year lifetime limit on receipt of TANF benefits. Alternatively, families may use their escrow funds to start a business or to invest in their own or their children's education.

With permission of the PHA, a family can withdraw escrow funds on an interim basis, prior to completion of the contract. This option allows participants to invest in education and training to advance their careers, to meet expenses associated with employment, or to deal with emergencies that can often inhibit job retention. Many PHAs report that FSS participants use escrow funds to buy or repair cars they need in order to work, purchase computers, or meet work-related medical needs such as dentures or eyeglasses.<sup>25</sup> Anecdotal evidence that the flexibility to access FSS escrow funds on an interim basis can help tenants remain employed and advance in their careers suggests that PHAs currently without an interim withdrawal policy may wish to reconsider the importance of permitting families to use their escrow funds in this manner.<sup>26</sup>

The FSS program appears to be enabling a substantial and increasing number of families to accumulate significant assets. As of November 2000, about 48 percent of FSS participants who had been enrolled in FSS for 12 months or more and not yet left the program had positive escrow balances. These families had an average escrow balance of about \$2,400 and were adding to their accounts at the average rate of about \$300 per month.<sup>27</sup> Some 45 percent of the families that successfully completed the FSS program between the fall of 1999 and November 2000 received escrow funds averaging nearly \$5,000 per family.<sup>28</sup>

Some individual PHAs report greater success by families in accumulating assets than these national data reflect.

- At the Alameda County (CA) Housing Authority, nearly two-thirds of the participants are accumulating savings in their FSS accounts. The average account is \$2,300, while the average savings upon program completion is \$6,000.<sup>29</sup>
- Some 94 percent of the graduates of the Metropolitan Boston Housing Partnership's FSS program — all but three of 52 graduates from the beginning of the program through mid-February 2001 — received accumulated savings, with an average escrow disbursement of more than \$8,000. Eighteen of these graduates were welfare recipients when they enrolled in FSS. Despite Boston's expensive housing market, eight FSS graduates have purchased homes and four others are in the process of doing so.
- The Housing Authority of the City of Los Angeles reports that it is just beginning to see families graduate from its FSS program. (HACLA's program began in 1995.) Some 67 of the more than 3,000 families in the program graduated recently. Those with savings received an average check of about \$6,400.<sup>30</sup>
- During 1999, some 57 families in the New Jersey Department of Community Affairs' Section 8 FSS program withdrew an average of more than \$6,600 per family. Some of these families had completed the program; others were permitted to make interim withdrawals. Of the 54 families that completed their FSS contracts in 1999, 26 families withdrew from the Section 8 program and bought their own homes.<sup>31</sup>



### **Susan's Story: Using the FSS Escrow for Business Development\***

"Susan" was a single mother who was about to leave welfare when she joined the FSS program at Rural Housing Inc., a non-profit in central Massachusetts that is a subcontractor of the statewide Section 8 agency. She had been using her photography skills to supplement her income while on welfare and was determined to continue in this field as a full-time career. At first, Susan managed to increase her earnings by photographing local weddings and other events. She accumulated enough in her escrow account to help finance courses at the local community college. She graduated with an Associate's degree in photography. Her case manager also encouraged Susan to take business courses and to become involved in the local chamber of commerce, where she could meet people who would be helpful in launching her business career.

Susan now runs her own business. The FSS case manager allowed her to withdraw several thousand dollars from her escrow savings to open a bridal salon that doubles as a photography studio. Her five-year FSS contract has not yet expired. She hopes to use the remaining savings – nearly \$13,000 – to purchase a new home-studio space and help finance her daughter's college education.

\*Source: Laurie S. Goldman, Interview of Rural Housing Inc. FSS Coordinator Elizabeth Murphy, August 2000.

## **Employment and Earnings**

Available data suggest that families that participate in the FSS program increase their rates and hours of employment substantially from enrollment to completion of the program. The extent to which this increase in employment results in an increase in family income, rather than a substitution of earnings for public assistance, cannot be determined from available national data. Local data from a few FSS programs, however, indicate that families that complete the FSS program experience a substantial increase in income and in hours of employment. We know that the accumulation of assets, as discussed above, reflects an increase in family incomes due to earnings over the income levels at the time of enrollment in the FSS program. The specific contribution of the FSS program to these changes cannot be measured from available data.

The national data on employment of Section 8 FSS participants are encouraging albeit inconclusive. About 46 percent of the Section 8 families that enrolled in the FSS program between the fall of 1999 and the fall of 2000 had an employed member upon enrollment; slightly more than half of these individuals worked full time. For the families that successfully completed the program in the same period, more than 75 percent had an employed member upon completion, and more than 80 percent of these individuals worked full time. (The 1999 - 2000 FSS program data on employment and earnings are contained in Appendix A.) These data indicate the status of different families during the same reporting period and do not reflect a change in employment for individual participants. (HUD has contracted for a tracking study of a national sample of families that enrolled in FSS in 1996 but the results will not be available for

some time.) The accumulation of escrow savings averaging nearly \$5,000 by 45 percent of the families that completed the program in this period indicates, however, that at least these program graduates experienced a substantial increase in earnings during their participation in the FSS program.<sup>32</sup>

FSS program data from four years earlier suggest a similar increase in the rates and hours of employment from program enrollment until completion, although these data may be even less reliable than the data for the more recent period. Only 40 percent of families that enrolled in FSS from July 1995 through June 1996 had an employed member at the time of their enrollment, and about half of these employed enrollees worked full-time. In contrast, 76 percent of families that completed their FSS contracts in the same period had at least one employed member, and nearly 90 percent of the employed tenants worked full time.<sup>33</sup>

For the 1995 - 1996 period, the average earnings of FSS participants who were employed when they left FSS but did not complete the program appear to be somewhat higher than the average earnings of families that were employed when they enrolled in the program. HUD records show that the average family earnings of those employed when they began FSS during this period were a little under \$13,000 per year. During the same period, the average earnings upon exiting the program of those who left FSS without completing it but were employed when they left averaged a little over \$15,000. (Comparable data for the 1999 - 2000 period are not available.) It is difficult to determine what weight if any to attribute to these data in light of the possibility of reporting errors and the fact that the average earnings upon leaving the program of those who exited the program more recently and were employed at the time they left were lower than the average earnings of families that left the program in 1995 - 1996 without completing it.<sup>34</sup>

Some individual FSS programs report what appear to be impressive data on employment and earnings improvements for particular families. The San Diego Housing Commission reported in 1998 that nearly 30 percent of current FSS participants who were not employed when they enrolled in the program had begun to work, and half of those who were employed when they entered the program increased their earnings while in the program, with an average earnings increase of \$6,000 per year.<sup>35</sup> All 47 families that graduated from the Metropolitan Boston Housing Partnership's FSS program through June 2000 were employed; all but one had increased their earnings since enrollment. When they entered the FSS program some 28 percent of the graduates had income in excess of full-time earnings at the minimum wage. At graduation, 94 percent had earnings in excess of this level. The median increase in income for program graduates was \$21,077; income at graduation ranged from \$6,000 to \$77,672.<sup>36</sup>

Although the available data do not permit us to track employment and earnings changes for a national set of families or to isolate the role played by the FSS program in causing the results, the growing body of evidence that earnings incentives can foster increased work activity suggests that FSS may account for some of this success.<sup>37</sup> Research on the Gateway program in Charlotte, North Carolina, the program most similar to FSS that has been carefully evaluated, supports this conclusion. Public housing tenants who completed the Gateway program had



### **Samantha's Story: Overcoming Multiple Barriers to Work\***

"Samantha," a 37 year old single woman, entered the FSS program in April 1996. She had been diagnosed with Chronic Fatigue Syndrome and Multiple Chemical Sensitivity Disorder and was receiving disability benefits. Due to her medical symptoms, she believed she had limited employment options. She had a Bachelor's degree in communications but had only been employed for two of the previous 10 years.

When Samantha began participating in FSS, she was not working, had difficulty leaving her house, and had very few social supports. She reported feeling "frustrated, isolated, and lonely." However, despite her illness and the accompanying frustration, she was always clear about wanting to be self-sufficient. Working as a consultant from her home on a computer was a tentative employment goal.

Initially, Samantha worked eagerly with the case manager to complete the assessment and contract of participation. Shortly thereafter, her concern that her medical limitations would prevent her from keeping her FSS commitments led her to cancel scheduled meetings. The case manager met with Samantha in her apartment and developed a plan that would enable her to gradually increase her participation as well as her supports in the community. When the plan for self-sufficiency was broken down to achievable, incremental steps, Samantha was able to begin to experience several small successes that eventually overcame her immobilizing fear.

Samantha and her case manager worked on the importance of consistently maintaining her physical as well as her emotional health. She agreed to work with her doctors and attend therapy and Overeaters Anonymous, and she was referred for vocational services at the state employment and training program. Her case manager contacted several volunteer programs and recommended that she begin slowly to build her physical tolerance and emotional confidence through a volunteer commitment for a few hours a week. With the help of a local concerned citizen, Samantha renewed her long-lapsed driver's license and obtained a reliable vehicle that had been donated to the FSS program.

Soon Samantha signed on with a temporary agency and began working 10-15 hours a week. Maintaining a job helped her build confidence. She soon reached the goal outlined in her FSS contract of working 20-25 hours a week. Because of her demonstrated skills and abilities at her temporary position, Samantha was offered a full-time permanent position at an annual salary of \$25,000. Within a year, her increased self-confidence led her to request and receive two raises, bringing her salary to \$33,000. She has been off of disability benefits for two years, and her health needs are covered by her employer's health plan. Samantha has accumulated nearly \$10,000 in her escrow account and plans to purchase a house. Samantha's personal successes also have made her supportive to others and she has been asked to be a mentor to new FSS participants.

*\*Source: Laurie S. Goldman, Interview of Joyce Neslusan, FSS Coordinator at the South Middlesex Opportunity Council, Framingham, MA, August, 2000.*

substantially higher employment rates and earnings than when they enrolled in the program. The share of program graduates with full-time employment reached an impressive 93 percent, an increase of 66 percentage points from the time of application, and monthly earnings more than doubled. Graduates of the Gateway program also had significantly higher employment rates and earnings and significantly lower dependence on welfare and housing assistance than a comparison group.<sup>38</sup>

Differences in program design between Gateway and FSS, however, including Gateway's selection of better-educated enrollees motivated to buy their own homes and Gateway's channeling of participants into higher education and non-traditional jobs, make it difficult to extrapolate from the Gateway findings to FSS. In addition, the completion rate for the Gateway program was low — only 32 percent — which may somewhat skew the findings. There also may have been differences between the families enrolled in Gateway and the comparison group.

Anecdotal evidence that case management helps FSS participants obtain work and stay in their jobs is abundant. Some participants and graduates point to the role of their FSS case managers in giving them the confidence to search for a job and to use education and job experience to build a long-term career. Some claim that the emotional support received from case managers and peer support groups was important to overcoming the barriers to making personal changes. (See Samantha's story in the text box at 18.) Others have relied on their case manager's expertise concerning available services in the community to help obtain child care or other support services they needed.<sup>39</sup> Some FSS programs provide small loans to FSS participants who have not yet accumulated savings to help them obtain or repair cars to go to work.<sup>40</sup> These anecdotal reports are consistent with the conclusion of the Gateway evaluation concerning the role of case managers.<sup>41</sup>

The multi-year duration of FSS may contribute to the building of trusting relationships that make the guidance and support from case managers more effective. The availability of continuous support that bridges the pre- and post-employment stages of participants' lives also may enhance job retention. These features of FSS case management, combined with the FSS escrow accounts as well as the peer support groups and small payments to help with financial crises that many FSS programs provide, are among the principal recommended features of employment retention programs.<sup>42</sup> To be effective, however, FSS case managers generally must have reasonably sized caseloads. (See discussion below at pp. 25 concerning the lack of adequate funding for FSS case managers.)

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## V. How Does the FSS Program Promote Welfare Reform Goals?

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Approximately 560,000 families in the public housing and Section 8 voucher programs currently receive income from TANF or state general assistance programs.<sup>43</sup> Fewer than one and one-half percent of these families appear to be participating in FSS.<sup>44</sup> This minimal involvement of welfare families in the FSS program results primarily from the small size of FSS programs and the lack of programs that serve families in public housing. Currently, about 30 percent of families enrolling in FSS are families receiving welfare assistance, while about half are families receiving food stamps.<sup>45</sup>

There is some evidence that TANF families that also receive federal housing assistance have greater personal barriers to work than other TANF recipients.<sup>46</sup> FSS may help in overcoming such barriers. Increased participation of TANF families in FSS could assist welfare agencies and promote welfare reform goals in three ways:

- *Encouraging work.* Participation in FSS reinforces the goals of welfare reform. Every successful FSS participant who is a head of household must become employed, in addition to accomplishing whatever individual goals she agrees to in her FSS contract.<sup>47</sup> The opportunity to transform increased rent payments into savings through the FSS escrow account may provide an important work incentive to counter the decrease in housing subsidies these families experience as their incomes rise.<sup>48</sup> This is particularly important for families with Section 8 vouchers, for whom no earnings disregards are available in calculating rent.<sup>49</sup> Moreover, the FSS program provides an incentive to *remain* employed and off the welfare rolls. If an FSS participant does not comply with these required provisions of the FSS contract, she will lose her escrow funds.
- *Funds for work expenses or emergencies.* Interim withdrawals from FSS escrow accounts for work-related expenses or emergencies (or payments for these purposes from other financial resources controlled by FSS programs) can help

families overcome obstacles that have traditionally impeded long-term job stability. (Some FSS programs raise charitable contributions from members of the community to assist FSS participants. In Vancouver, Washington, the FSS coordinator initiated an annual home and garden tour which, in 1999, raised \$24,000 for a discretionary fund for participants.) In addition, the partnerships FSS programs develop with social service agencies may enable FSS participants to benefit from work-related supports – such as child care services or donated clothing or cars – not available through the TANF agency.

- *Case management.* The case management services provided through the FSS program may provide an important supplement to services available through the welfare agency. By focusing on longer-term goals such as homeownership, FSS programs may encourage families to increase their earnings more than the TANF program does. FSS case managers continue to work with families after their earnings have made them ineligible for TANF benefits. The long-term relationships that FSS coordinators may develop with FSS participants may assist individuals with multiple barriers to work in overcoming their difficulties. Skilled case managers can help FSS participants to combine job training and education with the immediate work that many state TANF programs require. In this way, FSS participants may achieve increased earnings over the long term.

#### **Joan's Story: Career Building in A Work-First Context\***

“Joan” is a Berkshire County, Massachusetts single parent with a Section 8 voucher. After the state welfare agency imposed a two-year time limit on benefits, Joan enrolled in FSS because she worried about how her family would manage when her benefits expired. She found a job in the kitchen of a nursing home. This work paid only the minimum wage but enabled her to begin saving in her FSS escrow account.

While on the job, Joan observed Certified Nurse's Assistants earning more for the same time on the job. Her FSS case manager helped her find a position in a larger, long-term care assisted living facility that advertised a CNA training and certification program for its employees. The case manager also helped her obtain subsidies for her child care and transportation costs. Joan's hourly wage increased to \$8 an hour once she completed the certification.

One year later, Joan found out that her employer would assist with education toward a Licensed Nurse Practitioner degree if she signed a contract to continue working there for two years. With assistance from the FSS case manager, she was accepted into the community college nursing program while she continued to work. Joan's increased salary helped her graduate from FSS with \$8,000 in her escrow account. She plans to use the savings to help her daughter pursue her own college education.

\*Source: Laurie S. Goldman, Interview of Tina Lack, FSS Coordinator for Berkshire Housing, Inc., Pittsfield, MA, August, 2000.

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## **VI. Collaboration Between Housing and Welfare Agencies Can Make FSS Programs More Effective**

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By working together, PHAs and welfare agencies can enhance the effectiveness of FSS programs for families receiving welfare benefits. Many housing and welfare agencies realize the importance of sharing information about TANF program rules and about benefits and services funded by the welfare agency that can support families' work efforts. In some areas, however, welfare agencies may not know whether the PHAs that serve their clients offer the FSS program or have openings in their programs. PHAs should aim to have a staff person from the welfare agency, as well as from other human service agencies in the community, on the FSS Program Coordinating Committee. (HUD encourages but does not require PHAs to include a representative of the welfare agency on the PCC.) In addition, PHAs are now required to use their best efforts to enter into cooperation agreements with welfare agencies.<sup>50</sup> It makes sense to include information about the PHA's FSS program in such a cooperation agreement.

A welfare agency that has not been informed about FSS programs in its area through these means can obtain the essential information about these programs easily, either by personal contact or through publicly available documents. Every PHA must prepare an annual plan that describes a range of policies and programs, including its efforts to promote tenants' economic self-sufficiency. The PHA Plan must include whether the PHA operates an FSS program, the number of public housing and Section 8 families participating, and the number the PHA may be required to enroll. The PHA is required to make a draft of the plan available to residents and the public and to consider their comments. A PHA with an approved FSS Action Plan must make it available together with the PHA Plan. Copies of each PHA's current annual Plan should be available from the PHA or from HUD and may be available on the internet.<sup>51</sup>

In addition to sharing information, there are three programmatic measures that welfare agencies could undertake to enable more of their clients to benefit from FSS. First, where PHAs are enrolling additional families in their FSS programs, welfare agencies can encourage families to enroll before they begin working. Enrolling in FSS before earnings increase results in more

substantial accumulation of assets, as explained below. Second, where PHAs are not operating FSS programs or are not enrolling additional families due to a lack of resources for case management, welfare agencies can contribute funds or staff to help overcome this barrier to expansion. Some of the creative ways that welfare agencies have worked with PHAs to accomplish this goal are described below. Third, TANF agencies should ensure that their asset rules do not deter families from enrolling in FSS by denying TANF benefits or other work supports to families based on the amount of their escrow funds.

### **Making Welfare Recipients Aware of FSS Before They Go to Work**

Welfare recipients without earnings have more to gain from the escrow feature of the FSS program than other families that are already employed. This is particularly true in states with generous earnings disregards in their TANF programs. When an FSS participant goes to work, the family's escrow account grows as its total income increases. The larger the amount of a family's earnings that are disregarded by the state's TANF program, the more its total income — and hence its escrow deposits — increase.

For example, assume a parent in the Section 8 program receiving \$500 in monthly TANF benefits begins to earn \$400 per month and the TANF agency disregards all her earnings for 12 months. During that year, the family's share of the rent would increase \$120 per month (30 percent of the \$400 increase in her earnings and total income), and the PHA would deposit \$120 per month in her FSS escrow account. If the TANF agency instead disregarded only 25 percent of her earnings (\$100) and counted the remaining income to reduce her TANF grant from \$500 to \$200, her total income would be only \$600 (\$400 in earnings plus \$200 in TANF benefits). Her rent would increase \$30 per month due to her \$100 increase in income, and the PHA would deposit only \$30 per month in her escrow account, one-fourth of the amount that would be deposited if all her earnings were disregarded.

Because of the importance of a family's enrolling in FSS prior to beginning employment, welfare agencies should include information about FSS in discussions about work activities with recipients who live in public housing or receive Section 8 subsidies in areas where PHAs operate FSS programs. Making families aware of the FSS option and ensuring they understand the escrow feature of the program are essential for FSS to operate as a work incentive.

### **Collaboration to Expand FSS Programs**

Welfare agencies that seek to encourage the employment of families that have Section 8 vouchers or live in public housing and view FSS as a potentially important contribution to this goal will need to enlist PHAs as their partners. A PHA that does not currently operate an FSS program, or serves only Section 8 families and not public housing residents, may be willing to initiate a program to aid the welfare reform effort. If a PHA already administers an FSS program



but is reluctant to expand it without additional resources, welfare agencies can assist in a variety of ways.

Many states have unused TANF funds, a modest portion of which could be provided to housing agencies to hire additional FSS case managers.<sup>52</sup> For example, the Massachusetts Department of Transitional Assistance has provided the statewide Section 8 agency with \$350,000 of TANF funds to hire additional FSS case managers to enable families receiving Welfare-to-Work vouchers to enroll in FSS. Alternatively, welfare agencies can loan experienced staff to PHAs to serve as FSS case managers. With the sharp reduction in welfare caseloads, many welfare agencies may have the capacity to make such arrangements. The Oregon Department of Adult Family Services devotes one of its case managers to work exclusively with FSS participants at the Salem Housing Authority. This worker is supervised jointly by both agencies.

Another possibility is that FSS programs and welfare agencies could share case management and data reporting functions, thereby improving efficiency. After recognizing the benefits of coordinating efforts to help families move from welfare to economic independence, the state of Oregon instituted a data sharing system for income certification information for TANF families that also participate in FSS. This system reduces the amount of time that agency staff spend recording data and eliminates the need for families to report the same information twice.

Working together on FSS programs can benefit both welfare agencies and PHAs. In New Jersey, the state agency that administers the Section 8 voucher program throughout New Jersey makes special efforts to enroll Work First New Jersey families in FSS. The FSS staff invite representatives from the state welfare agency to initial briefings for FSS participants to convey how the two agencies can work in tandem to help clients take maximum advantage of their time-limited period of welfare assistance. As part of this partnership, the welfare agency has provided \$1 million of TANF funds to the state Section 8 agency to assist welfare families that receive vouchers to use the vouchers to obtain suitable housing. The TANF funds are used for the rent and utility deposits families must pay to secure new rental units. In an innovative development designed to make more housing available and house families more quickly, the welfare and housing agencies have recently agreed that the TANF funds also may be used for an initial month's rent while the family lives in the unit and minor repairs are made to comply with Section 8 requirements. The agencies also merge some employment planning functions, conserving staff time and avoiding duplicative requirements for their clients. Participants use the individual employment plans they design with the welfare office for the first phase of their FSS contract.

### **Welfare Agencies Should Exclude FSS Escrow Funds From Any TANF Asset Test**

Under the TANF program, states have discretion to design their own rules for what resources count as income or assets in determining eligibility for benefits and services. It is important that states exclude FSS escrow accounts from being counted as assets. (Under the old

AFDC program, federal rules required that FSS escrow accounts be disregarded.) States also should not count interim disbursements from an FSS escrow account for a work-related purpose, such as repair of a car, as income to a family.

Families that complete the FSS program may receive their escrow funds only if they are not receiving TANF cash assistance. A family may still, however, be receiving other TANF-funded benefits, such as child care or transportation assistance. In order not to undermine the work incentive and asset-building functions of FSS, the state's rules regarding receipt of such work supports should exclude from consideration FSS escrow funds received on completion of the program.<sup>53</sup>



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## **VII. Perceived Barriers to Operating FSS Programs and How to Overcome Them**

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PHAs that are aware of FSS commonly cite four reasons for failing to run an FSS program or to expand a current program: lack of funding for FSS case managers, lack of expertise to provide employment-related case management, lack of interest on the part of tenants, and lack of employment opportunities and services in the community. These perceived barriers sometimes reflect misconceptions about the program, but they also can reflect actual problems that require creative solutions on the part of PHAs, welfare agencies, and service providers.

### **Lack of Funding for Case Managers**

PHAs often raise concerns over the cost of running an FSS program. Although most housing agencies are aware that HUD pays for FSS escrow accounts,<sup>54</sup> they may be unaware that PHAs can access HUD funding for at least one FSS program coordinator for each Section 8 and public housing FSS program.

Until 1999, HUD funding for FSS coordinators was generally limited to PHAs that administered fewer than 1,000 vouchers and certificates. HUD expanded the eligibility for FSS coordinator funding in 1999 — making it available to any Section 8 agency regardless of size — because of its stated belief that “The FSS program has been found to be a critical element of welfare reform efforts in many communities.”<sup>55</sup> To qualify for coordinator funding, however, an FSS program must have HUD approval to serve 25 or more participants; each such program (whether mandatory or voluntary) was eligible for up to \$46,350 in coordinator funding in FY 1999. Two or more housing agencies could submit a joint application to reach the minimum program size. Agencies that received funding in 1999 were eligible to apply for renewed funding for an FSS coordinator in 2000.<sup>56</sup>

In FY 2001, HUD has nearly doubled the funds available for Section 8 FSS coordinators. With \$45 million available, HUD expects to be able to fund at least one FSS coordinator for each Section 8 FSS program with 25 or more approved slots, including new programs, and additional staff for large FSS programs. Depending on the demand for funds, PHAs may receive up to \$60,000 for every 50 approved FSS slots. Agencies may qualify for funds even if they have not enrolled the required or approved number of families due to lack of staff.<sup>57</sup>

PHAs that enroll public housing residents in an approved FSS program can receive a supplement to their public housing operating subsidy to meet the reasonable cost of an FSS coordinator. This funding is available for both mandatory and voluntary FSS programs. PHAs make the request for the FSS supplement as part of their annual budget submission to HUD.<sup>58</sup> Approximately 250 PHAs — about 12 percent of the PHAs that operate public housing programs that serve families with children — received additional operating subsidies for FSS coordinators in fiscal year 2000. FSS programs serving at least 25 Section 8 families and 25 public housing residents can draw funding from each source to fund two FSS coordinators.

It appears that in 2000, more than 500 PHAs that operated approved FSS programs did not receive FSS coordinator funds from HUD. In light of the simplicity of the application process, it is unclear why many PHAs did not seek these funds. It remains to be seen whether more PHAs will request coordinator funds in 2001 now that funding may be available for multiple coordinators. If HUD continues in future years to make all PHAs with approved Section 8 FSS programs eligible for coordinator funds, and provides adequate funds for multiple staff in large programs, more PHAs may be willing to initiate or expand their FSS programs. (In its proposed budget for fiscal year 2002, HUD has requested a slight increase in appropriations for Section 8 FSS coordinators, to \$46.4 million.)

PHAs that do not receive adequate FSS coordinator funds from HUD may tap their Section 8 administrative fees or public housing operating subsidy to meet these costs, but directing funds to FSS may deprive other essential program areas of adequate funding. Some PHAs may be able to obtain additional HUD funds for public housing FSS programs through the Resident Opportunities and Self-Sufficiency Program.<sup>59</sup> Some PHAs receive city-controlled Community Development Block Grant funds, other state or local funds, or private grants to pay FSS case managers. Others use volunteers or student interns to augment their staff. These resources, however, may not be secure. The absence of adequate assured funding for FSS case managers is why PHAs may need welfare agencies to contribute funds or staff for this purpose, as discussed above.

HUD should consider whether to request additional funds from Congress to meet PHAs' reasonable needs for an adequate number of FSS case managers for the number of families they are authorized to enroll. HUD last reported to Congress on the adequacy of the existing Section 8 administrative fee formula to support the costs of Section 8 FSS service coordinators in 1994. At that time, HUD concluded that some PHAs had sufficient fees available to absorb the additional costs associated with FSS, while others did not.<sup>60</sup> The continuation of the FSS program by the 1998 housing legislation (see note 4), the new importance of FSS in light of

welfare reform, and HUD's support for voluntary FSS programs suggest that it is time to revisit the cost question.

### **Lack of Staff Expertise**

PHAs may be concerned that they lack the staff expertise necessary to supervise the delivery of case management services, even if they have the funds to hire an additional in-house staff person. This is a valid concern. There are many strategies, however, that PHAs have developed to overcome the problem.

Contracting with an external organization for the provision of case management services may be a cost-effective way to assure skilled case management services for FSS participants. This staffing arrangement allows agencies to take advantage of the expertise and supervisory structure in place at a human services agency, including a welfare agency, with a similar mission. Alternatively, PHAs may join together to operate a single, larger FSS program.<sup>61</sup> Such a combination could mirror the regional area served by a welfare office.

Contracting with local service providers also may enable a PHA to serve FSS participants over a larger geographic area. For example, the Housing Authority of the City of Los Angeles (HACLA) supplements its four in-house case managers with contracts with seven local nonprofits. Since these nonprofits also specialize in job training and other supportive services, they have an advantage in connecting FSS participants to resources needed to help achieve their goals. The fact that these nonprofits are located in different areas throughout HACLA's large geographic range allows participants to work with the organization closest to their homes.

FSS staff can improve their skills and the services they provide by learning from staff of other FSS programs. FSS coordinators of the nine nonprofit agencies that administer the Section 8 program for the Massachusetts Department of Housing and Community Development meet bi-monthly to share concerns and ideas for program development. Similarly, the Ohio Housing Authorities Conference formed a "Core Group" of representatives from PHAs and HUD to share best practices and pool resources for quarterly FSS training sessions. FSS coordinators in Washington and Oregon have established a regional network; coordinators share successes and frustrations through the Pacific Northwest Regional Family Self-Sufficiency Newsletter and organize workshops at regional PHA conferences on topics about which they wish to learn more.

### **Lack of Resident Interest in FSS**

Particularly before the onset of work requirements and time limits in state TANF programs, PHAs often cited low resident interest in FSS as a reason not to implement or expand an FSS program. While some agencies have reported a surge of residents seeking to enroll in FSS in the last few years, it remains important to understand why some residents may not pursue the opportunity that FSS represents.

Results from a 1996 survey indicate that the lack of residents' interest is largely a function of a lack of understanding about the program's benefits and fear that participation — successful or not — may result in loss of their housing vouchers, as well as other personal factors. Many PHAs and residents seem to assume that leaving public housing or losing Section 8 assistance is a condition of successful completion of the FSS program. According to the survey, 65 percent of agencies noted this fear as an explanation for low program participation.<sup>62</sup> *This belief is not correct*, and PHAs need to counteract this misunderstanding with effective outreach. If PHAs' current policies do not permit the termination of voucher assistance for families who do not succeed in the FSS program, PHAs should make this fact clear to residents. (If a PHA is among the small number of PHAs that do sanction families with the loss of voucher assistance — or threaten such loss — it may want to reconsider such policies.) A PHA in Idaho found that after it edited its FSS program flyers to make clear that participants would not lose Section 8 assistance if they failed to meet their employment goals within the five-year contract period, enrollment rates jumped to well beyond the mandated level.

FSS coordinators have used a wide variety of methods to interest residents in FSS. Inviting successful graduates to tell their stories to potential new participants has proven effective. PHAs also can use annual income recertification appointments, as well as newsletters or other internal methods of communication, to remind residents regularly about the opportunities that FSS offers.

It also may be important to work with welfare and other community agencies to attract families facing welfare work requirements. For example, the Lucas County (Ohio) Metropolitan Housing Authority boosted FSS enrollment by entering into a partnership with a local church. Recruitment efforts by the church staff and 26 volunteer case managers helped to double the size of the FSS program to 434 participants and produce a waiting list of more than 200 families. The Metropolitan Boston Housing Partnership hosts regular Career Workshops for FSS participants and other Section 8 families, to which partnering job training and placement agencies are invited. The workshops also serve as briefings on the FSS program. To encourage families to attend these introductory sessions, the MBHP Rental Assistance staff schedule regular annual Section 8 recertification appointments for families receiving TANF benefits (and other tenants who have indicated an interest in increasing their income) immediately before or after these workshops.

### **Lack of Employment Opportunities and Services in the Community**

PHAs in rural areas where the local labor market is weak, there are few supportive services, or transportation makes reaching existing jobs or services difficult sometimes have trouble connecting FSS participants to opportunities. Nevertheless, FSS programs in such areas can help participants. Case managers can guide participants to tailor their job search to match the specific employment situation in their area.

In rural western Massachusetts, for example, the Berkshire Housing FSS coordinator helps participants climb from entry level to managerial positions within the hospitality and

tourism industry. Although there are relatively few job training and placement programs, entry-level jobs are plentiful, particularly during peak tourist season. The key to finding a stable income at a living wage is staying at these jobs long enough to learn new skills, gain seniority, and demonstrate the capability to assume greater responsibility. Early withdrawals from escrow accounts to purchase or repair cars can make accessing these job opportunities easier. (In addition, the case manager works to develop future job possibilities by participating in a community coalition dedicated to bringing high-tech jobs to the area.)

The FSS program at the North Eastern Oregon Housing Authority handles the challenges of its rural environment by making the program mobile. Staff maintain a weekly schedule that covers satellite offices in each of the district's sub-regions; sometimes they meet with the most-remote clients in their homes. FSS staff also work with other local service providers, such as the community college, to bring their training programs closer to where job seekers live. In addition, case managers have helped FSS participants relocate to larger cities to pursue employment objectives. FSS participants may resume their plans and continue to build their escrow accounts in their new place of residence.<sup>63</sup>

An FSS program also can help raise funds to bring additional services to a community by providing funders with a way to contribute directly to the low-income families the program serves. For example, in San Diego, private foundations, corporate grants, and university funding supplement job development and training for FSS participants, as well as case management staff for the program. In Los Angeles, the Bank of America contributed \$25,000 towards child care for FSS participants; other partners provide bus and taxi vouchers. FSS coordinators have held benefit dinners, raffles, car washes, and other community events to establish discretionary funds or revolving loan funds for participants. In-kind donations such as scholarships to training and educational programs, cars, and professional clothing also are common.

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## VIII. Conclusion

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The Family Self-Sufficiency Program appears to be an effective but underutilized tool to enable low-income families in the public housing and Section 8 voucher programs to increase their rate of employment and their earnings. FSS is not a full-service program; its case management services must be complemented by other employment-related efforts in the community. But FSS is one of the few programs — and the only HUD-funded program — that helps poor families build assets. FSS is also an asset to the PHA itself. The FSS program provides PHAs with a way to improve services to residents and increase housing resources available to poor applicants, while enhancing PHAs' standing in the community and with HUD.

Sufficient HUD funding is available so that every PHA could offer at least a small FSS program for public housing and Section 8 residents without incurring additional unmet costs. Increased funding may permit agencies with large Section 8 FSS programs to receive funds for more than one case manager in 2001. The President's budget for 2002 requests a slight increase in funds for Section 8 FSS coordinators. (HUD does pay the full costs of the FSS escrow accounts regardless of program size.) The collaboration of TANF agencies is needed to enable some PHAs to expand their FSS programs and to help make families facing TANF work requirements and time limits aware of the benefits of the FSS program. Increased participation of TANF families in FSS programs would reinforce TANF work requirements and make additional services and funding for work-related needs available to families. TANF agencies would advance their welfare reform goals by helping PHAs serve more TANF families in their FSS programs.

**Appendix A: FSS Data on Employment and Earnings**

	July 1995 - June 1996* (Section 8 and Public Housing)		Fall 1999 - Fall 2000** (Section 8 only)	
	Percent	Number	Percent	Number
<b>New Enrollments</b>		5,618		6,435
Employed	40	2,247	46	2,989
Part-time	21		21	
Full-time	18		25	
Average earnings	less than \$13,000		N/A	
<b>Continuing Participants</b>		9,206		34,315
Employed	51		60	
Part-time	22		26	
Full-time	31***		34	
Average earnings	N/A		N/A	
<b>Exits with Completion</b>		252		1,241
Employed	76	192	76	944
Part-time	9		14	
Full-time	70***		62	
Average earnings	N/A		N/A	
<b>Exits without Completion</b>		10,341		1,567
Employed	74	7,678	21	332
Average earnings	\$15,196		N/A	
<b>Total Exits</b>		10,593		2,808
Employed	74.3	7,870	45	1,276
Average earnings	N/A		\$13,500	

\* HUD Office of Policy Development and Research, *Family Self-Sufficiency—Special Report No. 1*, 1997. For a discussion of these data, including possible errors, see [pp. 19-20] and note 33.

\*\* HUD MTCS FSS Reports, November, 2000. The significance of these data also is difficult to interpret. See notes 28, 32, 34.

\*\*\*It is unclear whether some individuals or families had more than one job or whether this represents a data error.



## Endnotes

1. This paper is based in part on research conducted in 1999 and 2000 on FSS programs in Massachusetts and elsewhere by Laurie S. Goldman, a Ph.D. candidate in the Department of Urban Studies and Planning at the Massachusetts Institute of Technology. Ms. Goldman and Laura Benson assisted in the drafting of the paper while they worked for the Center. The HUD data cited were provided by staff at HUD's Office of Policy Development and Research, unless otherwise noted.
2. The Section 8 certificate program was merged with the voucher program beginning October 1, 1999. By October 1, 2001, all families with certificates will be converted to the voucher program. Because of this merger, this paper uses the term "vouchers" to refer to Section 8 certificates as well as vouchers. Families with project-based Section 8 assistance are not eligible for FSS unless the project-based subsidy was funded by HUD as part of a PHA's certificate or voucher program. It may make sense for HUD and Congress to revisit the initial decision to exclude families with project-based Section 8 subsidies from the FSS program.
3. Based on data that PHAs report to HUD through the Multifamily Tenant Characteristics System, in 1999 approximately 1,400 of the more than 3,000 public housing agencies that administer family public housing and/or tenant-based Section 8 programs had implemented FSS programs. Most FSS programs serve only families with Section 8 vouchers or certificates. (HUD estimates that 240 -255 PHAs operate public housing FSS programs.) In November 2000, MTCS data indicated that 54,108 families were enrolled in FSS, about 7,000 of whom were public housing tenants; the remainder received Section 8 assistance. There were approximately 1.5 million families with children in the public housing and certificate/voucher programs that month - about 564,000 in public housing and about 955,000 in the Section 8 certificate and voucher programs. FSS is not restricted to families with children, but most other households in the public housing and Section 8 programs are elderly or disabled and less likely to volunteer to participate in FSS.
4. For about 1,650 PHAs, running an FSS program is mandatory. Housing agencies that received HUD funds for additional public housing units or vouchers between 1993 and 1998 or received special incentive funds in 1992 are required to have an FSS program equal in size to the number of additional units or subsidies for which they received funds, unless they have received an exemption from HUD. Because most of the new funds distributed to PHAs in this period were for Section 8 certificates or vouchers, most of the mandatory FSS slots are for Section 8 participants. (Vouchers received as a result of conversion of project-based Section 8 subsidies or of public housing units to tenant-based assistance, however, are not considered new voucher funds for FSS purposes.) Due to a change in the FSS program enacted as part of the Quality Housing and Work Responsibility Act of 1998, new funds received by housing agencies after October 21, 1998 no longer carry the obligation to expand FSS, and a PHA's obligation to operate an FSS program of a given size is reduced as families successfully complete the program after that date. PHAs may operate voluntary programs or larger programs than is required. 42 U.S.C. 1437u(b); 24 C.F.R. 984.105.
5. Detailed requirements for the FSS Action Plan are contained in 24 C.F.R. 984.201. A PHA may enroll public housing and Section 8 families in a single FSS program or operate separate programs for the two groups of residents.
6. HUD recently redefined the term "welfare assistance" as it is used in the FSS program. Beginning April 28, 2000, "welfare assistance" is limited to income assistance under TANF or a state program of general assistance. 24 C.F.R. 984.103, 65 Fed. Reg. 16,692, 16,731 (March 29, 2000). The revised rule makes clear that food stamps, medical assistance, child care assistance, TANF-funded work supports such as transportation assistance and disability benefits are not considered "welfare assistance" for purposes of this FSS requirement.
7. If a family's net increase in income is due to a combination of new unearned as well as earned income, the escrow deposit is limited to 30 percent of the net increase due to earnings. If a family's income increases to 51 - 80 percent of the HUD-adjusted area median income (AMI), the monthly escrow deposit is calculated as if the family's income was 50 percent of AMI. Families with incomes above 80 percent of AMI are not entitled to



any escrow deposit. 24 C.F.R. 984.305(b). See note 49 below concerning the special rule that applies to certain public housing tenants who begin to work.

8. HUD's requirement that families be independent of welfare assistance for at least 12 months before completing their FSS contracts and receiving their escrow funds has caused a perhaps unanticipated problem for families that wish to leave assisted housing within the first year after leaving welfare. These families forfeit their escrow savings. HUD can waive the 12-month durational requirement on request of a PHA as the FSS statute does not include this requirement. See 42 U.S.C. 1437u(d)(2). If a Section 8 family's income makes it ineligible for the FSS program, the 12 month requirement does not apply. (This occurs when 30 percent of a family's adjusted income equals or exceeds the HUD-determined Fair Market Rent for an area.) The family is considered to have completed the FSS contract successfully so long as no member of the family is receiving welfare assistance at that time. See 24 C.F.R. 984.303(g)(2) and 984.305(c)(1).
9. 24 C.F.R. 984.303(i); William M. Rohe and Rachel Garshick Kleit, "Housing, Welfare Reform, and Self-Sufficiency: An Assessment of the Family Self-Sufficiency Program." *Housing Policy Debate*, 10(2), 1999 at 348. For more information on FSS rules, see Barbara Sard and Jeff Lubell, "The Family Self-Sufficiency Program", Center on Budget and Policy Priorities, revised April 19, 2000, available on the internet at <http://www.cbpp.org/5-5-99hous.htm>. See also n. 47 below, concerning PHAs' discretion in determining whether participants have been successful and are eligible to receive their escrow funds.
10. The National Low Income Housing Coalition's summary of the focus group and poll results is available on the internet at <http://www.nlihc.org/pubs/mediapr.htm>.
11. Rohe and Kleit (1999), n. 9 above.
12. Department of Housing and Urban Development, 1999 Best Practice Nominations Detail Reports.
13. Under section 32 of the U.S. Housing Act, 42 U.S.C. 1437z-4, PHAs may use a portion of their formula allocation under the Capital Fund and income from non-HUD sources to promote homeownership among public housing tenants. HOPE VI revitalization grants also may be used in part for this purpose. These efforts are not restricted to the purchase of public housing units. The Section 8 homeownership program became an option for all PHAs administering Section 8 programs on October 12, 2000. See 24 C.F.R. 982.625 et seq., 65 Fed. Reg. 55134 (September 12, 2000).
14. For families (other than the disabled or elderly) to use a section 8 voucher for homeownership, the adults in the household must have annual earnings of at least 2000 times the federal hourly minimum wage. PHAs must use this federally-established standard. 24 C.F.R. 982.627(c).
15. *Fannie Mae and the Section 8 Homeownership Program: Breaking New Ground with Public Housing Agencies*, Fact Sheet, November 2000.
16. To be admitted to the public housing or Section 8 program, a family's gross income must be less than 80 percent of the HUD-adjusted area median income. Once admitted, federal rules permit a family to remain in public housing regardless of its income. Similarly, federal rules impose no maximum income for continuing receipt of Section 8 assistance. In the Section 8 program, however, a family's voucher is terminated six months after 30 percent of its adjusted income equals or exceeds the maximum payment the PHA could make for the family's housing unit.
17. Housing Authority of Island County (WA), Family Self-Sufficiency Program Report, October 1998 (Marjie Monnett, FSS Coordinator).
18. See HUD's Final Rule to Deconcentrate Poverty and Promote Integration in Public Housing, 24 C.F.R. 903.2(c)(1)(iv)(B), 65 Fed. Reg. 81,214, 81,223 (December 22, 2000).

19. HUD has indicated that approximately 139,500 new Section 8 vouchers or certificates or public housing units were awarded subject to FSS requirements. (See n. 4.) It is likely that the total number of mandatory FSS slots has been reduced by only a few thousand successful program completions since October 1998. As detailed in note 3, in November 2000, approximately 54,000 families were reported to be enrolled in the FSS program.
20. A PHA receives 10 points under SEMAP if it has filled 80 percent or more of its mandatory FSS slots and if 30 percent or more of FSS families have escrow account balances. If a PHA has filled fewer than 60 percent of its mandatory FSS slots and fewer than 30 percent of FSS families have escrow account balances, the agency receives zero points on the FSS criterion. Performance between these levels can earn three, five or eight points. 24 C.F.R. 985.3(o). A zero rating on any individual indicator is considered a SEMAP deficiency that must be corrected. 24 C.F.R. 985.106. HUD's ultimate sanction for an agency that fails to submit a corrective action plan or to correct an identified deficiency is to determine that the PHA has breached its annual contributions contract (ACC) with HUD. 24 C.F.R. 985.109. If a PHA breaches the ACC, HUD can assign the agency's funding to another administrative entity. PHAs that completed their fiscal year on September 30, 2000 are the first to receive formal SEMAP ratings. See HUD Notices PIH 2000-34, issued August 17, 2000, and PIH 2001-6, issued January 24, 2001.
21. 24 C.F.R. § 902.43(a)(6) states the new PHAS Economic Self-Sufficiency sub-indicator. It is worth seven of the maximum 30 points assessed for Management Operations. 65 Fed. Reg. 40,028 (June 28, 2000). PHAS uses a total of 100 points.
22. The current PHAS rule for the Economic Self-Sufficiency sub-indicator, 24 C.F.R. § 902.43(a)(6), does not specifically reference FSS. It states that "PHAs will be assessed for all the programs that the PHA has HUD funding to implement." A mandatory public housing FSS program should come within this rule as the agency can, if it asks, receive additional operating subsidy for the costs of an FSS case manager and receives additional funding for the cost of FSS escrow accounts, as discussed below at pp. 25 - 27. We expect that HUD shortly will clarify the role of FSS performance in allocating points under this sub-indicator.
23. A brief summary of the requirements of Section 3 is contained in the Center's *Outline of How Federal Housing Programs Can Help Provide Employment and Training Opportunities and Support Services to Current and Former Welfare Recipients*, available on the Internet at <http://www.cbpp.org/1-6-00hous.htm>. PHAs that are found in violation of these requirements are subject to administrative and judicial orders regarding future hiring, training and contracting, and may be disqualified from receiving competitive HUD funds.
24. Rohe and Kleit (n. 9 above) at 358. The reports of the survey respondents were not verified by the researchers. There is no current national evidence concerning the proportion of FSS graduates that buy homes.
25. *Id.*
26. *Id.* at 365. Numerous PHA staff interviewed by the Center echoed the findings of Rohe and Kleit's 1996 survey on the importance of interim withdrawals from escrow accounts in helping families obtain or keep jobs. Data reported by PHAs to HUD in the approximately one-year period ending in November 2000 indicate that about eight percent of the Section 8 FSS families with escrow funds that did not exit the program received funds from their accounts on an interim basis. The average amount disbursed was quite small – less than \$200. In its fiscal year 1998 report, the Rhode Island Housing and Mortgage Finance Corporation noted that five families had been permitted to receive advance payments from their escrow accounts averaging about \$1,500 each to respond to emergency situations.
27. These data from HUD's MTCS reports for November 2000 are for Section 8 families. There are relatively few public housing families in FSS (see n. 3), but there is no reason to believe the share of public housing families with escrow accounts or the amount of their savings would vary substantially. HUD's analysis of 1996 FSS data had indicated that about one-third of FSS participants had positive escrow balances averaging \$1,600, with an average monthly contribution (among those making contributions) of \$229. HUD Office of Policy

28. It is unclear why HUD data indicate that only 45 percent of families that successfully completed the FSS program in the 1999 - 2000 period received escrow funds. (In contrast, 94 percent of the graduates of the Metropolitan Boston Housing Partnership's FSS program received escrow funds, as discussed below). Under HUD's rules, a head of household must be employed at exit from the program to be considered a program graduate. Some employed FSS graduates may not have accumulated escrow funds because they were employed at enrollment and did not increase their earnings during the program or, conversely, because they increased their earnings so rapidly that there was no time to accumulate savings before they left the program. But it is unlikely that more than half of recent graduates were in either of these situations or were not the heads of their households. It is possible that PHAs erroneously categorized certain exits as successful or misreported escrow receipt. T
29. Marianne Constantinou, "A dream come true," San Francisco Examiner, June 13, 1999, E-9; Karen Holzmeister, "Life looking up for 'cookie mom,'" The Daily Review, June 13, 1999, LOCAL-1.
30. Karima A. Haynes, "A Door to Independence," Los Angeles Times, November 26, 2000, K-1, K-6.
31. New Jersey Department of Community Affairs, *Family Self-Sufficiency Program - Annual Report*, April, 2000.
32. HUD MTCS FSS Reports, November, 2000. These figures reflect the status of participants as entered into HUD's MTCS data system during the prior year. As most families take five years to complete the program, some or all of any change in the rates and hours of employment could reflect the passage of time rather than the contribution of the FSS program. It also is possible that the individuals who successfully completed the program had a higher rate of employment upon entering the program than the individuals who enrolled during this period. It is not clear whether the data indicating that 25 percent of FSS participants completed the program successfully in this period without being employed are correct. Successful completion of the FSS program requires employment, except for participants who are not the head of their household. See n. 28. Of the total number of participants that exited the program from the fall of 1999 through the fall of 2000, some 55 percent are reported as exiting without completing the program. Some of these families, however, may have moved to the jurisdiction of another PHA and continued in the new agency's FSS program. We cannot determine from the available data what proportion of original enrollees leave the program without completing it over a period of years. About 20 percent of the families that exited the program without completion in the 1999 - 2000 period report some earnings at the time of exit. It is not possible from the available data to determine what proportion of these families were employed at the time of enrollment in FSS.
33. Only 252 families were reported to have completed the program in the 1995 - 1996 period, while more than 10,000 families were reported to have exited the program without completion. HUD FSS Special Report, n. 27 above. In contrast, in the 1999 - 2000 period, 1,241 families were reported to have completed the FSS program, and 1,567 were reported to have exited the program without completion. Appendix A compares the available data on employment and earnings of the 1995 - 1996 and 1999 - 2000 cohorts.

The 1995 - 1996 data include public housing FSS participants as well as Section 8 participants; the 1999 -2000 data that HUD made available to us are limited to Section 8 families. As with the 1999 - 2000 data, the information concerning those enrolling in and those leaving the program represent different families. The small proportion of successful program exits in the 1995-1996 period, as compared with the 1999 - 2000 period, may have been due to the fact that the program began on a very small scale in 1991 and did not become permanent until 1993. As a result, few families would have had the opportunity to complete what is usually a five-year program by mid-1996, but many early entrants may have decided the program did not meet their needs. In addition, the change in the meaning of "welfare assistance" in early 2000, discussed in n. 6 above, may have increased the proportion of families exiting the program that were deemed to have completed the program successfully. Until this change was made, a family that has been off TANF benefits for at least 12 months but still receives food stamps, disability benefits or subsidies for child care or medical care would not be considered

to have completed the program successfully. The fact that the unsuccessful program leavers in 1995 - 1996, unlike those in 1999 - 2000, had nearly the same rate of employment (74 percent) as those who successfully completed the program (76 percent) is consistent with the potential importance of the amended definition of "welfare assistance" in determining program success. A third possible explanation is that the 1995 - 1996 data are erroneous; MTCS recording was just getting under way at the time the data were collected.

34. Earnings among those who were employed when they left the program during 1999 - 2000 averaged about \$13,500. HUD MTCS FSS Reports, November, 2000. See Appendix A. One reason for this relatively low figure may be the inclusion of the earnings of participants who left after only brief involvement with the FSS program. Approximately one-quarter of the individuals who were employed at exit from the program did not complete the program. The average earnings figures for each period are as reported by HUD and are not adjusted for inflation. If the 1995 - 1996 data are adjusted for inflation, average earnings upon leaving the program for those who left without completing it are \$16,463 in 2000 dollars.
35. Michelle Wood et al., *From Welfare to Work: Using HUD's Programs to Help Families in Transition*. Washington, DC: HUD Office of Policy Development and Research, 1999, at p. 27. Both public housing and Section 8 residents participate in the SDHC FSS program.
36. Through her research on MBHP's FSS program, Laurie Goldman was able to obtain detailed information on program graduates. This information, however, lists annual income at FSS enrollment and completion, without indicating source of income or hours of employment. Of the 13 graduates through June 2000 whose income was less than \$10,300 at enrollment, three had no reported income. The remaining 10 graduates may have relied entirely on public assistance, worked part-time, or combined work and welfare at the time of their enrollment. The one graduate who had less income when she graduated from the FSS program than when she enrolled did experience an increase in earnings for some period of time during her participation in FSS, as she accumulated savings of about \$2,700 in her escrow account.
37. See Gordon L. Berlin, *Encouraging Work and Reducing Poverty: The Impact of Work Incentive Programs*. New York, NY: Manpower Demonstration Research Project (2000); Rebecca Blank, David Card and Philip K. Robins, *Financial Incentives for Increasing Work and Income Among Low-Income Families*. Working Paper. Chicago: Joint Center for Poverty Research (1999), available on the Internet at [www.jcpr.org](http://www.jcpr.org).
38. William M. Rohe and Rachel Garshick Kleit, "From Dependency to Self-Sufficiency: An Appraisal of the Gateway Transitional Families Program." *Housing Policy Debate* 8(1): 75-108 (1997). The Charlotte Housing Authority's Gateway Transitional Families Program was authorized by Congress in 1988. It combined escrow accounts for homeownership, policies to freeze AFDC and food stamp benefit levels so that income gains were not offset by benefit reductions, and a highly structured five-to-seven year program for training and counseling. The comparison group consisted of similar public housing residents that applied for the program but either did not complete the application process or declined participation once accepted. Some 70 percent of the comparison group — in contrast with 93 percent of the graduates — were employed full-time after a similar period of time. Graduates earned 22 percent more per hour than the comparison group, and only 10 percent were dependent on AFDC at the end of the observation period, compared to 41 percent of the comparison group. Gateway graduates also demonstrated strides towards independence from housing assistance. Of those completing the program, about three-fourths no longer relied on subsidized housing; more than one-third of these families became homeowners, and the others moved to private rental housing.
39. See Rohe and Kleit (n. 9 above) at 253 (reflections from FSS coordinators); Christine MacDonald, "Reaping the benefits of welfare to work," *The Boston Globe City Section*, September 19, 1999.
40. E.g., the Clearwater (FL) FSS program described in Wood (n. 35 above) at 15 - 19.
41. Rohe and Kleit (n. 38 above) at 103-4. Systematic, controlled research has not demonstrated the effect of long-term case management on voluntary participants in a work-oriented program.

42. Julie Strawn and Karin Martinson, *Steady Work and Better Jobs: How to Help Low-Income Parents Sustain Employment and Advance in the Workforce*. New York: Manpower Demonstration Research Corporation, 2000.
43. MTCS data from November 2000 indicate that approximately 345,000 households in the Section 8 voucher and certificate program (a number equal to 36 percent of the families with minor children in the program) receive TANF or General Assistance income, as do 216,000 public housing households (a number equal to 38 percent of the families with minor children in public housing). It is not possible from HUD's publicly available data to separate TANF from General Assistance income or to distinguish income sources for families with minor children from the sources of income for other households. A modest number of the 561,000 households receiving some welfare income may be childless adults receiving General Assistance. Such adults are eligible, however, to participate in FSS.
44. Approximately 8,000 of the families that enrolled in FSS or were participating in the program from the fall of 1999 through the fall of 2000 reported income from TANF. HUD MTCS FSS Reports, November, 2000.
45. About 30 percent of the families that have enrolled in FSS since mid-1999 were receiving welfare benefits. About half were receiving food stamps. HUD MTCS data, November 2000. The recent rates of welfare and food stamp receipt at enrollment in FSS are much lower than in the early years of the FSS program. Based on data gathered in 1996 from 564 FSS programs, Rohe and Kleit (n. 9 above) found that half of participating families received AFDC and two-thirds received food stamps at the time they enrolled in FSS.
46. Sandra J. Newman and Joseph Harkness, "The Effects of Welfare Reform on Housing: A National Analysis," in Sandra J. Newman, ed., *The Home Front: Implications of Welfare Reform for Housing Policy*. Washington, DC: Urban Institute Press (1999).
47. The interim and final goals in a participant's FSS contract with the PHA may be modified by mutual agreement, except for the requirements that a head of household become employed and that all family members become independent of welfare assistance. Some PHAs administer the program flexibly, agreeing to modify FSS contracts as circumstances change, extending the duration of the contract if necessary, and releasing escrow funds to families so long as the families meet these two mandatory goals. Other PHAs consider the program completed and release families' escrow funds only if participants fulfill whatever more ambitious interim and final goals they initially agreed to, such as achieving a certain level of education or obtaining a job at a higher rate of pay. PHAs may terminate families from the FSS program if they fail to comply with their contracts without good cause. (PHAs may also terminate Section 8 assistance, if they have chosen this option. See n. 9 above.) If a family is terminated from FSS or leaves without completing the program, its escrow account is forfeited. HUD staff responsible for the FSS program indicate that HUD urges PHAs to recognize the asset-building goal of the program in assessing whether a participant who has substantially but not fully achieved the goals of her contract should receive her escrow funds. PHAs have discretion in making such judgments. See 24 C.F.R. 984.303; 42 U.S.C. 1437u(k) (requires discretion and flexibility in carrying out local programs "to the extent practicable").
48. The delayed receipt of the savings that are part of the benefits of increased earnings, particularly in FSS programs that do not permit interim withdrawals from escrow accounts, may reduce the work incentive effect. Recent experience with the Earned Income Tax Credit, however, suggests that similar, although shorter, deferred gratification can be effective in increasing employment rates and earnings of low-income people. Jeffrey Liebman, "The Impact of the Earned Income Tax Credit on Incentives and Income Distribution," in James M. Poterba, ed., *Tax Policy and the Economy, Volume 12*. Cambridge, MA: MIT Press (1998); Bruce D. Meyer and Dan T. Rosenbaum, *Welfare, The Earned Income Tax Credit, and the Labor Supply of Single Mothers*. Working Paper No. W7363, National Bureau of Economic Research, September 1999.



49. Since October 1, 1999, the increased income of public housing tenants that go to work or increase their earnings after being unemployed or receiving TANF benefits is supposed to be disregarded entirely for 12 months. For the second 12 months, such tenants pay half the rent increase otherwise due. Voucher tenants who are disabled but go to work may qualify for the same disregard beginning April 20, 2001. See 24 C.F.R. 982.201(b)(3), 66 Fed. Reg. 6218, 6226 (January 19, 2001), 66 Fed. Reg. 8174 (January 30, 2001). Other Section 8 families will be eligible for this disregard of earnings in calculating rent only if Congress begins to allocate funds for this purpose. PHAs may fashion other income disregards to encourage public housing tenants to work and remain in public housing but are not given this flexibility for Section 8 tenants. See Barbara Sard and Jeff Lubell, *How the Statutory Changes Made By the Quality Housing and Work Responsibility Act of 1998 May Affect Welfare Reform Efforts*, Center on Budget and Policy Priorities, revised January, 2000. This paper is available on the Internet at <http://www.cbpp.org/12-17-98hous.htm>.
50. See HUD PIH Notice 2000-11, Guidance on Establishing Cooperation Agreements for Economic Self-Sufficiency between PHAs and TANF Agencies, May 9, 2000. HHS distributed this Guidance to all TANF agencies. See TANF-ACF-IM-00-2, June 2, 2000.
51. HUD's PHA Plan website is <http://www.hud.gov/pih/pha/plans/phaps-home.html>. Select "approved plans" from the list on the left side of the screen, then select the state. For each state, the agencies with approved plans are listed by the date their fiscal year begins. Select the agency to view its detailed plan, if HUD has posted it. (Posting appears to be delayed several months.)
52. The 1996 federal welfare law that created the TANF block grant provides fixed funding to states based on each state's welfare spending in the early 1990s, when caseloads were higher than today. As caseloads and spending on cash assistance have fallen, billions of dollars in federal funds have been freed up for other uses. As of September 30, 2000, states collectively had \$8.1 billion in unspent TANF funds. Ed Lazere, *Unspent TANF Funds at the End of Federal Fiscal Year 2000*, Center on Budget and Policy Priorities, January 23, 2001. This paper is available on the internet at <http://www.cbpp.org/1-22-01sfp00surplus.pdf>.
53. Federal rules for the Food Stamp program exclude FSS escrow funds from being considered as an asset while the funds are controlled by the PHA. See 7 C.F.R. 273.8(e)(8). The family's receipt of the escrow funds at the completion of the FSS program may, depending on the family's other assets, cause the family to have resources in excess of the \$2,000 limit, unless the family invests the funds to buy or repair a car or in home ownership, or otherwise spends the funds fairly quickly.
54. For public housing, PHAs exclude FSS escrow deposits from the total of tenant rent revenues used to calculate operating subsidies. The effect of this exclusion is to increase the PHA's operating subsidy from HUD by the amount of the annual escrow deposits, assuming full funding by Congress of the operating subsidy account. For Section 8, FSS escrow deposits are included in the PHA's actual costs that are used to determine its renewal funding.
55. 64 Fed. Reg. 11279 (March 8, 1999).
56. Notice of Funding Availability for Family Self-Sufficiency Program Coordinators for the Section 8 Rental Certificate and Rental Vouchers Programs for Fiscal Year 2000, 65 Fed. Reg. 17,114 (March 30, 2000). HUD restricted the eligible PHAs to those that had previously received FSS Coordinator funding because of the expectation that all previous recipients would apply for renewal funds. Approximately 200 of the more than 800 agencies that received FSS coordinator funding in 1999, however, failed to apply for renewal funds in 2000. Interview with Kathryn Greenspan, HUD Housing Program Specialist, November 6, 2000.
57. The 2001 Notice of Funding Availability for Rental Certificate/Housing Choice Voucher Family Self-Sufficiency (FSS) Program Coordinators was published February 26, 2001. Applications are due April 25, 2001. 66 Fed. Reg. 12,403. The notice is available on the internet at

<http://www.hud.gov/cio/grants/fundsavail.html>. More than 750 PHAs are required to operate FSS programs of more than 50 participants. HUD data indicate that some 769 PHAs received more than 50 new certificates or vouchers that carried an FSS obligation in the period between 1991 and 1998. Waivers may have been granted to some of these agencies to reduce their mandated FSS program size. See 24 C.F.R. 984.105(c) and (d).

58. The most recent description of this policy is contained in PIH Notice 2000-04 (Feb. 3, 2000).
59. PHAs that succeed in the annual competition for ROSS grants may obtain funding for case managers and other services for up to three years. Of the approximately 70 PHAs that received ROSS grants in October 2000 to promote the economic self-sufficiency of families with children, only four appear to intend to use the funds to initiate, expand or improve their FSS programs. Families served by the other PHAs' ROSS-funded programs will not have the opportunity to accumulate savings that would be available if enrollment in FSS were offered as part of these PHAs' initiatives. In FY 2001, HUD has made \$24 million available for the Resident Service Delivery Models component of ROSS; only a portion of these funds is available to promote the self-sufficiency of families with children. The application deadline is June 26, 2001. (The Notice of Funding Availability for ROSS is at 66 Fed. Reg. 12,079 (Feb. 26, 2001). It is available on the internet at <http://www.hud.gov/cio/grants/fundsavail.html>.)
60. U.S. Department of Housing and Urban Development, *Section 8 Administrative Fees: A Report to Congress*, June 1994. The FSS statute requires HUD to adjust the Section 8 administrative fee to reflect the costs of administering the FSS program. HUD has chosen to provide Section 8 FSS coordinator funding separately. See 42 U.S.C. 1437u(h).
61. See 24 C.F.R. 984.201(e).
62. Rohe and Kleit (n. 9 above) at 347. As noted at pp. 5 above, public housing participants cannot be evicted for failure to fulfill the terms of their contract, and Section 8 programs are not required to terminate housing assistance to those who do not succeed in achieving employment goals.
63. If an FSS participant moves outside the area where the PHA operates, the family may continue in FSS in one of two ways. The initial PHA may retain the family in its FSS program if it determines the family can comply with its FSS contract in the new location. This option requires that the family's Section 8 voucher be administered under what is known as "portability." A PHA that serves the area to which the family moves takes on certain administrative functions in return for a portion of the initial PHA's administrative fee, but the voucher still is part of the initial PHA's portfolio. Alternatively, if the PHA in the new area has an FSS program and is willing to accept the family into it, the family can enter into a new FSS contract with the new PHA for the remainder of the five-year period. This second option works either under portability procedures or if the new PHA "absorbs" the family into its voucher program by issuing the family one of its vouchers. (The family's initial voucher is then returned to the initial PHA for reissuance to a new family on the waiting list.) See 24 C.F.R. 984.306.



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