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**Folder Title:**
Civil Rights - Housing Vouchers

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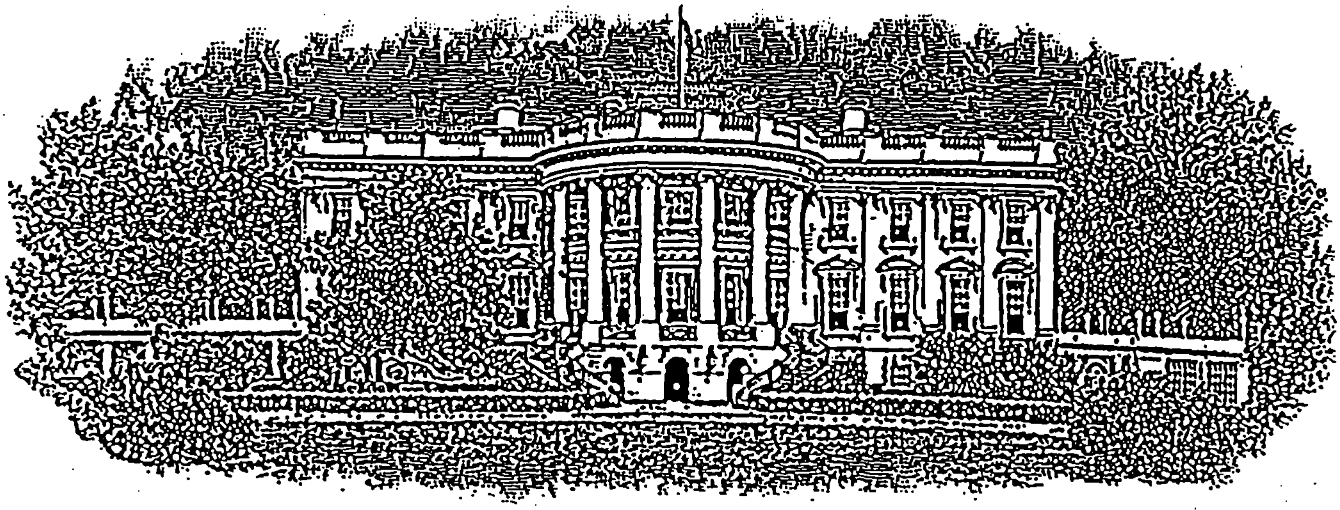
J. Fernandez



DOMESTIC POLICY

## FACSIMILE TRANSMISSION COVER SHEET

TO: Barry White, OMB; Michael Deich, OMB; Emil Parker, NEC; Paul Leonard, HUD; Roy Uhalde, DoL; John Monahan, HHS

FAX NUMBER:

TELEPHONE NUMBER:

FROM: Andrea Kane

TELEPHONE NUMBER: 456-5573

PAGES (INCLUDING COVER): 3

COMMENTS: FYI - in case you hadn't seen this article

WE016 0000 HD 0049
#4452 DPS*HH
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OPD [illegible] WW
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2/3

To CR, PW, DC, JF, BW, [illegible]
Note re housing welfare [illegible]

's Business Daily
"For People Who Choose To Succeed"
Wednesday, December 24, 1997
Los Angeles, California
Volume 14, No. 180 ©1997
$1.00

NATIONAL ISSUE

# NOT ALL WELFARE WAS REFORMED

## Costs Rise For HUD Tenant-Assistance Programs

By Carl F. Horowitz
*Investor's Business Daily*

When Congress overhauled welfare last year, it left a major area of anti-poverty programs untouched — rental housing subsidies.

The new welfare law, among other things, sets a five-year lifetime limit on federal cash aid for most families. Several states already had put similar reforms in place before Congress acted. But there's still no limit on how long families can get federal rent subsidies.

Partly as a result, while the welfare caseload has been dropping, more low-income tenants are getting aid under the fast-growing voucher and certificate programs. And while federal projections show cash assistance spending will be flat over the next 10 years, they also show rent subsidies will climb steadily.

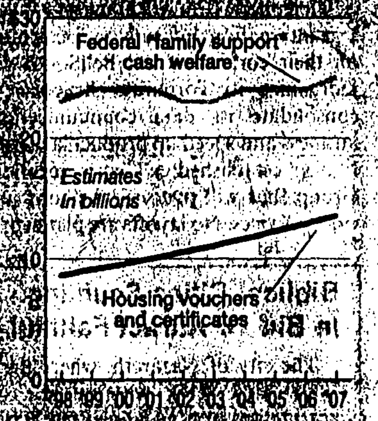
Could Congress impose a national time limit on rental assistance, or at least give states the option of setting their own limits?

"Politically, that's a land mine," said Merrill Matthews, vice president for domestic policy at the National Center for Policy Analysis, a Dallas think tank. "I know of no liberals or even conservatives discussing rent subsidy time limits, even though they should."

If they did, they'd face stiff opposition from welfare advocates.

**Future Imperfect**

Reformed welfare costs will hold steady while unreformed rental subsidies will climb sharply



*Family Support refers to block grants to states that replaced AFDC

Source: Congressional Budget Office

"To limit housing aid to five years or any other deadline would be self-defeating," said Cameron Whitman, senior legislative counsel for the National League of Cities. "Low-income families can't be expected to get back on their feet unless they can rely on housing subsidies [illegible]."

Whitman argues that, if anything, subsidies need to be expanded. "Without more rental assistance to offset the loss, millions of families who lose their welfare payments would be at risk of going homeless or hungry," she said.

Whitman is spokeswoman for a Washington-based coalition of more than 200 national and local groups — the Campaign for Housing and Community Development Funding — that is pushing for more housing assistance.

The welfare reform law requires states to move at least half of their caseloads into jobs by 2002, in addition to imposing the five-year limit. Even before the law went into effect, the number of families on welfare was dropping. It has continued to fall sharply since the law was passed.

Between January '93 and July '97, the caseload fell 25.8% nationwide, almost all of it since the start of '95, the Health and Human Services Department notes. States with the strongest work requirements — such as Wisconsin and Oregon — have seen the biggest drops.

Yet the combined number of rental vouchers and certificates has climbed, rising [illegible] from fiscal '95 to fiscal '97.

And without some kind of reform, the cost of providing these housing subsidies is set to rise further. This assistance will cost some $8.6 billion in fiscal '98 and by fiscal 2007 will climb to [illegible] billion, the Congressional Budget Office projects.

The overall budget of the Housing and Urban Development Department, which runs the programs, has long been

Continued on Page A24

LEADERS & SUCCESS

# ADC Telecom's William Cadogan:

## Turning Conversations Into Swap Meets For Success Tips

By Matt Krantz
*Investor's Business Daily*

Do you want to know how William Cadogan became head of a fast-growing, $1.2 billion telecommunications firm? Just ask him.

[illegible] this perspective [illegible] spurs him to discover for himself what he might not have otherwise [illegible].

Cadogan's track record makes his advice valuable. Before he took over in '92, ADC suffered four years

[illegible]

■ [illegible] what makes you feel [illegible] he suggests. Keep in mind that there's no universal

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SHINGTON & WORLD

**OLS VERDICT:** A federal jury [illegible] Terry Nichols guilty of conspir[illegible] use a weapon of mass destruc[illegible] the Oklahoma City bombing. [illegible] found him guilty of eight [illegible] of involuntary manslaughter. [illegible] found him not guilty of using [illegible]ves or weapons of mass de[illegible]n. It absolved him of all [illegible] charges. But he still faces the [illegible]enalty.

**ON '99 BUDGET:** President Clin[illegible] seeks more federal spending [illegible]cation while providing targeted [illegible]ks in areas including pollution and child care in his new [illegible] But the spending plan the [illegible]t sends Congress in February [illegible]ct Republican calls for a major [illegible] of the tax code or speeding [illegible]eadline for getting to surplus.

**RECORD YEAR:** The Environmen[illegible]tection Agency referred a [illegible]umber of cases for prosecu[illegible] assessed its largest total of 1997. It referred 704 cases to [illegible]ice Department and assessed [illegible]illion in penalties. Under an [illegible]d voluntary program, more [illegible]5 companies revealed viola[illegible]ith the EPA [illegible]

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sure the magazine's other

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# NATIONAL ISSUE: Not All Welfare Was Reformed

*Continued from Page A1*

rising.

Outlays have climbed some 87% since fiscal '81 to $27.8 billion in fiscal '97. HUD has called for $39.3 billion in budget authority for fiscal 2003.

HUD's budget goes mainly to provide housing subsidies, which fall under either "public" or "assisted" housing categories.

■ Public housing. Started in 1937, the program serves some 1.25 million low-income households. While public housing authorities own the projects, HUD pays the operating and modernization costs for many of them — with a combined tab in recent years of around $5 billion to $6 billion annually.

Public housing has lost much of its early political luster; about 90% of existing units were built before 1980. Under Clinton, in fact, HUD is razing tens of thousands of decaying, largely vacant buildings.

■ Assisted housing. These are privately owned dwellings subsidized by HUD. Under its main program, called Section 8, enacted in 1974, aid goes either to landlords ("project-based") or to tenants ("tenant-based"), the latter in the form of vouchers or certificates.

About 2.75 million households now get either project- or tenant-based aid. Tenant-based aid is growing faster because in the middle of Ronald Reagan's first term, Congress stopped adding project-based spending authority.

HUD officials see the welfare law as boosting the need for rent subsidies. A year ago the department projected the law would trigger an extra $2.26 billion in aid through fiscal 2002 just to maintain current commitments.

The National League of Cities' Whitman said that's probably on the low side.

She said there are some 5.3 million households that meet HUD's definition of "worst case" that aren't getting any help. People in these households, HUD says, live in substandard housing or have incomes below 50% of the area median and spend more than half their income on rent.

The department also says that more than half the families on cash welfare qualify for rental housing aid, but aren't getting it.

Still, many of those getting housing help aren't on welfare.

According to HUD, "public assistance" in 1995 was the main income source for about half of families with children in public housing or receiving tenant- or project-based help.

Roughly 10% of such families relied on Social Security and pensions as their main income source.

To be sure, tenants with income in all the major programs must help pay the cost of rent. Their contribution in '95 worked out to an average of roughly $170 a month.

Say what

1X15 $
30% of income

And a large portion of these tenants get other forms of noncash assistance. HUD figures show, for instance, that more than half of those getting vouchers or certificates also are on food stamps.

Yet many public officials warn that without more rent subsidies, a large number of people could go homeless.

The U.S. Conference of Mayors notes that the demand for emergency shelter in selected cities rose 3% over the past year. Yet despite welfare roll declines, this was the smallest increase since the annual survey began in '85.

"The mayors are always going to find a worsening 'crisis' in shelter," Matthews responded.

He argues that housing aid should be curbed for the same reason welfare was.

"The basic point of welfare reform is to make working more attractive than not working," he said. "Tying restrictions in rental aid to work requirements would go far in reducing rent subsidies, and without creating homelessness."

> "Tying restrictions in rental aid to work requirements would go far in reducing rent subsidies, and without creating homelessness."
>
> — **Merrill Matthews,**
> *National Center for Policy Analysis*

HUD isn't the only source of federal support for low-income renters.

The Agriculture Department's Rural Housing Service as of September provided deep subsidies to about 242,000 renter households.

And the Internal Revenue Service through the states oversees the Low Income Housing Tax Credit. Under the program, investors can take a credit for 10 years on the net present value of a portion of project costs. Some 90,000 rental dwellings a year are built or renovated through the use of the credit.

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Record Type: Record

To:

cc:
Subject: Housing vouchers

I have a couple of quick questions about the housing voucher proposal by barry white. first, i'm not sure if we want to permit states to propose time limits on the vouchers without some sensitivity to lack of affordable housing generally in high job growth areas. Many entry-level jobs at coroporations or plants are located in the suburbs, where both affordable housing and adequate transportation are lacking. a time limit without a built-in check for such circumstances just pushes a family back into welfare because jobs are often located in expensive and far-out suburban communities. That seems to me the wrong incentive and the wrong message. second, i don't quite understand the proposed use of 25% of the vouchers to link with the competitive (as opposed to formula) WTW grants. aren't we already getting "innovation and integration" in the first group (a WHV proposal as part of the state's WTW proposal). what am i missing? unless, i suppose, these vouchers could be linked to regional counseling type programs. finally, i am concerned about the proposal that the voucher would end when/if the job ends. there must be some kind of built-in protection to allow the family to seek and obtain new employment. less all or nothing for job losses that are temporary.

We'd like to offer an alternative proposal that clearly links the vouchers to welfare to work efforts (defined more broadly) without limit housing vouchers to participants in the the $3 billion WtW initiative. We think this is preferable for several reasons: (1) WtW will only serve a portion of all families moving from welfare to work--one could argue that we ought not to ignore those who won't be served by WtW; (2) WtW is only authorized for two years at this point whereas TANF is around for at least 5 years--we might not want to tie the vouchers to something with such an uncertain future; (3) allowing more options for local PHAs to partner with TANF agencies and/or WtW grantees might garner more support for this initiative.

The table below lays out an alternative approach, with some options that still need further discussion. Our plan would be for Emil to incorporate this alternative proposal into the memo he and Paul are drafting for the President on housing issues. Emil -- any chance you could do this before you leave town?

Here's a list of other questions we think we will need to address:

- Is competitive process for allocating vouchers new precedent in housing area?
- Should there be any general parameters re: number of vouchers per site, i.e. a minimum, maximum or average? This would help think through how little or how much the vouchers would be concentrated.
- How would these new vouchers fit with existing initiatives linking housing to welfare reform/self sufficiency, i.e. Family Self Sufficiency program, Moving to Work, other HUD initiatives? Should these vouchers build on those efforts or be totally independent? Do we want to encourage concentrating these vouchers in same areas receiving vouchers under above initiatives, or try to spread them to less served areas?
- ✓ Need to think through meaning of 'self sufficiency'--Barry suggests that getting a voucher would mean someone is not self-sufficient. However, many people who leave welfare for work will continue to qualify for various forms of income-based assistance including Medicaid, child care, food stamps. We should be careful about defining self sufficiency too narrowly.
- Is match an issue?
- ✓ Proposal should lay out context: why do people making transition from welfare to work need housing assistance, how can vouchers help them make the transition, etc. We should address both the general issue of affordable housing and the more specific issue of mobility, helping people move to areas closer to employment.

## HOUSING VOUCHERS LINKED TO WELFARE REFORM
DECISION POINTS and OPTIONS

| **DECISION POINTS** | **B. WHITE PROPOSAL** | **ALTERNATIVE** |
|---|---|---|
| **# of Vouchers** | 50,000 | 50,000 |
| **Funding Amount and Type** | $300 M, Mandatory | $300 M, Mandatory |
| **Budgetary Duration of Vouchers** | As long as we can get. | As long as we can get. |
| **Eligible Families** | WtW Participants:<br>70% of funds for long term recipients who also have other barriers (low basic skills, substance abuse, poor work history);<br>30% for recipients who have characteristics of long-term dependency. | TANF eligible families for whom housing voucher will assist transition to self-sufficiency. For further targeting:<br>(a) applicant agency could propose targeting, and/or<br>(b) application process could indicate or give preference to certain criteria, i.e. mobility, lack access to affordable housing, length of time on welfare, employed for certain period of time. |
| **Applicant Agency** | Public Housing Authority (PHA), with agreement with WtW grantee and welfare agency. Governor consulted as part of WtW Plan process. | Options:<br>(a) PHA with WtW+TANF (same as B. White)<br>(b) PHA with local TANF agency (include WtW at local option)<br>(c) PHA with local TANF agency or WtW grantee. |
| **Method of Distribution** | Competitive, with 75% for WtW formula grantees and 25% for WtW competitive grantees. Selection criteria would need to be identified. | Competitive. Selection criteria would need to be identified. |

| DECISION POINTS--Cont. | B. WHITE PROPOSAL | ALTERNATIVE |
|---|---|---|
| **Timing of Distribution of Vouchers** | FY 1999, tied to 2nd round of WtW grants. | FY 1999. (Once vouchers awarded, locals manage ongoing allocation and reallocation to families as result of turnover or time limits if they so choose). |
| **Submission Process** | Part of FY 1999 WtW Plan | a) amendment/addendum to TANF Plan or<br>b) stand-alone application |
| **Use of/Restrictions on Vouchers** | HUD would seek waiver authority to grant flexibility to local recipient agencies on how to structure assistance. | Same as B. White (examples might include % of income paid toward rent, time limits, earned income disregard). |
| **Federal Approval Process** | HUD, DOL, HHS | HUD, HHS, DOL--with mandatory review time frames (DOL might be optional depending on role of WtW grantees). |

**FRANCIS S.**
**REDBURN**
11/25/97 12:13:45 PM

Record Type: Record

To: Andrea Kane/OPD/EOP

cc: See the distribution list at the bottom of this message
Subject: Re: Housing Vouchers Proposal

Without addressing the overall proposal, let me try to help answer the questions you posed from a housing perspective:

1. A competitive allocation of a large pool of housing vouchers would be a new precedent. HUD conducts competitions for small, earmarked numbers of subsidies for special purposes; but most new subsidies are allocated by a crude "fair share" formula, based on population and housing needs; moreover, these are subsequently extended/renewed in that community rather than recaptured and reallocated by HUD as relative need shifts from one community to another.
2. There is no overwhelming administrative reason, from a housing perspective, to set a lower bound on the number of vouchers allocated to a particular jurisdiction, because PHAs already have the administrative apparatus to administer other vouchers. On the other hand, the special arrangements with welfare offices and distinctive rules for award and use of these vouchers argue for some concentration or minimum number per jurisdiction.
3. There is no obvious substantive conflict between this initiative and ongoing related HUD initiatives such as Family Self-sufficiency and Moving to Work, FSS funds mainly go to small and middle-sized PHAs to boost their capacity to link recipients with services, but I don't see a strong reason to target the new WTW initiative either toward or away from this group of places. Moving to Work is going to be evaluated carefully, and for this procedural reason, HUD may want to steer the new initiative away from these sites; however, the sites include many large cities with large welfare populations; I would advise consulting closely with HUD. A strong argument could be made for spreading the WTW vouchers to more places, both to broaden support for enactment and to broaden the base of experience in using housing vouchers to aid family transitions.
4. Concerning the meaning of 'self-sufficiency', it should be recognized that housing assistance normally phases out at a higher income level than TANF or other poverty programs. The subsidy drops to zero when 30 percent of adjusted family income equals the full unit rent; because subsidies are tied to local median rents (technically, the Fair Market Rent) the phaseout point is higher in areas where market rents are higher.
5. HUD housing subsidies have no match requirements. However, HUD's HOME program, which can be used for tenant-based assistance, has a soft match requirement. Asking for communities to commit resources in the form of services and help in searching for apartments might be appropriate and could be used as a ranking factor in competitive awards.

Message Copied To:

barry white/omb/eop
emil e. parker/opd/eop
michael deich/omb/eop
alan b. rhinesmith/omb/eop
larry r. matlack/omb/eop
maureen h. walsh/omb/eop
keith j. fontenot/omb/eop
anil kakani/omb/eop
jose cerda iii/opd/eop
julie a. fernandes/opd/eop
james f. jordan/omb/eop
paul j. weinstein jr./opd/eop
katherine l. meredith/omb/eop
cynthia a. rice/opd/eop

## HOUSING VOUCHERS LINKED TO WELFARE REFORM

DECISION POINTS and OPTIONS

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| **Method of Distribution** | Competitive, with 75% for WtW formula grantees and 25% for WtW competitive grantees. Selection criteria would need to be identified. | Competitive. Selection criteria would need to be identified. |

what about mayors (That we get through WtoW | Local entity

| DECISION POINTS--Cont. | B. WHITE PROPOSAL | ALTERNATIVE |
|---|---|---|
| **Timing of Distribution of Vouchers** | FY 1999, tied to 2nd round of WtW grants. | FY 1999. (Once vouchers awarded, locals manage ongoing allocation and reallocation to families as result of turnover or time limits if they so choose). |
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| **Federal Approval Process** | HUD, DOL, HHS | HUD, HHS, DOL--with mandatory review time frames (DOL might be optional depending on role of WtW grantees). |

?

NO

[illegible]

DRAFT November 22, 1997

## INTEGRATING HOUSING VOUCHERS INTO WELFARE TO WORK: A design outline

**Premise**: 50,000 new housing vouchers at a cost of approximately $300 million per year, to be designed to be a significant addition to the welfare to work strategy and, by virtue of that connection, have an improved possibility of enactment.

**The current Welfare-to-Work (WTW) program**. The Balanced Budget Act provided $3 billion ($1.5 billion each for FY 1998 and for FY 1999) to the Secretary of Labor in mandatory spending for (a) formula grants to States and localities, and (b) for competitive grants administered by Labor, all designed to move hard-to-employ welfare recipients off welfare and into self-sufficiency through unsubsidized employment. The Secretary devises implementation regulations (published 11/18/97) and planning guidance in consultation with HHS and others, including HUD and Transportation. Of the funds available, $24 million is for evaluation by HHS, in accord with a design developed with Labor and HUD.

*The formula grants:*

- 75% of the funds are formula grants distributed to States on the basis of acceptable plans. States must pass through 85% to the local grantee, which is, with rare exceptions that can only be granted by the Secretary, the Private Industry Council under the Job Training Partnership Act. With the remaining 15% (of the 75%) States finance projects to help long-term welfare recipients enter unsubsidized employment.

- To be eligible for funding, the plans must reflect coordination (process defined by law) between the Governor, the welfare agency, and the PIC. Unresolvable disputes lead to redistribution of the funds by the Governor to another local entity to serve the area's population.

- The law provides two annual formula allotments: FY 1998; FY 1999.

*The competitive grants:*

- 25% of the funds are retained by the Secretary of Labor for competitive grants.

- Rules for competitive grants are not yet ready. The law says proposals are to be judged based on their ability to expand the base of knowledge about how to achieve the program goal, including, among other things, how to move hard-to-employ welfare recipients into unsubsidized jobs in labor markets that have a shortage of low-skill jobs. Consideration is being given to using these funds to provide substantial amounts for relatively large scale demonstrations with research designs to ensure good estimates of impact.

## Linking housing vouchers

- Funding for the incremental 50,000 housing vouchers would be sought on the mandatory side of the budget, consistent with how Welfare-to-Work and the base TANF program are treated budgetarily.

- The housing vouchers would begin to be available for FY 1999, so the discussion below links them to the FY 1999 formula and competitive WTW grant rounds. Under current WTW law, those are the last rounds, but housing voucher authority could extend for the normal life of a HUD program or the full budget window, since the relationships established between PHAs, PICs and welfare agencies for integrating resources into common strategies should continue into the future. As well might WTW.

*Linkage to the WTW formula grants:*

- 75% of the new vouchers [this percentage tracks the WTW formula/competitive split] would be available to Public Housing Agencies (PHAs) [and perhaps other entities??] competitively, but only for use for participants in WTW formula grant programs, in the following process:

  -- Individuals eligible to receive these WTW Housing Vouchers (WHVs) would be those selected for participation in an area's WTW program. By law, at least 70% of WTW funds must be spent for individuals who meet stringent criteria of long term welfare dependency plus other barriers to employment (such as poor work history; low basic skills). At local option, up to 30% can be spent for others who are on welfare and have characteristics associated with long term dependency.

  > The WTW population may be a subset of the traditional HUD voucher program population; the WTW local program criteria have to control who is eligible for WHVs, if the WHVs are to have the maximum benefit for those for whom the Administration has already committed $3 billion over two years.

  -- The PHA would develop an agreement with the WTW grantee (the PIC), and the welfare agency with which the PIC, by law, has already coordinated its WTW expenditures. The Governor already has to be a party to the WTW plan and so would be consulted, in the same manner as in the base WTW plan, on any proposal to include, or add WHVs. The agreement would be based on a determination that the goal of placing the WTW target population in that area in lasting unsubsidized jobs would be significantly enhanced by adding a housing voucher to the tools available in the WTW plan.

  > NOTE: Planning would begin during CY 1998 in anticipation of enactment of WHVs in time to become a part of second round (FY 1999) WTW grant

applications. This would also enhance the likelihood of support from mayors and governors for the proposal, as its enactment would enhance their likelihood of success in meeting WTW and TANF goals.

-- HUD and DOL, with HHS consultation, would have issued guidelines and criteria for the applications (e.g., evidence of need, explanation of how the vouchers would make it possible for WTW to employ more of the target population successfully, how current housing assistance is being deployed to ensure that the new vouchers are a net new benefit for the population, etc.).

-- If the PIC/welfare agency, PHA, and Governor agree that WHVs would be an important addition to the WTW program strategy, they would submit this as a component of their FY 1999 WTW plan. HUD would be an equal partner with DOL and HHS in the approval of the WHV component of the plan; HUD approval would be necessary for such a component to be approved.

-- HUD, DOL, and HHS, would together rank the proposals and award the vouchers to the winning PHAs for use only in accord with the application/plan.

lose the voucher if you lose your job? After how much time (?) Flexibility to states (?)

-- Each WHV would be good for as long a period of time as the application proposes is necessary to ensure that the employment strategy of which it is a part, succeeds.

Per the Housing Branch: HUD would seek waiver authority allowing it to grant recipient jurisdictions flexibility in structuring the assistance to maximize its utility for this population.

but what of affordable housing shortages in high job growth areas (?)

By definition, the goal of WTW beneficiary self-sufficiency implies a non-permanent housing voucher -- i.e., a job that does not pay enough for the individual to afford housing is not a job providing self-sufficiency. As with WTW, which heavily emphasizes post-placement services to ensure that the job is lasting, there can be multi-year duration for the voucher beyond the placement.

-- DOL monitoring for compliance with approved plans would include review of housing vouchers, and thus require an agreement with HUD on logistics.

*To the WTW competitive grants:*

made up of 25% competitive grants from WTW and 25% of vouchers.

- DOL's guidelines on competitive grants for the second round would be developed with HUD to solicit a category of applications for a combined WTW/WHV grant, based on a plan to demonstrate an integrated housing and employment assistance approach to moving people off welfare and into self-sufficient employment.
- For those applications which come in with a proposal to use housing vouchers, HUD

Lookin for innovation and integration. Aren't already setting that in the first?

would join the decision-making with DOL to allocate the competitive WHVs.

Barry White
11/22/97 12:17:55 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Draft welfare-housing voucher option

As requested in the Deich meeting 11/21, I have assembled a strawman option for how one might do housing vouchers tied directly to the Welfare-to-Work program. It reflects comments from the OMB Housing branch.

I spent a first page summarizing the WTW program, so all can have the same reference points.

Addressees may comment back to me for input to a revised paper. Based on the comments, I will work with Deich's staff to assemble a list of disagreements (if there are any).

HUD people -- Keevey, Leonard, Gibbons -- are getting this by fax today.

Since this idea so intimately involves DOL, I am also sending a copy to Ray Uhalde, acting Assistant Secretary for Employment and Training, with whom I discussed it briefly today. He'll get us comments on Monday.

WTWHV.W

Message Sent To:

Michael Deich/OMB/EOP
Alan B. Rhinesmith/OMB/EOP
Francis S. Redburn/OMB/EOP
Larry R. Matlack/OMB/EOP
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Katherine L. Meredith/OMB/EOP

Welfare-to-Work

ⓐ Formula grants (75% of total)

Given to states on the basis of an acceptable plan.

(i) 85% of total formula grant $ goes to the local grantee (PIC – mayors)
Private Industry Council

(ii) 15% to States to finance projects to help long-term welfare recipients enter unsubsidized employment.

(iii) Acceptable plan must reflect coordination btwn Governor, welfare agency and PIC. Unresolvable dispute? Gov. makes deal w/ diff. PIC.

get $ if they have an acceptable plan (?)
can't run out of $ (?)

ⓑ Competitive grants (25% of total)

(i) Judged on their ability to expand the base of knowledge about how to achieve the program goal. (many hard to employ to jobs)

A. Consideration being given to using these funds to provide substantial amts. for relatively large-scale demonstrations w/research designs.

## Linking Housing Vouchers

As part of formula grant, they apply for competitive housing vouchers. May get one w/out the other

(a.) 75% of vouchers available to PHAs (and other entities?) competitively for use by participants in WTW formula grant programs.

(an acceptable WTW plan, but not a top 200 WHV plan)

Why link competitive voucher program to those who get formula WTW $?

(i) Those participating in WTW program would be eligible to recive voucher.

(ii) PHA would develop an agreement w/ PIC and welfare agency. (these 2 already have a WTW coordination)

where is the other 25% of WHV?

on competitive side ?) given to more innovative programs that propose to integrate housing and employment assistance ?)

combined WTW/WHV proposal that did more to integrate the two?

A - Gov. consulted to the same degree as under WTW on any proposal to include or add WHVs.

If PIC, welfare agency, and Gov. agree that WHVs would be an imp. addition to the WTW program strategy, they would submit this as part of their FY99 WTW plan.

(iii) Plans for WHV would become part of the FY99 WTW grant applications.

(b.) HUD and DOL (consulting w/HHS) will issue guidelines and criteria for applications.

||

HUD would be an equal partner w/ DOL and HHS in the approval of the WHV part of the plan.

Notes from Housing voucher / Welfare meeting:

Outline of what we decided on:

1. # of vouchers?
   a. Is 50,000 enough? = $300 million/year
2. Mandatory v. discretionary side of the budget
   a. We would want mandatory, but likely wouldn't get it. If these are welfare-to-work vouchers, could get on the mandatory side.
3. Who are the recipients?
   a. Explicit agreement between HUD, the PHA (local entity that administers housing vouchers) and either welfare to work grantees (mayors, who then give to PICs (private entities) OR to welfare agencies (state; an attempt to link the governors).
   b. Do we want this to be tied to the $3 billion welfare to work program? Restrict to the welfare-to-work population? This really pulls in the mayors (who administer the welfare-to-work money).
   c. Vouchers should first go to a local entity -- PHAs or mayors. But, HUD has the flexibility to designate administering agencies other than the PHA (the state or a non-profit). HUD has just published a report on this.
   d. Who would ultimately select the individuals who get these vouchers?
4. Allocation mechanims?
   a. We agreed on some kind of competitive process -- not a formula (so many to so many PHAs that meet certain criteria)
5. Are time limits o.k.?
   a. We don't really want this to become part of the debate. We may want broad statutory authority that allows HUD to apporve a proposed program that includes time limits.
   b. HUD now has a Moving to Work demonstration program with 24 PHAs (filled with statutory and regulatory waivers); some do include a time limit provision.

6. Any money for counseling / mobility?

   a. We have ROCS (regional opportunity couseling) in the HUD proposal right now. We can later cross the bridge that decides whether we want this to be part of this proposal.

7. Which committee would this go through?

Exhibit 9

# Issue Paper 1
## Department of Housing and Urban Development
(In millions of dollars)

**ISSUE:** HUD Subsidized Housing: Continue the status quo or seek major reforms to reach more households in need?

| | | | FY 1999 | | | | |
|---|---|---|---|---|---|---|---|
| | FY 1997 Actual | FY 1998 Enacted | Agency Request | Guidance Level | Recommended Level | Change from Request Level | Change from '98 Enacted |
| BA/OB | 4,640 | 9,373 | 13,147 | 14,087 | 8,709 | -4,438 | -664 |
| BA (Renewals) | [3,600] | [8,180] | [11,610] | [12,937] | [7,489] | [-4,121] | [-691] |
| OL | 16,347 | 17,115 | 18,433 | 17,194 | 17,027 | -1,406 | -88 |

Option 1. Guidance Level. Continuing the status quo would extend existing and propose new minor reforms to meet guidance; add few, if any, vouchers in 1999.

Option 2. Agency Request. Adds 50,000 new vouchers annually; proposes no reforms (but senior policy officials have informally accepted the minor reforms in Option 1). Five-year cost of $4.5 billion in BA and $2.5 billion in outlays.

Option 3. Major Reform. Adopt Option 1 reforms and add 50,000 or more new vouchers annually; stay within guidance by offsetting reforms to shfit more of voucher costs to either tenants and/or State governments.

Option 4. Presidential Pot. Add 50,000 vouchers from the President's hold-back reserve in 1999 only.

**DESCRIPTION OF THE ISSUE**: Over the past five years, the Clinton Administration successfully sought and achieved significant changes in the subsidized housing programs, which assist 4.5 million households: 1.2 million households in public housing and 3.3 million households in Section 8 privately owned housing (1.8 million project-based; 1.5 million portable vouchers and certificates). Most of these reforms were achieved, at least initially, through one-year appropriations acts. Subsequently, some became permanent law either in appropriation or reconciliation acts. Twenty significant housing assistance reforms enacted so far during the Clinton Administration are listed in **Attachment A.**

While these generally bipartisan reforms have restrained costs, the Administration has failed each year after 1994 to gain enactment of appropriations for roughly 50,000 incremental vouchers. Congress voiced concern over future outlays growth in denying this request. The Administration solved this growth in outlays by (a) limiting request for incremental vouchers to only the budget year and sometimes the following year and (b) proposing offsetting savings reforms..

Meanwhile, because few, if any additional susbdies have been provided in the past four years, the needs for assistance has proabably increased. As conventionally measured,[1] over 5 million very low-income renters are in need of assistance. Based on repeated HUD/Census surveys, this number is nearly unchanged from 1982 to 1995, despite an increase of 1.2 million HUD subsidies.

This year, we again are searching for an effective budget and legislative strategy to meet two competing goals: (1) HUD's primary strategic objectives seeks to "increase the availability of affordable housing ...(to) ... the poor" and (b) HUD's budget guidance calls for zero outlay growth over five years. Specifically:

> If 50,000 incremental vouchers are added annually, than the five-year cost totals $4.5 billion in BA and $2.5 billion in outlays. With flat five-year outlay targets for HUD, these additional costs must be offset, either from the Presidential initiative pot or from new reforms.

At the same time, we are searching for ways to use housing assistance as one means of achieving two other HUD objectives: to move homeless families to permanent housing and self-sufficiency; and to help make welfare reform work.

A strategy to make progress toward these goals must have two elements: (1) increasing the number of subsidies; and (2) reforms that reprioritize use of subsidies and increase their value to those who hold them, especially to families struggling toward economic self-sufficiency.

Contract Renewal BA increase. HUD requests $11.6 billion to fully fund all expiring rental contracts in 1999. This amount is reduced from the last year's estimate of $13.2 billion due to lower per unit costs. The BBA estimate for 1999 was also $13.2 billion, which includes a base level of $3.6 million and adjusted anomalies in the funding stream of $9.652 billion.

The recommendation reduces HUD's request by $4.1 billion, from $11.6 billion to $7.5 billion, by applying $4.1 billion in surplus funds toward funding BA needs in 1999. The $4.1 billion surplus was recovered in FY 1997 during a sweep of excess renewal funds from housing authorities. If not used as an offset, the BA will sit unspent.

More subsidized Section 8 rental contracts expire in 1999 than in the preceding year. Unless rental contracts are renewed, low-income

---

[1] "Those with worst case need" are defined to include unassisted very low-income renters (earning less than 50 percent of local median income) with either of two problems: (a) paying more than 50 percent of income for housing; or (b) residing in severely substandard housing. Homeless persons are excluded from this count, although they also qualify for housing assistance.

families could lose their rental subsidy. The year-to-year increase in BA to renew expiring contracts is not a real expansion of HUD programs -- these same rental contracts were subsidized last year. The only difference is due to the source year of the BA -- this year more contracts will be funded from new BA instead of prior year BA.

**Option 1. Guidance Level.**-- Status Quo. This would continue previous budget policies that proposed enough savings from minor reforms that shave subsidy costs to meet guidance. If enough savings could be produced, some incremental voucher subsidies could be proposed in the budget year.

Guidance level would extend the existing one-year appropriation act proposals, which would otherwise lapse. One exception would be elimination of annual outlay savings from a three-month delay in re-issuing tenant-based assistance. The Administration has consistently opposed this provision, which reduces the number of families aided at any one time.

New reforms, which HUD informally accepts, are shown in **Attachment B**. The largest single share of 1999 saving is from higher tenant rent collections that can be produced by matching tenant reported incomes with IRS records. This assumes that Treasury/HUD and OMB can work out a legislative proposal to amend the existing matching authority to permit sharing of the resulting data mismatches directly with HUD's agents -- the local housing authorities and project-based owners. If not, HUD must devise and implement an effective method to notify the tenants of mismatches in a way that they "voluntarily" turn them over to HUD's agents. To achieve these savings, HUD will also need to revise internal regulations to assure that the time lag on the IRS data can be used in a way to settle up on rents that were underpaid in the past.

**Option 2. Agency Request.** The agency request would fund 50,000 incremental vouchers annually. No offset is proposed for these over-guidance amounts. Over five years, the addition of 250,000 new vouchers would cost $4.5 billion in BA and 42.5 billion in outlays. Cost in 2003 total BA of $1.5 billion and outlays of $1.1 billion. (The agency is also requesting 32,000 incremental vouchers for the homeless in 1999 and 2000. These vouchers are discussed in issue paper # 5.)

The 50,000 new vouchers would be used in conjunction with the Department's Welfare-to-Work initiative. The new vouchers would be allocated jointly with the local welfare office to those families most in need and making the transition to work.

While the agency did not include any existing reforms in its request, policy officials have informally accepted the reforms in Option 1.

**Option 3. Major Reform**. If 50,000 new incremental vouchers are funded each year, or 250,000 over five years, then major reforms are necessary to offset the $4.5 billion in BA costs over five years.. Although further minor reforms such as those proposed in Option 1 could reduce costs, they are unlikely to produce savings sufficient to both reach guidance and support a major expansion. Someone besides the Federal Government must help to pay more of the cost -- either recipients must pay more rent, or another level of government must pay a share of the subsidy cost, which has been 100% federally funded until now. Four possibilities are shown below:

1. Five years of subsidy and then begin higher tenant rents. Raise tenant rent contribution by one percentage point per year after five years in subsidized housing, from 30 percent of "eligible" income to 31 percent in year 6 of the subsidy up to a maximum of 35 percent in year 10 of the subsidy. Five-year savings of $1.4 billion; funds 86,000 vouchers over five years.

Rationale for this one?

2. New entrants pay more. Require initial tenant rent contribution on new entrants equal to 35 percent of income (rather than the 30 percent required at full subsidy level) without a phase in period. Five-year saving of $1.5 billion; funds 80,000 vouchers over five years.

3. Share administrative costs with the States. Require States to pay the $420 administrative costs for new entrants into the tenant-based voucher program or lose the voucher to another, more generous State. (Currently, the Federal Government pays all costs of the voucher program and other subsidized housing programs including administrative.) Five-year outlay savings of $0.7 billion; funds 37,000 vouchers over five years.

4. Shift 20 percent of the cost of tenant-based vouchers to the States as subsidies turn over. Requires States to pay 20 percent, or $1,100, for new entrants into the tenant-based voucher program or lose the voucher to another, more generous State. Five-year savings of $1.9 billion; funds 100,000 vouchers over five years.

These proposals could be vetted with HUD as possible ways to fund vouchers. They may give HUD staff incentives to find more imaginative ways to reduce the backlog of need.

The other element of a successful strategy to meet HUD's low-income housing goals is major reform. The purposes of these policy changes would be to make housing aid to families a complement to welfare reform. Currently, housing subsidies are open-ended and not conditioned on work effort. Subsidies are awarded by rationing procedures that ignore State and local welfare reforms or family work plans/efforts. Many able-bodied non-elderly adults who have no young children receive generous subsidies, while many others who could use the subsidies as a platform to achieve self-sufficiency remain on waiting lists. And finally, two-thirds of the subsidies are project-based (in private subsidized projects or public housing), often isolating families from economic opportunity.

Is that right? Percentage?

definitely true & needs change.

Possible reforms to redirect subsidies to families making economic transitions and increase their value to these families include:

1. Match subsidy level terms to needs. Current rules define one subsidy size to fit all circumstance (full rent minus tenant contribution equaling 30 percent of adjusted income). This reform would create a distinction between *permanent* assistance awarded under today's rules to the elderly and disabled, and *transitional* assistance offered to families who are working and/or meeting State TANF requirements. *Transitional* assistance would be sized initially to meet each family's needs, level and conditions of subsidy would vary with circumstances and behavior, and subsidies would be awarded and administered in conjunctions with TANF-administering agencies; subsidies would phase out or down within five years, making them available to others attempting similar transitions and thereby aiding many more families over time with the same dollars.

2. Let families move from projects to jobs. Current rules force families in subsidized projects to restrict the range of their job searches or move and lose subsidy. This reform would allow someone who finds a job requiring a long commute to jump to the top of the local waiting list for the first available portable voucher.

   thus freeing their slot in the project.

   who has a project-based subsidy.

3. Promote housing mobility. The value of a housing voucher as transitional assistance can be enhanced by expanding housing searches to include areas where jobs are growing. Experience shows that a combination of search counseling and assistance and metropolitan or broader administration of assistance can greatly expand the use of vouchers to support long-distance moves. Stronger fair housing enforcement (discussed in the Civil Rights crosscut) would complement this reform.

4. Shift block grant priorities to favor tenant-based assistance. Currently, only a small portion of HOME and CDBG dollars support locally designed tenant-based rent subsidy programs. Various means could be used to encourage communities to greatly increase the use of the block grants, which total $6 billion annually, to support family economic transitions with short-term rental housing assistance.

5. Convert more project-based subsidies to portable assistance. Options outlined in the following three issue papers would, over time, replace poorly designed, poorly located, poorly run, and/or high-cost projects with portable housing vouchers.

**Option 4. Presidential Pot.** Include 50,000 vouchers in the competition for Presidential initiative, either as a way to assist more needy households without major reforms or as a further complement of vouchers with major reforms.

What is the argument for preserving site-based subsidies? Even mixed-income ?

## RECOMMENDATIONS.

Attachment A

4

# Discussion Paper
# Welfare Reform and Housing Assistance: Working Together?
August 5, 1997

The historic 1996 legislative reform of the American welfare system reflects a new bipartisan consensus that cash assistance should be designed to reward work, invest in people, and demand responsibility. HUD's low-income housing assistance programs were ignored in designing that new approach, although they touch many of the same families. However, there are at least three reasons why HUD's housing assistance should be reexamined in light of welfare reform:

- even if no changes are made in HUD's programs, the States' implementation of welfare reform will affect HUD's costs;
- experience with family self-sufficiency and other limited evidence suggests that low-income housing assistance can help -- in conjunction with cash assistance and other aid, it can help dependent families make successful transitions to work, and thus help make welfare reform a success; and
- if low-income housing assistance is not reformed, inconsistencies between its rules and incentives and those created by TANF could actually undercut efforts to make the President's welfare reforms work.

There are significant inconsistencies between the new TANF and the current structure and administration of HUD's low-income housing assistance programs:

| TANF | Housing Assistance |
|---|---|
| 1. Eligibility is limited to families with children with little or no earnings (initially) and one or more young children. | ① Eligibility is open to higher incomes, and not limited to those with children. |
| 2. Assistance is likely to be time-limited. | 2. Assistance is open-ended. |
| 3. Receipt is conditional on work. | 3. No work is required. |
| 4. States have flexibility in setting terms and conditions of assistance. | 4. States and communities have little flexibility to alter terms of assistance. |

Have a general afford housing Problem

## Background

Five million families receive HUD housing supplements that average $400 per month. Of these, about one-half are families with children. About 1.5 million families receive both HUD housing supplements and HHS welfare assistance. In 1989, 62 percent of households with children living in public housing received AFDC (S. Newman, *Fordham Law Journal*, 1995).

HUD's 1998 budget proposals and its public housing legislative bill recognized the potential role that housing assistance can play in support of welfare reform. These proposals included: targeting 100,000 new housing vouchers toward welfare recipients who are relocating closer to work or communities with more work opportunities; grants to create jobs and job linkages, including Empowerment Zones, Brownfields Redevelopment, and Bridges to Work; and rules changes such as an earned income disregard, to incentivize work. However, these proposals do not, for the most part, address the inconsistencies noted above.

HUD also is conducting demonstrations that will test various models for combining housing assistance with other forms of aid to promote economic independence. However, to date, there has been little systematic research on the separate effects of housing assistance on economic mobility.

Changes in Federal and State welfare policies coincide with less dramatic changes in HUD's program rules. For example, the elimination of Federal preferences for Section 8 and public housing, combined with other policies that encourage selection of higher-income and working families and that promote more aggressive screening and eviction, are likely to alter the mix of families served by HUD, absent other policy changes. How these recent changes will interact with the new regime established by welfare reform is uncertain.

Other recent policy changes increase the financial returns to those who work. Expansion of the earned income tax credit, the new child credit, and extension of child health care protection to non-Medicaid families substantially increase living standards for the working poor and thereby increase the financial incentives for work, reinforcing welfare reform. These benefits may be of such magnitude as to render the proposed earned income disregard for housing assistance insignificant. These benefits are not considered in the definition of income currently used by HUD to calculate eligibility or payments.

## **Options**

For families moving toward self-sufficiency, housing assistance can be a mobility tool and a reward for work. Conforming housing assistance to welfare reform implies revised eligibility and conditioning continued assistance to match requirements in States' welfare plans. It implies some degree of local and State coordination between the currently separate rules and administrative systems for housing and cash assistance. Issues include what proportion of new and turnover subsidies should go to those already working and in compliance with State plans, how much flexibility States should have in conditioning housing assistance, how to encourage mobility and job links most effectively, and whether payments should be reduced or ended to those who break the rules.

Several sets of options could be discussed for realigning HUD's housing assistance programs to make them consistent with welfare reform:

Priority for assistance. Apart from elderly and disabled, should priority be given to families who would benefit from housing assistance as part of their personal plan to achieve self-sufficiency? Should housing assistance be directed mainly to already working families? Should a preference be created for "trapped" working tenants in public/project-based housing who face long onerous commutes to existing or new jobs? Should non-elderly, able-bodied adults without children be ineligible for housing subsidies?

Rules for assistance. Should full housing subsidies be limited to families who are in compliance with welfare reform rules? Should termination or reduction in cash assistance result in automatic increases in housing subsidy? Should families commit to work or work preparation as a condition for receipt of housing assistance? Should non-cash benefits or tax credits be considered in setting payments?

Administrative coordination. Should States be given a role in identifying and/or selecting families for housing assistance and in reviewing their continued eligibility? What administrative arrangements are best to ensure adequate coordination between HUD's local agencies and State/local welfare agencies? Is coordination enough, or should States be a given a direct say in how housing assistance is structured and administered? In that case, should the rules for selection and subsidy levels be relaxed to allow maximum ability of States to use housing assistance in fashioning their welfare reform strategies?

Finally, we should consider possible responses to welfare reform in relation to the overall 1999 budget and legislative strategic options for HUD housing assistance. The Administration's recent efforts to increase the numbers of subsidies have been unsuccessful, even as "worst case needs" have grown. Welfare reform provides an occasion to consider whether a redefinition of the purposes of HUD's housing assistance to families might create a stronger rationale for funding. Redefinition of the target might also might promise a degree of success relative to a narrower objective -- for example, to provide housing assistance, at some level or other, to most families making the transition to self-sufficiency and complying with the rules of welfare reform.

**Next Steps**

These could include:

- expanding the discussion to include HHS, DPC, NEC;

- reviewing evaluation research and evidence from Family Self-Sufficiency and other recent experience that may inform judgments about the potential use of housing assistance to support economic transitions;

- collecting State welfare reform plans and legislation and describing major variations;

- estimating the effects of a sample of (or selected) States' TANF reforms on HUD's housing assistance costs and tenant mix under current rules;

- developing a range of policy options for family assisted housing to realign it with welfare reform; and

- estimating the effects on costs and tenant mix of those policy options as they interact with welfare reform.

Already in 11/21/97

32K Homeless

20K variety – elderly/disabled
– family reunif

Looking @ 50K more that might be tied to welfare-to-work

HUD/
- Who gets
- Who administers
-

Section 8 has not been flexible in this regard

EZ model?

Let these be available to PHAs that develop a plan w/ local welfare offices to coordinate

No specific policy agenda for these.

(Time limits on vouchers?)

Would/Could HUD object?)

⊛ HUD has a Moving to Work demonstration. (w/ stat & reg waivers)

(24 PHAs)

Some do have a time limit provision

Idea of offering vouchers as part of the Welfare to Work program ($3 billion program).
mandatory

PHAs are created by the states.
But Board appointed by mayors.

$3 billion appropriated in August (Welfare to Work)
$ frm Fed — States — Mayors

$ goes to PHA on agreement that go to Welfare to Work Sponsor.

Can we get the Governors/Mayors involved.

Package could be that
Only get these vouchers if an agreement btwn Welfare to Work ⊕ PHA.

MD → Vouchers have to go to PHAs or mayors.
$ should first go to a local entity.

(?) Could vouchers go to an entity other than a PHA (?)

HUD has flexibility to ~~give vou~~ designate administrating agencies other than PHA.
(State or non-profit)
HUD just published a report on)

Who would select the groups or people who would be able to get these vouchers.

other option was to tie vchrs to Welfare to Work (a smaller pool; harder to place)

Do we want to restrict these vouchers to Welfare to Work population (?)

① Vouchers can be given out to those local PHAs that have an agreement w/local welfare office (or Welfare to Work group, if different) to use these vouchers to assist those transitioning from welfare to work.

② Competitive grant (bidding by Welfare to Work entities)

Allocations v. bidding

If tie vouchers to Welfare to Work can get local entities (mayors) thinking harder about how this will work (planning)

MD — Can states use these vouchers to dilute value of vouchers (Brooke amendment)

Welfare to work = $1.5 billion/year

① # of vouchers

Is 50,000 enough = $300 million /year.

[illegible]

② Mandatory v. Discretionary?

We would want mandatory, but likely

If these are Welfare to work vouchers, could

get on mandatory

Big Q

we want Welfare to work ~~gran~~ $

③ Who are recipients?

Explicit agreement btwn — Welfare to work grantees? (mayors → PIC (private entities))

— Welfare agencies (an attempt to link the governors)

Local entity (PHA) w/ agreement w/ appropriate actors.

(Any way to break the PHA monopoly?)

④ Allocation mechanism

Formula or Competitive?

⑤ Time limits OK — (dont talk about it)

or broad Statutory authority

waiver authority

⑥ Counseling/mobility money (?)

(Have ROCS in the HUD proposal)

Cheap

We can cross that bridge later

See what people like

Which committee?

Housing
Vouchers

Procurement

Problems w/ particulars of how define welfare to work.

To help us get vouchers, tie them to groups w/ sympathy.

— 32,000 for homeless
~~targeted specifically @~~
severely disabled
(b/c of fluidity of homeless status)
10% of homeless population; 50% of homeless resources.
Severely disabled use shelters as housing.
Would create more beds ~~for n~~ per night

50,000 vouchers in current proposal

— 18,000 (welfare to work
witness protection
family unification)
(in circumstances where w/out voucher foster care will step in)

Got 6,500 vouchers last year (targeted)

→ Need to give Congress a reason to give us 50,000 vouchers.

We need a specific proposal

~~Signal to~~