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WELFARE REFORM

Changes Will Further Shape the Roles of Housing Agencies and HUD





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The Honorable Rick Lazio
Chairman, Subcommittee on Housing
and Community Opportunity
Committee on Banking, Housing,
and Urban Affairs
House of Representatives

The Honorable Jerry Lewis
Chairman
The Honorable Louis Stokes
Ranking Minority Member
Subcommittee on VA, HUD, and
Independent Agencies
Committee on Appropriations
House of Representatives

This report responds to your request and a mandate in the 1998 House Report on the Departments of Veterans Affairs, Housing and Urban Development, and Independent Agencies Appropriations Bill (Report 105-175) that GAO examine the implications of welfare reform on public housing agencies and their tenants. Specifically, our report (1) identifies the impact of welfare reform on the revenue, employment status of tenants, and roles of selected housing agencies and (2) HUD's role in assisting housing agencies and their clients as they adapt to welfare reform.

We are sending copies of this report to the Secretaries of Housing and Urban Development, Health and Human Services, and Labor. We will make copies available to others on request.

Please call me at (202) 512-7631 if you or your staff have any questions. Major contributors to this report are listed in appendix VII.

Sincerely yours,

Judy A. England-Joseph
Director, Housing and Community
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Executive Summary

Purpose

Because many of the people that the Department of Housing and Urban Development (HUD) serves depend on federal cash assistance for some or all of their income, welfare reforms embodied in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 are likely to affect HUD's programs. The welfare reform legislation replaced the former entitlement program—Aid to Families With Dependent Children (AFDC)—with block grants to the states—Temporary Assistance for Needy Families (TANF). The act also established work requirements and placed a 5-year lifetime limit on the receipt of federal TANF assistance. According to HUD's data, about 29 percent of the households that reside in public housing or receive tenant-based rental assistance also receive cash assistance through TANF. If these households lose their benefits without finding alternative sources of income, their rental payments, which generally equal 30 percent of their income, will also decline. Alternatively, if these households find other sources of income, their rental payments will remain stable or could increase. Because many public housing agencies derive a substantial portion of their revenue from tenants' rental payments, changes in tenants' incomes resulting from welfare reform are likely to affect housing agencies' needs for operating subsidies from HUD.

Concerned about welfare reform's implications for public housing agencies and their tenants, the Chairman of the Subcommittee on Housing and Community Opportunity, House Committee on Banking and Financial Services, asked GAO to review welfare reform's impact on selected public housing agencies. In response to that request and to a mandate in the 1998 House Report on the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill (H.R. Report 105-175), GAO identified (1) welfare reform's impact on the revenue, employment status of tenants, and roles of selected housing agencies and (2) HUD's role in assisting housing agencies and their clients as they adapt to welfare reform. To obtain information on these issues, GAO, among other things, interviewed officials in four states and at 18 housing agencies using a standard set of questions.

Background

Designed to promote self-sufficiency for families on welfare, the welfare reform legislation created TANF, which is authorized to provide the states with \$16.5 billion annually. The legislation also shifted major responsibilities for welfare programs to the states, giving them more flexibility than before to design their own programs and strategies for aiding needy families, including helping those on welfare to move into the workforce. In addition, the Balanced Budget Act of 1997 appropriated

\$3 billion in fiscal years 1998 and 1999 for the states to provide job training and placement services for welfare recipients.

The Department of Health and Human Services (HHS), which administered AFDC, remains the primary federal agency responsible for assisting the states in developing TANF programs. In addition, HHS provides the states with block grant funding for child care and other social services. The Department of Labor administers several programs to help welfare recipients find jobs. Other federal agencies, including the Department of Transportation and the Small Business Administration, also have initiatives related to welfare reform under way. At local welfare offices, TANF programs are generally administered by state, county, or local officials.

HUD provides housing assistance to about 4.5 million low-income households. In fiscal year 1997, HUD's outlays for assisted housing programs—including funds to operate and modernize buildings and subsidize private-market tenant-based and project-based rental housing programs—were \$23.8 billion.¹ Locally, housing agencies receive funds from HUD to operate and maintain public housing and administer Section 8 tenant-based rental assistance programs. Many housing agencies also receive funds from HUD to provide supportive services. Through recent appropriations laws, the Congress has temporarily provided housing agencies with new authority to admit more working families and to exclude portions of these families' earnings from rent calculations.

Results in Brief

It is too early to be certain what impact welfare reform will have on the revenue of the housing agencies that GAO selected, the employment status of their tenants, and the roles of these housing agencies. Most of the agencies had not attempted to estimate welfare reform's impact on their revenue for multiple reasons, including a lack of resources to undertake detailed analyses of the impact of their state's welfare reform plan. Welfare rolls had declined in the states that GAO visited, and state officials described services being provided to help TANF recipients overcome obstacles to employment, such as a lack of child care and transportation. Still, housing agency officials, residents, and others believed that tenants would face significant challenges in moving from welfare to work. Their concerns are supported by research, based on past behavior, which shows that welfare recipients with housing assistance tend to have longer stays

¹This report will not cover project-based rental assistance programs because public housing agencies do not administer these programs.

on welfare than those without housing assistance. Executive directors recognized that the role of housing agencies increasingly includes providing social services as well as housing. However, agencies' social service activities were generally operated separately from states' welfare reform efforts. The agencies that GAO visited had limited involvement in their state's welfare reform efforts. State and local government offices with welfare reform responsibilities rarely targeted funds and programs to public housing developments; however, TANF recipients with housing assistance are eligible for the same services as other TANF recipients.

HUD has a smaller role in welfare reform than the states or some other federal agencies, such as the departments of Health and Human Services and Labor; however, HUD said that it is committed to making welfare reform work. HUD's role is driven, in part, by the large numbers of tenants who currently receive welfare benefits whose incomes will decline if they do not find jobs or other sources of income within the time limits. HUD's own financial status depends, to some extent, on these tenants' success in replacing welfare benefits with earnings. To date, HUD has emphasized the importance of welfare reform in at least two strategic planning documents, issued guidance on welfare reform, redirected some programs to focus on welfare reform, and begun to coordinate its welfare reform activities internally and externally. However, some field and housing agency officials whom GAO interviewed were confused about HUD's role and said they had not received guidance from HUD. In addition, HUD's strategic plans do not include a comprehensive strategy for bringing together the Department's resources for welfare reform and the funds and programs available from the states and other federal agencies. Although HUD has resources—demographic data on tenants, expertise gained through demonstration programs, and staff at the state and local levels—and supports physical facilities for providing services, it has not systematically developed relationships with the states, which have most of the funds for welfare reform.

Principal Findings

Effect of Welfare Reform on the Revenue, Employment Status of Tenants, and Roles of Selected Housing Agencies Is Uncertain

Executive directors and finance officers were uncertain how welfare reform would affect housing agencies' revenue because welfare reform continues to evolve at both the federal and the state levels and its effects are difficult to separate from those of local economic conditions. However, welfare reform is likely to affect revenue at the housing agencies GAO visited because 37 percent of their tenants depend on TANF for some or all of their income. Housing agency officials were concerned about the possibilities of falling rental revenue, declining operating subsidies, and rising operating costs. These officials were also concerned about welfare reform's impact on Section 8 tenant-based rental assistance revenue, but they said that they could cover short-run increases with reserve funds. Housing agencies lack the resources needed to undertake detailed analyses of the impact of their state's welfare reform plan on their revenue. However, three of the selected housing agencies had developed some financial estimates of welfare reform's impact.

Although welfare rolls had declined and additional services were being provided in the states GAO visited, housing agency officials, residents, and others believed tenants would face significant challenges in moving from welfare to work. Welfare rolls decreased by 16 percent in California and Minnesota, 20 percent in Massachusetts, and 47 percent in Louisiana between January 1996 and September 1997. Although it was too early at the time of GAO's review to tell to what extent the residents of public and assisted housing on TANF were receiving services, officials at welfare and employment offices in the states GAO visited were implementing new and revised training, child care, and transportation efforts for TANF recipients. Nevertheless, housing agency managers, residents, and others said that barriers—such as a lack of job skills, work experience, child care, proficiency in English, and transportation—would challenge residents in finding and retaining jobs. Their concerns are supported by recent simulations of welfare reform plans completed for GAO by Mathematica—a public policy research organization—which showed that under the plans analyzed, TANF recipients reporting housing assistance would be less likely to leave the welfare rolls or find work 4 years after the implementation of welfare reform than TANF recipients not reporting housing assistance. In addition, research conducted at Johns Hopkins University shows that, in the past, welfare recipients with housing assistance spent more time on welfare than recipients without housing assistance. The housing authority

officials also noted that the job opportunities for Section 8 residents and public housing residents might differ. For example, Section 8 residents might be able to move more easily in search of a better job because their housing benefit is portable, while public housing residents—whose housing is typically more concentrated—might have better access to supportive services that housing agencies provide on-site.

At the housing agencies GAO visited, the executive directors viewed themselves primarily as housing providers but, under HUD's direction, had started to provide social services before welfare reform began. Even though the percentage of AFDC households that also received housing assistance in 1996 ranged from 12 percent to 43 percent in the states GAO visited, about half of the executive directors said they had limited or no involvement in developing their state's welfare reforms. Nevertheless, some housing agencies were becoming more involved in local welfare reform efforts.

Housing Agencies Need More Guidance From HUD and Involvement With the States Under Welfare Reform

HUD is not a major federal player in welfare reform, yet a sizable portion of those who reside in public housing or receive tenant-based rental assistance may be affected by changes in welfare benefits. In part because of the effect these changes could have on HUD's financial status, HUD elevated welfare reform's success to a strategic planning objective and provided guidance on welfare reform to its field offices and to public housing agencies. However, some field and housing agency officials GAO interviewed said they did not receive guidance from HUD. In addition, at one field office and several housing agencies, officials were confused or unsure about HUD's role. Housing interest groups, researchers, and public housing officials discussed the need for HUD to provide data on tenants' characteristics, along with guidance for using the data to manage their units under welfare reform.

To further promote welfare reform, HUD has redirected some existing supportive service and community development programs. Yet HUD's supportive service programs typically receive limited funding and serve a limited number of sites. In addition, communities have traditionally used a majority of HUD's Community Development Block Grant program funds for housing and public works rather than for job skills training or economic development projects that might lead to the creation of jobs. Compared with the states, which have received funds for TANF and child care benefits and, in many instances, are accruing additional budgetary resources as

their welfare caseloads decline, HUD has limited resources to invest in welfare reform.

Despite the advantages of working more closely with state agencies, HUD has not developed a comprehensive strategy for bringing its tenants' needs to the attention of state welfare officials. Though HUD's financial resources for investment in welfare reform are limited, the Department has other resources that states or localities need to make welfare reform work. Sizable numbers of welfare recipients reside in assisted housing, and HUD has data on their demographic characteristics, as well as expertise gained through a variety of demonstration programs. In addition, HUD supports public housing facilities that have space housing agencies could make available to service providers. Finally, HUD has field staff at the state level and housing agency staff at the local level who could work with state and local officials to coordinate joint welfare reform efforts. In the past, housing agencies relied almost exclusively on federal funding and seldom interacted with state and local governments. As a result, they and their residents were often isolated. Today, reducing that isolation could help make housing agencies a resource local service providers could use to assist residents in moving from welfare to work.

Recommendations

To assist public housing authorities in their efforts to help residents move from welfare to work, GAO recommends that the Secretary of Housing and Urban Development

- increase communications with field offices and housing agencies to clarify HUD's role in welfare reform, explain how current programs can be used to complement welfare reform efforts, and identify sources of information about other federal welfare reform efforts;
- provide additional technical assistance and data on tenants' characteristics along with guidance that would help housing agencies use the data to assist in managing the units and in determining the potential impact of welfare reform on the agencies; and
- develop a comprehensive strategy that relies on each field office to promote the benefits of using assisted housing developments as places to deliver services related to welfare reform and to help link other field office and housing agency staff with federal, state and local welfare reform efforts.

Agency Comments

GAO requested comments on a draft of this report from HUD. HUD commended GAO for the report's overall conclusions and said that they reflect many of the agency's own concerns. Furthermore, HUD agreed that, in general, housing agency officials are being faced with major challenges in understanding and dealing with the potential effects of welfare reform on the recipients of housing assistance and on the housing agencies themselves. HUD was also pleased that the report recognized the Department's commitment to making welfare reform work. According to HUD, all three of the report's recommendations have a great deal of merit and the Department plans to implement them.

HUD's primary concern was that the draft did not sufficiently acknowledge the initiatives undertaken by the Department to deal with welfare reform. For example, HUD said that the report did not address (1) departmental legislative proposals containing a number of provisions related to welfare reform and (2) new program initiatives undertaken or planned by HUD's Office of Public and Indian Housing and Office of Policy Development and Research. In addition, HUD said that the report did not sufficiently acknowledge the numerous efforts taken by the Department to coordinate with other federal agencies and that references to "informal" coordination seemed inadequate. After reviewing HUD's comments, GAO added further references to HUD's legislative proposals. In response to HUD's comments about the Department's coordination with other federal agencies, GAO expanded its description in chapter 3 of HUD's efforts to coordinate with other federal agencies and eliminated references to "informal" external coordination. GAO considered HUD's comments about the Department's new program initiatives but concluded that the report already cited the primary efforts that could be documented at the time of GAO's review.

GAO also provided chapter 2 of the draft report to the 18 housing agencies visited by GAO for their comments. Nine of the housing agencies responded, and several provided clarifying language and technical corrections. GAO incorporated their comments as appropriate. In addition, GAO provided Mathematica with excerpts of the draft report for its technical review. Mathematica provided technical corrections that GAO incorporated as appropriate. HUD's comments and GAO's detailed responses appear in appendix VI. Additionally, GAO's responses to HUD's broader comments are summarized at the end of chapters 2 and 3.

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Abbreviations

AFDC	Aid to Families with Dependent Children
CDBG	Community Development Block Grant
CHAA	California Housing Authority Association
EDSS	Economic Development and Supportive Services
EPA	Environmental Protection Agency
ESL	English as a second language
FSS	Family Self-Sufficiency Program
HHS	Department of Health and Human Services
HOPE VI	Housing Opportunity for People Everywhere
HUD	Department of Housing and Urban Development
JTPA	Job Training Partnership Act
MFIP-S	Minnesota Family Investment Program-Statewide
MTCS	Multifamily Tenant Characteristics System
NOFA	Notice of Funding Availability
PHADA	Public Housing Authorities Directors Association
SSI	Supplemental Security Income
STEWARD	Simulation of Trends in Employment, Welfare, and Related Dynamics
TANF	Temporary Assistance for Needy Families
TOP	Tenant Opportunity Program

Introduction

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193), generally known as welfare reform, imposed time limits on the receipt of welfare benefits and established work requirements to promote self-sufficiency for families on welfare. In addition, the act shifted important responsibilities for welfare from the federal government to the states. Housing programs, some of them dating back to the 1980s, and recent changes in housing policies have also encouraged work and self-sufficiency. The changes in housing policies are intended to make public housing agencies, as well as tenants, less dependent on federal subsidies.

Many recipients of federal housing assistance have been or will be affected by the changes in both welfare and housing programs and policies. According to the Department of Housing and Urban Development's (HUD) data, about 29 percent of the households that received housing assistance also received Aid to Families with Dependent Children (AFDC) as of September 1996. A majority of these households reside either in public housing or in private rental units—under HUD's Section 8 certificate and voucher programs—that they select and that HUD subsidizes through payments by public housing agencies to landlords of a portion of each household's rent. Because households that receive housing assistance generally pay 30 percent of their income for housing, changes in tenants' incomes resulting from welfare reform will affect the rental revenue that public housing agencies receive and the amounts of the subsidies they need from HUD to cover their operating costs. Several federal departments, the states, and local public housing and welfare agencies have roles in efforts to move families from welfare and housing assistance to work and self-sufficiency.

Purpose, Provisions, and Status of Welfare Reform

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established time limits and work requirements to promote self-sufficiency for families on welfare. The act replaced the entitlement program—AFDC—with block grants to the states under Temporary Assistance for Needy Families (TANF). The fixed amounts of states' grants under the new law are based on the amount of their grants² in specified fiscal years under prior law, supplemented for population increases under certain circumstances. In total, TANF grants to the states are authorized at \$16.5 billion per year. With respect to state funding, the federal welfare reform law includes a "maintenance of effort" provision requiring the

²The grants include those for AFDC, Emergency Assistance, and the Job Opportunities and Basic Skills Training Program.

states to provide 75 or 80 percent of their historic level of funding.³ Under the act, the states must meet statewide mandatory requirements for the percentage of families engaged in work activities or their TANF grants will be reduced. In turn, if a recipient family fails to participate as required, the state must reduce and may terminate the family's cash assistance. The act also imposed a 60-month lifetime limit on the receipt of TANF benefits for most individuals.⁴ In addition, the federal welfare reform law increased federal funding for child care subsidies for low-income families under the Child Care and Development Fund, authorized to provide \$3 billion in fiscal year 1997 and increase to \$3.7 billion by 2002. The act also tightened the eligibility requirements for food stamps and Supplemental Security Income (SSI), a source of cash assistance for some children with special needs, immigrants, and others.

In subsequent legislation,⁵ the Congress restored SSI benefits for many legal aliens, ensured Medicaid coverage for some children who became ineligible for SSI benefits, and authorized \$3 billion in welfare-to-work grants to the states for fiscal years 1998 and 1999, to be overseen by the Department of Labor. Appendix I provides information on the welfare reform plans and benefit levels established by the states we visited.

Purpose, Provisions, and Status of Housing Reform

HUD and the Congress have undertaken and proposed efforts to reform the nation's public housing industry in much the same way as welfare has been reformed. These efforts are designed to promote self-sufficiency on the part of both tenants and housing agencies. Specifically, HUD now manages a variety of self-sufficiency programs, such as the Family Self-Sufficiency (FSS) program,⁶ which provides employment-related services for tenants of public and assisted housing who volunteer for the program. The Congress, through appropriations bills, has implemented changes in public housing policies to encourage work. The revised policies eliminate requirements for public housing agencies to give preference only to the poorest of the poor in selecting tenants and allow the agencies to establish local preferences, ceiling rents, and adjustments to earned income. HUD and the Congress have also proposed permanent legislation

³States that have met mandatory goals for the percentage of recipients engaged in work activities must provide 75 percent of their historic level of funding; other states must provide 80 percent.

⁴The states can exempt up to 20 percent of their families from this limit because of hardship and may use their maintenance-of-effort funds to provide aid to families who reach the federal time limits.

⁵The Balanced Budget Act of 1997 (P.L. 105-33).

⁶The FSS program is currently administered by HUD's Office of Public and Indian Housing. Besides FSS, the Office of Public and Indian Housing operates approximately 12 self-sufficiency programs. Other HUD offices also offer self-sufficiency and economic opportunity programs.

that would, among other things, consolidate public housing programs and increase the mix of incomes among tenants.

Self-Sufficiency Programs

Since the mid-1980s, HUD has provided housing-based self-sufficiency and economic opportunity programs to deliver supportive services to the tenants of public and assisted housing. These programs have provided job training, counseling, and placement services; child care; and transportation. Several of these programs require coordination with other local efforts. One of the most widely used of these programs, FSS, was created under the National Affordable Housing Act of 1990 (P.L. 101-625) to help the tenants of public and assisted housing reduce their reliance on welfare and gain employment through education, training, and supportive services. Since fiscal year 1993, HUD has required housing agencies that receive additional public housing units or Section 8 certificates and vouchers to participate in FSS. The Anti-Drug Abuse Act of 1988 (42 U.S.C. 11901 et seq.), as amended, authorized the Public and Assisted Housing Drug Elimination program, whose goal is to provide alternative approaches to reducing crime and drug activity in public and assisted housing. Under this program, HUD awards grants to housing agencies and owners of assisted housing for activities such as protective services, drug prevention programs, and youth sports programs. Other self-sufficiency programs include the Economic Development and Supportive Services grant program and Jobs Plus, both of which provide housing agencies with additional resources and incentives to encourage tenants to achieve self-sufficiency. Appendix II describes HUD's self-sufficiency and economic development programs identified by selected housing agencies as facilitating welfare reform.

Housing Policies

The Congress has authorized some changes for public housing agencies through recent appropriations laws, beginning in 1996 with the Balanced Budget Downpayment Act, I (P.L. 104-99, also known as the Continuing Resolution). These changes eliminated the requirement that housing agencies select families from their waiting lists on the basis of federal preferences⁷ and allowed the agencies to establish local preferences, ceiling rents, and adjustments to earned income. Local preferences enable housing agencies to select working families, those in employment and training programs, veterans, and persons living in the immediate vicinity to fill vacant units. The agencies may determine which preference(s) to

⁷Under these preferences, housing agencies were required to offer at least 50 percent of the units that became available in any given fiscal year to those living in substandard housing, paying over 50 percent of their income in rent, or experiencing involuntarily displacement.

implement as long as they do not change the makeup of their developments in a way that would displace elderly or disabled tenants.

Ceiling rents—levels above which rents no longer rise with increases in tenants' incomes—are designed to attract, retain, and support working families, who are generally thought to provide leadership to housing developments and serve as role models for other tenants. A ceiling rent must reflect the reasonable market value of the housing unit and cannot be less than the monthly per-unit operating costs. HUD considers ceiling rents useful in easing the rent burden on working families residing in public housing. In addition, ceiling rents can create incentives for tenants to save money and purchase their own homes. The Continuing Resolution provided a transition rule allowing housing agencies to establish ceiling rents until HUD issues final regulations. HUD proposed a regulation on ceiling rents for public housing in November 1997.

Like ceiling rents, adjustments to earned income can be used to attract working families, increase the mix of incomes among public housing tenants, and help tenants save money and become homeowners. Adjustments to earned income allow housing agencies to exclude certain types of income in calculating rents. As a result, tenants may retain more of the income they earn if they have participated in certain types of training and work activities. Housing agencies electing to use adjustments may recoup potential losses by attracting tenants with higher incomes.

Current Housing Reform Proposals

In addition to the rent policies discussed above, HUD and the Congress have proposed more sweeping housing reforms that would further transform public housing. Under HUD's proposal, public housing programs would be consolidated, and the tenant-based certificate and voucher programs would be merged. HUD has also proposed the deregulation of well-performing housing agencies and acknowledges the need for more predictable and effective actions to address problems at failing housing agencies. In addition, HUD has proposed to strengthen the Department's policy on coordination with welfare agencies, consolidate the Economic Development and Supportive Services grant program with another program for tenants, and create a welfare-to-work voucher program.

Both the House and the Senate have proposed legislation that would modify the U.S. Housing Act of 1937. The House bill would repeal the act, replacing it with new legislation,⁸ while the Senate bill would revise the

⁸The Housing Opportunity and Responsibility Act of 1997 (H.R. 2).

act.⁹ Both the House and Senate bills would combine the Section 8 certificate and voucher programs into a single tenant-based assistance program, to be called choice-based under the House bill. The proposed legislation would also allow local governments to receive federal funds for public housing directly, alter income-targeting rules, and increase funding for tenant organizations.

H.R. 2 passed the House in May 1997. S. 462 passed the Senate in September 1997. As of April 1998, permanent housing reform legislation had not been enacted.

Agencies' Welfare Reform and Housing Roles

Among federal agencies, the departments of Health and Human Services (HHS) and Labor have the greatest responsibilities for welfare reform. The states play a larger role under welfare reform than they did in the past. HUD subsidizes public housing and provides rental assistance and grants for supportive services. Local public housing agencies own and operate public housing and administer the subsidies, rental assistance, and grants that they receive from HUD.

HHS

While welfare reform shifted responsibility to the states for designing and implementing TANF programs, HHS remains the federal agency with primary responsibility for welfare programs. The TANF legislation made HHS responsible for aiding and overseeing the states' development of TANF programs; developing certain types of regulations, including reporting requirements for the states and penalties for noncompliance with the law; drafting a formula to reward "high performing" states (i.e., those that achieve the goals of the law); and conducting research on the benefits, costs, and effects of the new law. HHS may also assist the states in developing innovative approaches to reduce dependency on welfare and increase the well-being of children and is responsible for evaluating these approaches. In addition, HHS administers the Child Care and Development Fund.

Labor

The Department of Labor also has a prominent role under welfare reform. Its programs for low-income adults include, among others, the Welfare-to-Work program, the Job Training Partnership Act (JTPA) Title II-A Adult Training Grants, and the One-Stop Career Center initiative. Labor's Welfare-to-Work program is designed to move the hardest-to-serve

⁹The Public Housing Reform and Responsibility Act of 1997 (S. 462).

welfare recipients into unsubsidized jobs and economic self-sufficiency.¹⁰ The Balanced Budget Act of 1997 (P.L. 105-33) authorized \$1.5 billion annually for formula and competitive grants for the Welfare-to-Work program over 2 years. The JTPA Title II-A program supplements the Welfare-to-Work program by providing both job training for welfare recipients and job training and placement services for other low-income adults to keep them off welfare. For fiscal year 1999, Labor requested \$1 billion for this program—\$45 million more than it received for fiscal year 1998. The agency also requested \$146.5 million for the One-Stop Career Center initiative. Labor considers this initiative the cornerstone of a reform effort to encourage state and local bureaucracies to reinvent themselves, consolidate service delivery at the “street level,” focus on the customer, and restructure accountability. Other federal agencies, such as the Department of Transportation and the Small Business Administration, also have initiatives related to welfare reform under way.

States and Localities

The act shifted important responsibilities for welfare from the federal government to the states. The states have more flexibility than before to design their own programs and strategies for aiding needy families, including those for helping welfare recipients move into the workforce. In addition, the states are allowed to set forth their own criteria for eligibility and for the types of assistance and services that will be available, provided they ensure that recipients are treated fairly and equitably. As a result, the states can decide how to allocate their TANF funds between cash assistance and support services, such as child care and education and training. A state may also devolve its responsibility to county or local authorities. At local welfare offices, TANF programs are generally administered by state, county, or local officials.

Before the states could receive their block grants, the act required them to submit their TANF plans to the Secretary of Health and Human Services for approval by July 1, 1997. Most states had begun implementing their TANF programs before the July 1, 1997, deadline. Because many states had already begun changing their AFDC programs under waivers of federal law from HHS, the states were at different stages of implementing their reform efforts when the federal legislation was enacted.

¹⁰The Welfare-to-Work program uses strategies such as job creation; job readiness, job placement, and postemployment services; on-the-job training; community service or work experience; and job retention services.

HUD

HUD establishes the guidelines for receiving federal housing assistance and provides several types of subsidies to produce and maintain housing affordable to low-income households. Of these, the most important for housing agencies are operating subsidies (to offset some or all of any shortfall between rental revenue and operating costs) and modernization funds. HUD also provides rental assistance to tenants through certificates and vouchers. Housing agencies can compete for a variety of grants, such as those for operating Drug Elimination programs. Housing agencies can also compete for Homeownership and Opportunity for People Everywhere (HOPE) grants to revitalize severely distressed housing through both physical improvements and activities, such as training and education, to promote residents' self-sufficiency.¹¹ Finally, HUD operates other programs to promote self-sufficiency, many of which are targeted to the tenants of public housing (see app. II).

HUD provides housing assistance through three types of programs—public housing, the Section 8 certificate and voucher programs, and the Section 8 project-based program. Nationwide, there are 1.2 million units of public housing, 1.4 million units rented to holders of certificates and vouchers who receive Section 8 tenant-based rental assistance, and 1.7 million units with project-based rental assistance. In fiscal year 1997, HUD spent \$23.8 billion on these programs. Because housing agencies do not administer the project-based program, it is not discussed in this report.

Public Housing Agencies

Local public housing agencies own and operate public housing for low- and moderate-income households. The housing agencies operate under state and local laws that set forth their organization and structure, but state governments do not oversee public housing. In many cities, the mayor appoints a governing body or board of commissioners that hires the housing agency's executive director, who oversees the agency's day-to-day operations. Housing agencies enter into contracts with HUD, under which the agencies agree to abide by federal regulations and HUD agrees to provide subsidies for public housing and rental assistance for low-income households residing in private housing. As discussed previously, housing agencies may also compete for grants from HUD to provide supportive services.

¹¹The Congress has provided funds for these grants through appropriations legislation since fiscal year 1993. While the name for the grants—HOPE—was derived from the title of the fiscal year 1993 appropriation act, the appropriation act for fiscal year 1997 is entitled Revitalization of Severely Distressed Public Housing.

Public Housing Subsidies

To calculate a housing agency's operating subsidy, HUD uses its Performance Funding System.¹² Under this system, the amount of the subsidy, determined at the beginning of the housing agency's fiscal year, is based on projections of the agency's future funding needs, as well as the total congressional appropriation for operating subsidies. This method is known as forward funding. Projections of the housing agency's future funding needs are based on assumptions about the agency's future income and expenses, which, in turn, are based on assumptions about future conditions, including the number of eligible units, tenants' incomes—tenants generally pay 30 percent of their adjusted income for rent—the rate of inflation, and other factors that affect income and expenses. If the amount of the operating subsidy is insufficient for the housing agency's needs during the year, the housing agency must reduce its spending. After the end of each fiscal year, certain adjustments are made on the basis of the housing agency's experience during the year.

Section 8 Tenant-Based Rental Assistance

The Section 8 certificate and voucher programs allow eligible households to select their own units in the private housing market and receive subsidies to cover part of their rent. HUD operates the certificate and voucher programs by entering into contracts and providing payments to local and state housing agencies, including public housing agencies. Housing agencies use these payments to provide rent subsidies to the owners of private housing on behalf of the assisted households. HUD also pays each housing agency a statutorily determined administrative fee for tasks involved in managing the program, including certifying applicants for eligibility, inspecting units found by tenants for compliance with housing standards, and verifying that the terms of leases meet HUD's requirements. If HUD's payments are insufficient to cover the housing agency's rent subsidy needs, the agency uses its Section 8 reserve account to cover the difference. But if HUD's payments exceed the agency's subsidy needs, the additional funds are added to the reserve fund and HUD can subsequently adjust the housing agency's future funding. In the past, some housing agencies used the additional funds to issue more Section 8 certificates and vouchers. However, HUD has instructed housing agencies that they may not issue any more vouchers and certificates using reserve funds than they have in the past.

Under the certificate program, a household generally pays 30 percent of its income for rent. The housing agency pays the difference between the rent charged—which, under most circumstances, cannot exceed the fair

¹²HUD implemented this system in 1975 under section 9(a) of the U.S. Housing Act of 1937.

market rent set by HUD—and each tenant’s payment. Under the voucher program, the housing agency pays the difference between a payment standard that is set by the housing agency and 30 percent of the tenant’s monthly income. Generally, a household with a voucher must pay more than 30 percent of its income for rent if the unit’s rent exceeds the payment standard. Conversely, a household usually pays less than 30 percent of its income for rent if the unit’s rent is lower than the payment standard.

Objectives, Scope, and Methodology

To obtain information about the potential implications of welfare reform on housing agencies, the Chairman of the Subcommittee on Housing and Community Opportunity, House Committee on Banking and Financial Services, asked us to review the impact of welfare reform on selected public housing agencies. In response to that request and to a mandate in the 1998 House Report on the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Bill (H.R. Report 105-175), we identified (1) the impact of welfare reform on the revenue sources, employment status of tenants, and roles of selected housing agencies and (2) HUD’s role in assisting housing agencies and their clients as they adapt to welfare reform.

To obtain information about the impact of welfare reform on the revenue sources, employment status of tenants, and roles of selected housing agencies, we interviewed and gathered studies from HUD officials, researchers, and interest groups, including those representing housing agencies and the recipients of housing assistance. To identify the factors that determine tenants’ prospects of moving from welfare to work, we reviewed various studies on welfare and housing. We also contracted with Mathematica Policy Research, Incorporated,¹³ to use its Simulation of Trends in Employment, Welfare, and Related Dynamics (STEWARD) model to estimate the impact of alternative welfare reform plans and economic scenarios on welfare recipients with and without housing assistance. Appendix III provides additional information on the work performed by Mathematica. In addition, we selected four states for field work—California, Louisiana, Massachusetts, and Minnesota. As table 1.1 indicates, these states have differing approaches to welfare reform, a significant number of tenants who receive TANF benefits, geographical diversity, varied poverty levels, housing agencies of different sizes, and varied unemployment rates. To identify changes resulting from welfare

¹³Mathematica analyzes public policy issues in areas including health care, education, welfare, employment, and child development for federal and state governments, as well as private-sector clients.

reform in the selected states, we obtained and reviewed the states' TANF plans and related studies. To learn more about the states' implementation of welfare reform and to determine whether the states had involved housing agency officials in their welfare reform efforts, we interviewed and obtained plans, reports, and other documents from state welfare, housing and community development, and labor officials using standard sets of questions that we developed. To obtain additional perspectives, we used a standard set of questions to interview and collect information from officials representing HUD field offices, state associations, public housing and community groups, and mayoral and legislative offices. Appendix V provides maps of the states showing the selected housing agencies.

Table 1.1: Characteristics of Selected States

Factor	State			
	California	Louisiana	Massachusetts	Minnesota
Geographic location	West	Southeast	Northeast	Midwest
Poverty rate	16.7%	19.7%	11.0%	9.2%
Unemployment rate	7.2%	6.7%	4.3%	4.0%
Number of housing agencies	127	171	134	143
Percentage of housing agencies' tenants receiving AFDC	50%	41%	33%	28%

Source: These data were the most recent available at the time we selected the states in our study. The poverty rates are from the U.S. Bureau of the Census, Current Population Survey, as of 1995; the unemployment rates are from the Bureau of Labor Statistics, State and Regional Unemployment 1996 Annual Averages; the numbers of housing agencies are from HUD's Office of Public and Indian Housing, as of April, 1997; and the percentages of housing agencies' tenants receiving AFDC are from HUD's Multifamily Tenant Characteristics System, as of November 1996.

Within each state, we visited a minimum of four housing agencies to obtain more detailed information about the anticipated effects of welfare reform. We selected housing agencies on the basis of their size, location, tenants' characteristics (including reliance on cash assistance), local economic conditions, and approaches to providing social services. As table 1.2 indicates, we generally selected a small (250 to 499 federally funded public housing units), medium (500 to 1,249 federally funded public housing units), large (1,250 to 4,999 federally funded public housing units), and extra large (5,000 or more federally funded public housing units) housing agency in each state. In California, we selected six

agencies—two small, two medium, one large, and one extra large—because of the size of the state. We did not select a medium-sized housing agency in Minnesota because none of the agencies in the state has from 500 to 1,249 public housing units. Instead, we selected the Duluth housing agency because, with 1,261 units, it is the closest to the medium range. The housing agencies that we visited in Massachusetts and rural California generally own and manage additional units under state or U.S. Department of Agriculture programs. In addition, all but one of the selected housing agencies operated certificate and voucher programs, which ranged in size from 30 to 28,134 authorized certificates and vouchers. Before visiting the selected housing agencies, we sent them a survey to obtain information on their housing stock, revenue sources, and tenants’ incomes and demographics. During our visits to the housing agencies, we used a standard set of questions for our interviews with the agencies’ executive directors, finance managers, social service coordinators, occupancy specialists, and tenants and tenant associations. We also interviewed local government officials, social service officials, and housing advocacy groups about their expectations for welfare reform and the actions that housing agencies might take or have taken in response to welfare reform. In addition, we obtained reports on housing agencies’ self-sufficiency efforts, analyses of housing agencies’ financial positions, and copies of documents on welfare reform used by the housing agencies. Where available, we obtained reports on the financial impact of welfare reform on the housing agencies and surrounding communities.

Table 1.2: Selected Housing Agencies, by Size and State

Size of housing agency	State			
	California	Louisiana	Massachusetts	Minnesota
Small	Butte County Kings County	Bogalusa	Chicopee	Hibbing
Medium	Kern County Merced County	Shreveport	Lawrence	None
Large	San Bernardino County	E. Baton Rouge	New Bedford	Duluth St. Paul
Extra large	Los Angeles	New Orleans	Boston	Minneapolis

We obtained additional data on the characteristics of the selected housing agencies from HUD’s September 1996 Picture Book of Subsidized Housing, a compilation of data primarily derived from information sent to HUD by local housing agencies, and had these data verified by the housing agencies. Because of past concerns about the reliability of the data—which come from HUD’s Multifamily Tenant Characteristics System

(MTCS) database—we asked the housing agencies in our study to help us corroborate the accuracy of the data. We believe that, with a few exceptions, the data were close enough to state that the data for the selected housing agencies reported in the Picture Book are reliable for these agencies. Our analysis was based on responses to our request from all 18 housing agencies in our review. For about 75 percent of the data in our review that could be verified, there were no differences between the data reported by the housing agencies and the MTCS data. For an additional 10 percent of the data, differences of 1 to 2 percent were reported. However, for several housing agencies, the number of tenant-based Section 8 certificates and vouchers reported by the housing agencies differed from the MTCS data by more than 5 percent. To determine whether this difference was meaningful, we summed the numbers for all of the housing agencies and found a difference of about 24 percent between the two sets of numbers; the housing agencies reported higher total numbers than the Picture Book. The data for one housing agency, operated by the city of Los Angeles, was responsible for a significant portion of this difference. We also identified differences in the data on tenants' incomes. For example, the differences between the housing agencies' figures for tenants' average annual incomes and the Picture Book's figures ranged from 2 percent to 30 percent; the housing agencies generally reported lower average annual incomes for tenants in public housing, while the Picture Book reported lower average annual incomes for tenants receiving certificates and vouchers. Appendix IV provides additional information on the selected housing agencies' demographics and sources of revenue.

To identify HUD's role in helping housing agencies and their tenants adapt to welfare reform, we reviewed HUD's studies, reports, and notices on self-sufficiency programs, employment and training programs, and public and Indian housing programs. We conducted a literature search and reviewed documents on welfare reform, housing and welfare reform legislation, proposed housing bills, and HUD's self-sufficiency and economic opportunity programs. We interviewed and gathered studies and planning documents from senior HUD officials in HUD's Office of Policy Development and Research, Office of Public and Indian Housing, Office of Community Planning and Development, and Office of Labor Relations. We interviewed senior officials from HHS' Administration for Children and Families and Office of the Assistant Secretary for Planning and Evaluation. Finally, we interviewed and gathered studies and position papers from researchers studying welfare reform and housing issues, as well as from interest groups representing HUD's clients, including tenant organizations, public housing agencies, state agencies, and local government officials. We

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also drew on our prior and ongoing work on welfare reform and the Government Performance and Results Act. We performed our work from June 1997 through April 1998 in accordance with generally accepted government auditing standards.

Impact of Welfare Reform on the Revenue, Employment Status of Tenants, and Roles of Selected Housing Agencies Is Uncertain

It is too early to be certain what impact welfare reform will have on the revenue of the housing agencies we visited, the employment status of their tenants, and the roles of the housing agencies. Although these agencies serve many tenants who depend on cash assistance for some or all of their income, most of their executive directors and other officials had not developed financial estimates of welfare reform's impact. These officials had considered the challenges that tenants will face in moving from welfare to work and that housing agencies will face in using new rent policies to provide support and incentives for working families. Although recent appropriations laws have given housing agencies the flexibility to change some rent rules that discourage work, the officials said they had made minimal use of the laws' provisions. The officials also noted that the roles of their agencies have expanded to include providing a broader range of social services that are consistent with welfare reform's goal of moving recipients from welfare to work. However, the housing agencies' supportive service activities were generally operated separately from the states' welfare reform efforts. In addition, the state government offices with welfare reform responsibilities that are providing services to help welfare recipients reduce their reliance on cash assistance are rarely targeting funds and programs to public housing developments or assisted housing programs.

While the executive directors of the housing agencies we visited were uncertain about the specific effects of welfare reform, their views on its overall impact varied widely, ranging from significantly positive to significantly negative. Expectations tended to vary by location on the basis of characteristics such as state time limits and local economic conditions.

Housing Agencies Are Unsure About, and Lack the Resources to Estimate, the Impact of Welfare Reform on Their Revenue

Welfare reform is likely to affect the revenue of the housing agencies we visited because many of their tenants depend on TANF for some or all of their income. However, the executive directors and finance officials were uncertain how—and how extensively—welfare reform would affect their revenue because welfare reform continues to evolve at both the federal and the state levels. In addition, they had difficulty separating the effects of welfare reform from those of local economic conditions. For public housing, they were primarily concerned about the possibilities of falling rental revenue, declining operating subsidies, and rising operating costs. These officials were also concerned about welfare reform's impact on Section 8 revenue. Officials generally lack the resources needed to undertake detailed analyses of the impact of their state's welfare reform

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plan on their revenue. However, three of the selected housing agencies had developed some financial estimates of welfare reform's impact.

**Officials Are Uncertain
About the Direction and
Extent of Welfare Reform's
Impact**

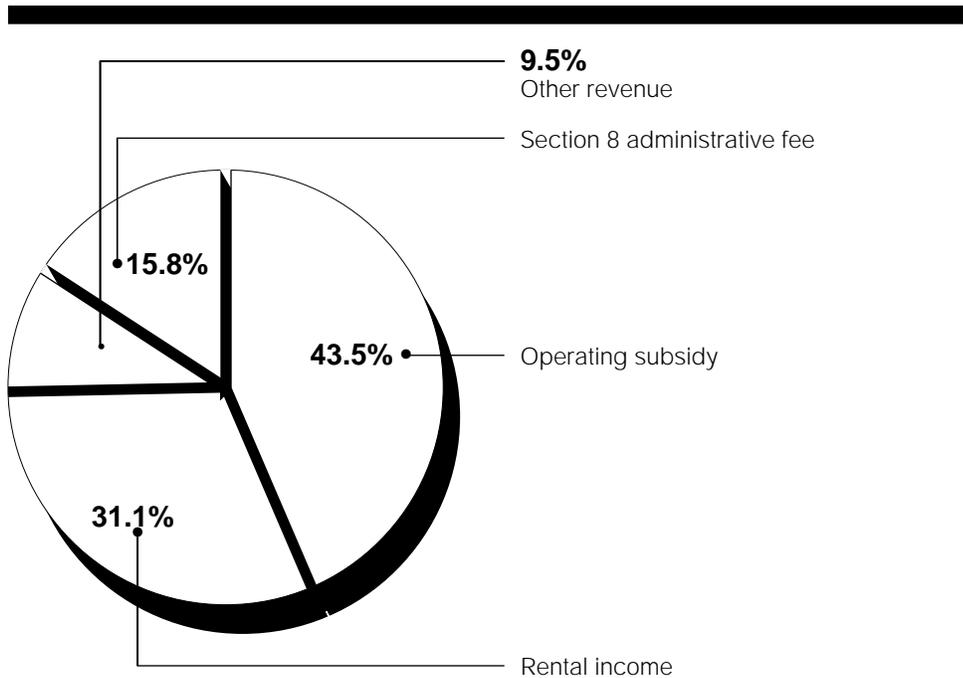
Although housing agency officials were generally uncertain about the direction and extent of its effects, welfare reform is likely to affect the revenue of the housing agencies we visited because 37 percent of their tenants rely on TANF for some or all of their income. At the housing agencies we visited, 19 to 61 percent of the tenants relied on TANF. If tenants' incomes change because of welfare reform, changes will also occur in the rental revenue housing agencies receive and in the amount of the subsidies they may need from HUD to cover their operating costs.

To cover most of their annual operating expenses, housing agencies depend on the rent paid by public housing tenants and on HUD's payments, including public housing operating subsidies, Section 8 tenant-based program funds, and program grants. Housing agencies use the bulk of their Section 8 tenant-based program funds to pay private landlords to subsidize tenants' rents, but they also receive administrative fees for managing the program. As figure 2.1 shows, the housing agencies we visited received 31.1 percent of their operating revenue from rental income, 43.5 percent from HUD's operating subsidies, 15.8 percent from Section 8 administrative fees, and 9.5 percent from other sources.¹⁴ The percentage of revenue that each housing agency received from rental income ranged from about 18.6 percent at the Shreveport housing agency to about 68.7 percent at the Hibbing housing agency. Eleven of the 18 housing agencies received more funds from rental income than from HUD's operating subsidies. See appendix IV, table IV.8, for additional information about the revenue sources for the selected housing agencies.

¹⁴Percentages do not add up to 100 percent because of rounding.

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Figure 2.1: Sources of Operating Revenue for Selected Housing Agencies, Fiscal Year 1996



Note: Other revenue includes revenue from profit-making activities, state and local sources, and HUD's grant programs, such as the HOPE VI and Drug Elimination programs. This chart does not include modernization funding. Percentages do not add up to 100 percent because of rounding.

Source: GAO's analysis of fiscal year 1996 data received from selected housing agencies.

At the time of our review, welfare reform was evolving at both the federal and the state levels. Therefore, housing agency officials, tenants, social service providers, government officials, and interest groups said it was too early to predict welfare reform's impact on rental revenue with any certainty. At the federal level, for example, some benefits for legal immigrants were restored and additional funds were appropriated to provide welfare-to-work programs in the states. At the state level, housing agency officials and tenants continue to face great uncertainty. For example, when we visited California, the state had only recently adopted welfare reform legislation, and counties were still formulating plans for implementing the reforms in January 1998. In Massachusetts, where some TANF recipients will lose benefits in December 1998, state officials had not determined as of April 1998 what groups would be among the 20 percent

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of beneficiaries who would be exempted from the 5-year federal limit on the receipt of benefits.

Officials at many of the housing agencies we visited expected welfare reform to affect their revenue, but some found it difficult to separate the effects of welfare reform from those of other economic changes. While some housing agency officials attributed recent changes in rental revenue to increases in TANF recipients' earnings under welfare reform, others ascribed the changes to different causes. In Massachusetts, officials at the Chicopee and Lawrence housing agencies believed their rental revenue was rising because more tenants were working under welfare reform, but the officials were uncertain what would happen in December 1998, when the state's 2-year time limit went into effect. They reasoned that the people who could go to work fairly easily were doing so but that when the time limit hit, the people who could not find employment at reasonable wages might see their incomes plummet and housing agencies might be faced with falling rental revenue. In Merced County, the executive director said that turnover had increased with the 1995 closing of Castle Air Force Base; however, he attributed the recent exodus of residents on welfare to their need to find work before they lost their TANF benefits. Similarly, the executive director of the New Bedford housing agency attributed its high turnover to the long-term stagnation of the economy in southeastern Massachusetts, while staff said tenants' Section 8 rental payments had recently decreased because tenants were losing income through sanctions imposed on them for failing to follow the state's TANF requirements.

Officials at the housing agencies we visited also expressed uncertainty about the impact that welfare reform's tighter eligibility requirements for food stamps could have on housing agencies' rental revenue.¹⁵ Although food stamps are not considered income in tenants' rent calculations, changes in food stamp benefits may affect the rents that tenants can afford to pay. In California, where reductions in food stamp benefits were among the few provisions of welfare reform that had been implemented when we visited, the executive director at the Butte County housing agency said that several tenants had moved out after losing their food stamps. In Louisiana, where cash assistance levels are lower than in the other states we visited, housing agency officials and tenants said the loss of food stamps would have a significant impact. One housing agency official in

¹⁵Welfare reform reduced food stamps for many participants and eliminated them, except under certain conditions, for two groups—able-bodied adults without dependents and legal immigrants. Able-bodied adults without dependents can receive benefits for only 3 months in a 3-year period unless they meet work or training requirements. Legislation made most legal immigrants ineligible for food stamps as of Aug. 22, 1997.

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East Baton Rouge said that in the past recipients might have sold their food stamps to meet their cash obligations.¹⁶ While housing agency officials and tenants in several locations said they would expect families who had lost their food stamps to have difficulty paying their rent because they would need their income to buy food, in Boston where affordable housing is scarce, tenants said that families might forgo food in order to pay their rent. Housing agency officials in Lawrence, where much of the private housing is substandard, said they thought their tenants might also pay their rent before buying food.

Because of restrictions in food stamp eligibility, some housing agency officials said that uncollected rents or turnover might increase. Housing agencies varied in their estimates of the likelihood that they would be able to evict tenants for not paying their rent. For example, officials at a Minnesota housing agency, a California housing agency, and two Louisiana housing agencies said that they would evict people for not paying rent, while officials at two Massachusetts housing agencies said that the law probably would require them to exempt tenants who could not meet the minimum rent requirements.

Besides being concerned about possible declines in rental revenue, housing agency officials raised questions about their ability to maintain their public housing units if operating costs rose or HUD's funding did not fully meet their needs for operating subsidies. Officials at the Kern County, Hibbing, and St. Paul housing agencies said that operating costs might also increase if turnover among residents increased as a result of welfare reform. In addition, when we asked whether HUD would be likely to fully meet the housing agencies' operating subsidy needs during the next fiscal year, most housing agency finance officials thought that it would not.

Some housing agency executive directors and finance directors were also concerned about welfare reform's impact on revenue from the Section 8 tenant-based assistance program. If the incomes of Section 8 tenants fall, housing agencies cover short-term increases in subsidies with reserves set aside for that purpose. However, officials at the Duluth, Minneapolis, and San Bernardino housing agencies said that in the longer term, the number of households served by the program might have to be reduced.

¹⁶It is illegal to sell food stamps. See 7 U.S.C. sections 2013, 2024.

Housing Agency Officials
Lack Resources for
Analyzing Welfare
Reform's Impact

Housing agency staff lack some of the basic information they would need to analyze the impact of welfare reform and said that they do not have resources to devote to collecting and using this kind of information. Although housing agency staff are required to collect information on all tenants' income sources, family composition, and minority status, they are required to collect information on education only for tenants in the RSS program. Information on education and prior work experience for all tenants would be useful because recent research has shown that education, prior work experience, age, and minority status are important determinants of the speed with which an individual may leave welfare.¹⁷ In addition, housing agency officials would probably need basic information about their state's welfare reform plan and local employment opportunities. According to housing policy analysts at the National Association of Housing and Redevelopment Officials, if housing agencies had the information, only the large housing agencies would have access to the research skills needed to analyze the impact of welfare reform on tenants' incomes. New Orleans, a large troubled housing agency, has recently hired a strategic planner, but the finance director at the Butte County housing agency, a small California agency, said he would like HUD to analyze the data for his agency.

In addition to information and resources for predicting tenants' incomes, housing agencies might also need to understand how welfare reform would affect the demand for public and assisted housing. For example, officials at the housing agency in Hibbing, where private housing is inexpensive, said that if the agency's current tenants become independent of welfare and leave public housing, the housing agency could be left with vacant units or units housing nonworking poor tenants. Then, new tenants might pose greater social and economic problems for the housing agency. Similarly, at the New Bedford housing agency, managers questioned whether public housing could compete with private housing if tenants' incomes rose. If the housing agencies use HUD's new rent and admission policies to attract working families, the interaction with the local housing market would become more complex.

Despite the difficulties, three of the housing agencies we visited had completed some quantitative estimates of the impact of welfare reform. A finance official at the Los Angeles housing agency said that agency

¹⁷See LaDonna Pavetti, "Who is Affected by Time Limits?" *Welfare Reform: An Analysis of the Issues*, ed. Isabel V. Sawhill, Urban Institute (June 1995); LaDonna Pavetti, *How Much More Can They Work? Setting Realistic Expectations for Welfare Mothers*, A Report to the Annie E. Casey Foundation (July 1997); and Greg J. Duncan, Kathleen Mullan Harris, and Johanne Boisjoly, *Time Limits and Welfare Reform: New Estimates of the Number and Characteristics of Affected Families* (Apr. 1997).

officials had estimated the financial impact of the governor's original welfare reform plan. They projected a 3- to 6-percent loss in rental revenue, not taking into account any reductions in the agency's operating subsidy. Adding a 3-percent increase for inflation to the 3- to 6-percent decrease in rental income, the Los Angeles housing agency estimated a possible total loss of 6 to 10 percent under welfare reform. These estimates were completed before some benefits were restored for legal immigrants and additional funds were allocated to the states to provide welfare-to-work programs by the Balanced Budget Act of 1997. According to the housing agency's planning director, the final welfare reform plan, adopted by the California legislature in August 1997, has a stronger safety net than the governor's original plan. Thus, he does not expect rental revenue to fall by more than 5 percent under the adopted plan. However, because the adopted plan includes many more variables than the governor's plan, the agency has decided that it is too early to undertake a new detailed estimate at this time. In addition, two Minnesota housing agencies we visited estimated the impact of a state welfare reform provision on their revenue. Under Minnesota's welfare reform plan, households that receive both TANF and housing assistance were scheduled to have their TANF benefits reduced by \$100.¹⁸ In developing their estimates, housing agency staff assumed that the adjusted incomes of tenants receiving TANF benefits would fall by \$100. Then, because tenants generally pay 30 percent of their adjusted income in rent, the staff assumed that the housing agencies' rental revenue would fall by \$30 a month for each resident receiving TANF benefits. To calculate the monthly drop in rental revenue, they multiplied the number of TANF recipients by \$30. Their estimates assumed that the number of tenants receiving TANF benefits and the adjusted incomes of these tenants would remain fixed over a 12-month period.

Tenants Face Challenges While Welfare Reform and New Rent Policies Offer Some Support and Incentives to Work

At the housing agencies we visited, the residents of assisted housing were facing challenges in seeking employment and the housing agencies were struggling to use new rent and admission policies to provide support and incentives for working families. The challenges facing tenants seeking employment included a lack of job readiness skills, basic literacy skills, child care, and transportation. However, officials in welfare and employment offices in the states were developing new programs that could help to address these challenges. In addition, recent appropriations laws have given housing agencies, for a limited time, the flexibility to

¹⁸Minnesota postponed its plans to reduce TANF payments for recipients who also receive housing assistance until July 1, 1999.

change some rent rules—such as those that increase rent with every increase in income—that can discourage work. Recent appropriations laws also allow housing agencies to give preference in admission to certain groups, such as working tenants. Thirteen of the housing agencies we visited were using one or more of these rent and admission policies to support or provide incentives for working families. However, four of the housing agencies we visited had encountered obstacles in employing these policies, and few tenants were benefiting from them.

Welfare Reform Poses Challenges for Tenants

Although most of the housing agency managers and tenants we interviewed believed that entry level and minimum wage jobs existed in their areas, they cited the lack of job readiness skills and lack of work experience as barriers to the success of welfare reform for assisted housing tenants. Research has shown that lack of prior work experience is a major factor in increasing the length of time that people stay on welfare.¹⁹ Recent analysis by staff at Mathematica Policy Research, Incorporated, for GAO also suggests that single mothers on TANF with less prior work experience are less likely than single mothers with more work experience to become employed. These results also show that TANF recipients who receive housing assistance have less work experience than other TANF recipients. See appendix III for a more detailed description of Mathematica's results.

In the states we visited, managers, tenants, service providers, and local government officials cited poor language skills as a significant barrier to moving tenants from welfare to work. In areas with large immigrant populations, such as California; St. Paul and Minneapolis, Minnesota; and New Bedford, Chicopee, and Lawrence, Massachusetts, officials cited lack of literacy in the native language and a shortage of courses in English as a second language (ESL) as difficulties. In California, where employment for those who speak only Spanish is possible in some areas, officials or residents at all six of the housing agencies we visited said that those who did not speak English well would have a difficult time finding employment. Because of economic incentives, church sponsorship, and family ties, St. Paul and Minneapolis attracted large pools of Hmong (from Southeast Asia) and Somali immigrants. Both groups lack proficiency in English in an area where English is necessary for employment. In Massachusetts, where over 25 percent of the public housing residents at the housing agencies we visited were Hispanic, managers, tenants, local government

¹⁹See LaDonna Pavetti, "Who is Affected by Time Limits?" *Welfare Reform: An Analysis of the Issues*, ed. Isabel V. Sawhill, Urban Institute (June 1995).

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officials, and service providers at three of the four locations cited low literacy skills as a severe challenge. Also, the executive directors of the New Orleans and East Baton Rouge housing agencies, state and local officials, and HUD field officials cited low literacy rates among Louisiana welfare recipients and housing agency tenants as a serious barrier to employment.

Lack of affordable child care was also mentioned as a barrier for tenants by housing agency officials and tenants we interviewed. While the federal welfare reform law provides additional child care funds to the states, some housing agency officials and tenants said that access to child care is sometimes a problem. Officials and/or tenants at 10 of the 18 housing agencies we visited said that child care was unavailable or unavailable during late hours or that residents needed child care. Even when child care centers are located at public housing sites, they do not necessarily serve the public housing tenants. For example, in Boston, the resident initiatives director explained that in the past, child care centers in public housing units had not been under contract to reserve a large number of spaces for residents' children. In addition, tenants did not always have the resources to pay for child care services. He said it was not surprising to find that only 30 percent of the children in the child care centers were public housing tenants. In New Bedford, we visited a child care center that was using the housing agency's space but, at the time of our visit, was not serving any of the development's children. The executive director of the New Bedford housing agency said that he contracted with the child care center to improve relations with the surrounding neighborhood.

Some housing agency officials and tenants said transportation was a barrier to achieving independence from welfare because mass transportation sometimes does not exist from the neighborhoods where public and assisted housing tenants live to those where jobs are likely to be found. In seven locations, either city or housing agency officials and tenants said bus service did not exist, did not operate on a reasonable schedule, or did not reach areas where public and assisted housing tenants live.

Some housing agency staff and tenants, interest groups, and federal and local officials thought that welfare reform would have different effects on the tenants of public housing and tenants receiving Section 8 tenant-based assistance. Staff at the New Bedford, Minneapolis, Lawrence, and San Bernardino housing agencies noted that those with tenant-based assistance were more likely to be independent and have more control over

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their lives, while officials or residents at the Boston, Chicopee, Duluth, and Hibbing housing agencies said that those in public housing could face discrimination because of their address. However, the Director of the Citizens Housing and Planning Association and housing agency officials in Hibbing, Los Angeles, and Kern County noted that Section 8 residents do not have the same access to programs and services as the residents of more concentrated public housing units. In addition, housing agencies can provide space for these activities at public housing developments.

Nationwide, the welfare rolls have declined dramatically, and the states have additional budgetary resources to spend on low-income families. Because of the dramatic decline in caseloads, the fixed amounts of the federal grants to the states under the new law, and the maintenance-of-effort provision in TANF requiring the states to provide 75 or 80 percent of their historic level of funding, we estimate that the total assistance—federal and state—available in fiscal year 1997 for states' low-income programs was about \$4.6 billion more than would have been available under the AFDC program.²⁰ Between January 1996 and September 1997, the welfare rolls decreased by 16 percent in California and Minnesota, 20 percent in Massachusetts, and 47 percent in Louisiana. Although it was too early at the time of our review to tell to what extent the residents of public and assisted housing on TANF were receiving services, welfare and employment officials in the states we visited were implementing new and revised child care, training, and transportation efforts that could address the barriers cited by housing agency managers and tenants. According to a recent survey of state child care agencies, California is offering pilot programs to train TANF recipients to become child care and development teachers, and Minnesota has provided \$700,000 for grants to increase the availability of culturally appropriate child care options.²¹ Massachusetts is redirecting its Career Centers to serve low-income residents, while Louisiana is using its Family Independence Work Program to provide transportation for TANF recipients attending training or community service activities. According to the manager of the state social service office in Caddo Parish, each parish welfare office contracts for transportation services with local providers. In Shreveport, for example, the office contracts with the local bus company

²⁰Because not all states were eligible to receive their full fiscal year 1997 TANF grant, the full increase in resources was not realized. If caseloads increase in the future, fewer federal funds may be available than under AFDC because of the fixed nature of the TANF grants.

²¹Child Care and Development Block Grant: Report of State Plans for the Period 10/01/97 to 9/30/99, Administration of Families and Children, HHS (Mar. 1998).

to provide TANF recipients with monthly bus passes, while in a more rural area of the same county, cabs take recipients to training courses.

Use of Policies to Attract and Keep Working Families Is Limited

Beginning with the Continuing Resolution in 1996, the Congress gave housing agencies the flexibility to adopt “local admission preferences” for a limited time. Some of the housing agencies we visited were using this option to give preference in admission to working families, those in employment and training programs, veterans, and persons living in the immediate vicinity of the housing agency. In a 1997 survey of its members, the Public Housing Authorities Directors Association (PHADA) found that about 59 percent of housing agencies surveyed were using local preferences.²² Of those that were using these preferences, about 40 percent said they were giving preference in admission to households with income from wages. Some of the housing agencies we visited had adopted preferences for working families or for those in training programs with varying success. In Kern County, the housing agency staff said local preferences are helping the housing agency move toward creating mixed-income developments. However, an official at the San Bernardino housing agency said the agency is abandoning the local preference for working families after finding it difficult to administer. According to this official, families who initially qualified under the local preference and were put on the waiting list were no longer working when a unit became available. In East Baton Rouge, housing agency staff said some tenants got jobs to become eligible for housing and then quit working as soon as they moved in.

The Continuing Resolution in 1996 and subsequent appropriations legislation have also allowed housing agencies to use ceiling rents and adjustments to earned income. Of the respondents to PHADA’s survey, 37 percent said they had implemented ceiling rents while 12 percent said they had adopted adjustments to earned income. Over 80 percent of the respondents who had implemented ceiling rents and over 70 percent who had adopted adjustments to earned income said they had done so because these tools would help them attract and retain working families. Of the housing agencies we visited, over one-third had implemented ceiling rents and one-third had implemented adjustments to earned income. About half of the housing agency managers we interviewed believed ceiling rents and/or adjustments to earned income would be very or somewhat effective in encouraging tenants to work. But even at the housing agencies where

²²Of the 1,636 surveys PHADA sent to its members, 828 usable responses were received. The response rate for the survey was 50.6 percent.

these policies had been adopted, they were relatively new, and few families were enjoying their benefits. For example, at the housing agencies with ceiling rents that we visited, the percentage of tenants paying ceiling rents ranged from less than 1 percent to 6 percent.

Housing agency officials in Boston, Duluth, Hibbing, and St. Paul said that adopting ceiling rents and adjustments to earned income would reduce their revenue, since the policies would reduce the amount of rent tenants would pay the housing agency. Officials in Butte and St. Paul also said that the policies were administratively burdensome. For example, they said that, to administer the adjustment to earned income, they must keep two sets of financial records—one showing their income and expenses with the income adjustment and a second showing their financial position as it would have been without the adjustment. Finally, the Minneapolis housing agency said that it would not actively pursue these policies until after the passage of a federal public and assisted housing reform bill. The Continuing Resolution provided a transition rule that allowed housing agencies to establish ceiling rents pending HUD's issuance of final regulations. HUD issued a proposed regulation on ceiling rents for public housing in November 1997.

Housing Agencies Broaden Roles but Play Limited Parts in States' Welfare Reform Efforts

According to executive directors at the housing agencies we visited, their primary role is to provide housing, but they adopted broader roles that included providing social services before welfare reform began. However, the types of services and delivery systems varied across the housing agencies we visited. Although housing agencies have adopted broader social service roles consistent with welfare reform, their programs are not fully integrated with their states' welfare reform efforts. While housing agencies house and provide services to a significant portion of each state's welfare population, in the states we visited, the housing community had limited involvement in developing the state's welfare reform plan. In addition, the state and local government offices with welfare reform responsibilities that we visited rarely targeted funds and programs to public housing developments.

Housing Agencies Offer a Range of Social Services

All of the housing agencies we visited made some use of HUD's self-sufficiency grant programs for purposes related to welfare reform; however, the large and extra large housing agencies were able to make use of a wider range of programs. Table 2.1 shows the number of housing agencies that used specific HUD self-sufficiency programs. All but two of

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our selected housing agencies operated an FSS program. As part of their drug prevention efforts, the housing agencies we visited used funds from the Drug Elimination program to set up and operate after-school activities for youth and develop centers to provide some employment opportunities for older youth in the housing developments. For example, in Chicopee, the housing agency uses Drug Elimination funds for summer youth programs. In Boston, the housing agency uses Drug Elimination dollars to fund training centers that provide tenants with training in life skills. Some housing agencies—particularly the larger ones—also received HUD grants for other self-sufficiency efforts, including employment-related demonstration programs, such as Jobs Plus and Moving to Work, and competitive grant programs, such as the Economic Development and Supportive Services (EDSS) program.

Table 2.1: Number of Selected Housing Agencies That Received Grants From HUD for Self-Sufficiency Programs, by Size of Housing Agency

	Small	Medium	Large	Extra large
Family Self-Sufficiency (FSS)	4	3	4	4
Drug Elimination	2	4	4	4
Jobs Plus			1	1
Moving to Work				1
Moving to Opportunity				2
Economic Development and Supportive Services (EDSS)		1	1	1
HOPE VI				3
Family Investment Center	1		1	1
Tenant Opportunity Program (TOP)	1		3	4
Total	8	8	14	21

Note: We visited five small, four medium, five large, and four extra large housing agencies. See ch. 1 for details on our criteria for selecting these housing agencies.

Housing agency coordinators of resident services said they also provided services to tenants by offering space to outside service providers and using service coordinators to link tenants with services in the surrounding community. However, the extent to which services were provided varied greatly among the housing agencies we visited. In St. Paul, the housing

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agency provided space for services, including food pantries, ESL classes, Head Start programs, and employment counseling. In Merced, the housing agency's FSS coordinator is also the president of the county's Family Resource Council and works with other social service agencies to gain access to services for the housing agency's tenants. The East Baton Rouge housing agency has contracted with several service organizations that provide family mentoring, job placement, and counseling services. The Lawrence housing agency houses a Boys and Girls Club and provides space for employment and training counseling associated with its EDSS grant.

Selected Housing
Agencies' Welfare Reform
Efforts Are Not
Well-Integrated With Those
of Their States

About half of the executive directors at the housing agencies and most of the officials at the HUD field offices we visited said they had little or no involvement in developing the welfare reforms of the states they cover. While four of the housing agency executive directors said they were moderately involved, none said they were very involved, and the involvement they described was generally limited. At the Minneapolis housing agency, the manager of the welfare-to-work department said the housing agency was moderately involved with the legislature but had limited involvement with other state officials in developing the state plan. At the Lawrence housing agency, a staff member served on a state senator's local welfare reform task force. This task force is generally credited with having had a significant impact on the deliberations of the state legislature. In Los Angeles, the planning director said he had limited input into the state plan through the California Housing Authority Association (CHAA) but had a strong relationship with the county welfare system that led to coordinated efforts for the housing agency's tenants. The executive director of the Kings County housing agency also reported being involved through CHAA, as did directors at two other California housing agencies. A CHAA official said she worked through the California Welfare Directors Association to provide comments on legislative proposals, testified before the state legislature, and communicated regularly with her members. Table 2.2 summarizes the responses of the directors to our questions about their level of involvement in developing their state's welfare reform plan and their level of satisfaction with this involvement.

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Table 2.2: Housing Agencies' Involvement in Developing State Welfare Reforms and Satisfaction With Involvement

Level of satisfaction	Level of involvement			Total number of responses
	Very or moderately involved	Somewhat involved	Slightly or not involved	
Satisfied	Kings County, Lawrence, Los Angeles, Minneapolis	Merced County, San Bernardino County	Bogalusa	7
Neither satisfied nor dissatisfied		Butte County, St. Paul	Boston, Kern County	4
Dissatisfied		New Orleans	Chicopee, Duluth, Hibbing, New Bedford, Shreveport	6
Total	4	5	8	17^a

^aWhile we met with the executive directors of 18 housing agencies, 17 responded to questions about their involvement in their state's welfare reforms. The executive director of the East Baton Rouge housing agency had been with the housing agency for only a month when we visited. Neither he nor the previous acting executive director was able to respond to questions about the housing agency's involvement in developing Louisiana's welfare reforms.

In California, Massachusetts, and Minnesota, state welfare officials said they did not reach out to the public housing community for input into their state's welfare reforms, perhaps because housing issues were not central to these reforms. In Louisiana, a state welfare official said she did elicit input from the public housing community at a state housing conference, but housing interests were not represented on the state's welfare reform task force. In addition, officials at state welfare offices and housing agencies said the states had not targeted funds for employment, training, and support services to housing agencies with large TANF populations; however, TANF recipients with housing assistance are eligible for the same services as other TANF recipients. At the housing agencies we visited, officials were somewhat more likely to be involved at the local level during the implementation of welfare reforms. In Massachusetts, the Deputy Director of the Department of Transitional Assistance said that welfare offices and public housing agencies have always interacted; however, the department is encouraging them to interact and communicate more often around the issue of welfare reform, and they are certain that this is happening. In California, where budgetary resources for employment services, supportive services, and training increased by nearly 60 percent in the state fiscal year that began in July 1997 and resources for child care increased by over 125 percent, state officials said counties had the flexibility to involve public housing agencies in developing their local

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implementation plans. During the development of Merced County's implementation plan, the executive director of the housing agency drafted a position paper on housing issues and participated in community forums.

Housing agencies' and states' efforts to move welfare recipients to work are not as well coordinated as they might be. For example, the executive director of the Butte County housing agency said that when housing agency staff approached welfare officials to form a collaboration between the state's self-sufficiency programs and FSS, the officials said the 5-year FSS program sent the wrong message because California has a 2-year limit on the receipt of TANF benefits. When we visited, staff and tenants at the housing agency were just discovering that they could tailor their program to meet changing needs. The director of the Butte County Department of Social Welfare also described efforts to set up one-stop centers for TANF recipients in collaboration with the local private industry council and the local employment and training office. She said the effort was moving slowly because of a lack of available space; however, she had not brought in the housing agency as a partner.

Similarly, in Massachusetts, where the Lawrence housing agency was awarded an \$800,000 EDSS grant to move welfare recipients toward employment through an intensive employment and training program, the program's requirements were not well coordinated with those of the state plan or of other local employment and training efforts. Tenants at the Lawrence housing agency said that participants in the program, who might be mothers of school-age children, were required to participate in 30 hours of training a week, while the state welfare plan required them to work or participate in community service for 20 hours a week. Thus, participants in the program faced the possibility of having to be away from their homes for 50 hours a week. Although the Lawrence area's private industry council used the same trainer and offered similar programs, the executive director of the Lawrence housing agency said he needed his own program because the state could meet its welfare reform participation rate requirements without ever getting to his tenants.

Some housing agencies and local welfare offices are beginning to coordinate more to ensure the success of local welfare reform efforts and housing self-sufficiency programs. These efforts are especially evident at Jobs Plus sites in Los Angeles and St. Paul, where local coordination was required for the housing agency to be included in the program. The Los Angeles social services director said that the Jobs Plus program, which is still in the planning phase, has strengthened the collaboration between the

housing agency and other social service agencies. In St. Paul, the welfare officials said they plan to locate a welfare office at the Jobs Plus site. Other housing agencies also report increasing coordination. For example, 12 federally funded housing developments in Boston are working with one of Massachusetts' Career Centers to offer on-site job search facilities. The centers are quasi-public entities responsible for delivering many of the state's employment services. In Minneapolis, the housing agency is under contract with the county welfare office to provide employment and training services for the tenants. In addition, in Kern County, the new executive director—who previously held a position in the county welfare office—has involved the housing agency in several welfare working groups and has proposed that the county contract with the housing agency to make rental payments for welfare recipients who pass the time limit for receiving TANF benefits but have children who still receive benefits.

Overall Expectations of Welfare Reform's Impact Vary

We asked the 18 executive directors we interviewed to rate their overall expectations about the impact of welfare reform on their housing agencies from significantly positive to significantly negative. Because the number of housing agencies we visited was small, consistent patterns across various characteristics are difficult to discern. However, as table 2.3 indicates, the executive directors of the housing agencies we selected in California and Minnesota were generally more positive about the impact of welfare reform than the executive directors in Massachusetts and Louisiana. In general, the latter—and their tenants—have less time to adapt to welfare reform. Researchers with the Institute for Policy Studies at the Johns Hopkins University have shown that welfare recipients with housing assistance have longer spells on welfare than those without housing assistance. Thus, welfare recipients with housing assistance are more likely than other welfare recipients to reach the limits on their receipt of TANF benefits without having found employment, and their employment prospects worsen as their time limits decline. While Massachusetts and Louisiana will reach their 2-year limits by the end of 1998, Minnesota has a 5-year limit that did not start until July 1997. California has a 2-year limit that did not start until January 1998 and may, in some instances, be extended to 5 years. In addition, California counties were still formulating plans to implement the state's welfare reform plan when we visited.

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Table 2.3: Views of Selected Executive Directors on the Effect of Welfare Reform on Their Housing Agency, by State

Director's view	State				Total
	California	Louisiana	Massachusetts	Minnesota	
Significantly positive	Los Angeles			Minneapolis	2
Generally positive	Butte County, Kern County, Merced County San Bernardino County		Lawrence	St. Paul	6
Neither positive nor negative		Bogalusa, East Baton Rouge	Chicopee		3
Generally negative	Kings County	Shreveport	New Bedford	Duluth	4
Significantly negative		New Orleans	Boston	Hibbing	3

Recent modeling by Mathematica also shows, on the basis of prior behavior, who will be likely to go to work within the proposed time limits under various welfare plans. According to Mathematica's analysis, TANF recipients with housing assistance are less likely to leave the welfare rolls, less likely to find jobs, and more likely to have lower incomes than TANF recipients without housing assistance.

In addition, local economic conditions may have affected the executive directors' expectations. Although we visited our housing agencies during a time of high national job growth, some localities were experiencing long-term economic declines that were limiting the job opportunities of welfare recipients. For example, the executive directors of the Duluth and Hibbing housing agencies expected welfare reform to have a negative impact on their housing agencies, even though they were not facing an imminent time limit. However, according to the Hibbing housing agency, the region has been severely affected by a long-term decline in the iron ore industry. Similarly, in Massachusetts, the generally negative expectations of the New Bedford housing agency's executive director may be attributable to the long-term economic decline in southeastern Massachusetts. However, local economic conditions do not seem to have affected the expectations of the executive directors of housing agencies in California's Central Valley. There, even though unemployment rates were high, the directors' expectations were generally positive.

**Agency Comments
and Our Evaluation**

HUD agreed that, in general, housing agency officials are facing major challenges in understanding and dealing with the potential effects of welfare reform on the recipients of housing assistance and on the housing

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agencies themselves. However, HUD said that our report could have provided more information in several areas to help HUD improve its performance. For example, HUD identified a need for more guidance on what housing agencies need to know to estimate the impact of welfare reform. HUD also suggested that we include more information on obstacles to the use of rent reform policies and mention that welfare agencies collect and should provide housing agencies with data on recipients' education levels. We considered HUD's comments but made no changes because the draft already explained the housing agencies' reasons for not using rent reform policies—namely, that the policies would reduce the agencies' revenue, are difficult to administer, and have not been permanently adopted. In addition, the draft report discussed the reasons why demographic information—such as data on tenants' education, prior work experience, age, and minority status—is useful for housing agencies to know.

We also provided chapter 2 of the draft report to the 18 housing agencies we visited for their comments. Nine of the housing agencies responded, and several provided clarifying language and technical corrections. We incorporated their comments as appropriate. In addition, we provided Mathematica with excerpts of the draft report for its technical review and incorporated its technical corrections as appropriate.

Under Welfare Reform, Housing Agencies Need More Guidance From HUD and Involvement With the States

HUD has a smaller role in welfare reform than the states or some other federal agencies, such as the departments of Health and Human Services and Labor, yet HUD has stated that it is committed to making welfare reform work. HUD's commitment rests, in part, on the large numbers of tenants who currently receive, but may lose, welfare benefits if they do not find work. The potential reductions in tenants' incomes from such losses could decrease many housing agencies' revenue and increase the need for operating subsidies from HUD. To date, HUD has discussed the importance of making welfare reform work in the strategic plan that it developed under the Government Performance and Results Act, redirected several existing programs to emphasize work activities, and emphasized the use of existing programs to achieve welfare reform's goals. However, some field and housing agency officials whom we interviewed were confused about HUD's role and said they had not received guidance from HUD. In addition, housing agencies said that some of the programs HUD identifies as relevant to welfare reform are of limited use because of funding and other constraints. HUD officials have begun to coordinate discussions of welfare reform efforts, both internally and externally, but HUD has not developed a comprehensive strategy for bringing its resources for welfare reform together with the funds and programs available through the states and other federal agencies. Although HUD has resources—demographic data on tenants, expertise gained through demonstration programs, and staff at the field level—and supports physical facilities for providing services, it has not systematically developed relationships with the states, which have most of the funds for welfare reform.

Although the States and HHS Are Primarily Responsible for Welfare Reform, HUD Plans to Assist

While HUD plans to do its part to make welfare reform succeed, the success or failure of welfare reform does not depend on HUD. The states are the most important players under welfare reform because they have the flexibility under the law to design and implement welfare reform plans and to determine how to use their block grants. HHS is the federal agency that is primarily responsible for assisting the states with their TANF programs and for providing additional funding for social services, such as child care. In addition, the Department of Labor plays a prominent role because of its job training programs and welfare-to-work initiatives. Although HUD recognizes that its role under welfare reform is limited, it has made welfare reform a priority for the Department.

The States and HHS Are the Key Players in Welfare Reform

Under welfare reform, important responsibilities were shifted from the federal government to the states. As discussed in chapter 1, the states have acquired more flexibility to design their own programs and strategies for

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aiding needy families, including those for helping welfare recipients move into the workforce. In addition, the states can decide how to allocate their TANF funds between cash assistance and support services, such as employment services and child care. As discussed in chapter 2, the states, on average, have more budgetary resources available under TANF for their low-income family assistance programs than they did under the AFDC program, at least at this time.

While welfare reform shifted responsibility to the states, HHS, as discussed in chapter 1, is responsible for overseeing the states' implementation of the law, and other federal agencies are involved in welfare-to-work efforts. HHS also distributes the majority of the federal funds for social service block grant programs, which are important components of the states' welfare reform efforts. For example, HHS administers the Child Care and Development Block Grant and the Social Services Block Grant. Additionally, the Department of Labor has a prominent role under welfare reform because it operates jobs programs, such as the welfare-to-work grants, the Job Training Partnership Act (JTPA) Title II-A Adult Training grant program, and the One-Stop Career Center initiative. Other agencies, such as the Department of Transportation and the Small Business Administration, have also initiated efforts to support welfare reform.

HUD Plans to Play Its Part
to Make Welfare Reform
Work

At least in part because tenants' incomes could decline under welfare reform and thus potentially lower housing agencies' revenue, HUD has made the success of welfare reform a priority for the Department. HUD also recognizes that it is in a unique position to assist people moving from welfare to work because its programs—such as public housing, Section 8, and the Community Development Block Grant (CDBG) program—have a physical presence where the poor live. HUD's 1998 budget stated that the Department would play its part by pursuing several strategies to make welfare reform work: (1) creating jobs for welfare recipients; (2) using housing assistance and community facilities strategically to link welfare recipients to jobs and to help ensure that work will pay; and (3) providing and leveraging services to link welfare recipients to jobs and to help them stay employed. HUD also discussed the importance of making welfare work in its 1997 HUD 2020 Management Reform Plan. In the plan, HUD stated that it is "the agency with potentially the largest economic development portfolio in the federal government; and the branch that deals most directly with the fate of cities, where most people on welfare live." In the plan, HUD said that its long-term success as an agency will largely depend on the degree to which welfare reform works.

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In its September 30, 1997, strategic plan, prepared under the Results Act for fiscal years 1998-2003, HUD proposed a two-pronged approach for implementing welfare reform:

- Create and retain jobs through its economic development programs, such as CDBG, a flexible formula grant program that provides resources to communities; Section 108, which allows communities that receive CDBG grants to leverage private funds for loans for large-scale projects that could result in job creation and community development initiatives; the Economic Development Initiative, a grant program that supplements Section 108; and the planned second round of the Empowerment Zones and Enterprise Communities program, which would focus on moving residents from welfare and poverty to work.
- Coordinate housing assistance with welfare reform efforts by supporting rent incentives that reward work, encouraging partnerships, and providing services. In the plan, HUD said that it supports changing the public and assisted housing rent rules that discourage work and would encourage housing agencies to use the flexibility they have in establishing rents and managing their units to support the goals of welfare reform. In addition, HUD said that it would encourage partnerships between housing agencies and local social service agencies so that housing agencies do not create redundant case management programs for residents. HUD also discussed how some of its self-sufficiency and housing programs and programs for the homeless provide services for the residents of assisted housing and for homeless people seeking employment.

HUD Has Provided
Guidance , but
Housing Agencies Are
Confused About
HUD's Role and Lack
Data

HUD has provided information to its field offices and housing agencies on welfare reform and how it may affect them and has provided additional guidance during training sessions. However, some field offices and housing agencies we visited did not recall receiving guidance from HUD and were confused about HUD's role and about how HUD's programs can be used to promote welfare reform. In addition, housing interest groups, researchers, and public housing officials discussed the need for data on tenants' characteristics and information on how welfare reform could affect housing agencies.

HUD Has Provided
Guidance to Housing
Agencies and Field Offices

In October 1996, HUD's Acting Assistant Secretary for Public and Indian Housing and Assistant Secretary for Policy Development and Research issued a package of information to HUD's field offices and housing agencies. This information summarized the major changes resulting from

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welfare reform and discussed the steps housing agencies could take to adapt to the new environment. Through the information package, HUD urged housing agencies to learn about their state's welfare reform plan and to consider how the plan would affect the housing agency and its tenants. HUD also suggested that housing agencies examine how ceiling rents, adjustments to earned income, and local preferences in admission could be used to reinforce the benefits of work. In addition, HUD asked the housing agencies to examine their resources and find out how their facilities could be used in partnership with others in the community. Finally, HUD discussed the importance of having a good working relationship with local public and private service organizations in order to bring resources to the housing agency.

HUD also provided guidance on welfare reform during training sessions. For example, officials from the Office of Public and Indian Housing in HUD headquarters provided welfare-to-work training sessions in four states/areas—Massachusetts, New York, California, and Kansas/Iowa. According to these headquarters officials, the training, which they provided for HUD field and housing agency officials from the four states, addressed the notice of funding availability (NOFA) for the grant programs—Drug Elimination, Economic Development and Supportive Services (EDSS), and Tenant Opportunity Program (TOP)—and how these programs could be used to foster coordination with local welfare reform efforts. During the training sessions, participants were also briefed on the federal welfare reform law and their state's implementing legislation, the possible impact of this legislation on public housing agencies, and best practices in housing and welfare department cooperation. In addition, some field offices arranged their own welfare reform training sessions by inviting state and/or local welfare officials to brief staff, according to Public and Indian Housing officials. The Director of Planning and Coordination for HUD's Office of Community Planning and Development said that his office included a welfare reform component in training sessions that it held for field office staff in four or five locations during calendar year 1997. Community Planning and Development officials also discussed using the Internet to transmit guidance to HUD's field offices and provide information on best practices.

Not All Field Offices and
Local Housing Agencies
Received or Understood
Guidance

Although HUD headquarters has made efforts to educate the field offices and housing agencies about welfare reform, some field offices we visited did not recall receiving guidance from HUD and one was confused about HUD's role and about how HUD's programs could be used to promote

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welfare reform. For example, the Director of the Office of Public Housing in HUD's Louisiana state office said that HUD headquarters did not provide any instructions or direction to his office on welfare reform. He said that his office expected information, such as abstracts on related welfare reform activity, to be sent by HUD headquarters. The HUD Secretary's representative in the New England field office said that it was hard to answer a question about what guidance on welfare reform her office had received because HUD operates through several different divisions. She said that although she knew welfare reform was a priority for HUD and her office had formed a committee to work on welfare reform, she and her staff were confused about HUD's role and did not plan to do anything on the subject except what they were told to do. HUD field officials in Minnesota and California said that with HUD's reorganization under way, it was difficult for them to discuss HUD's role. HUD field officials in San Francisco said that although they had received some written information from HUD headquarters, they got most of their information on welfare reform from meetings of the National Association of Housing and Redevelopment Officials and from television.

Through their links with HUD headquarters, on the one hand, and local housing agencies, on the other, HUD field offices are in a position to receive, consolidate, and transmit information and guidance from headquarters and its multiple program offices to the local housing agencies and, in turn, to relay the housing agencies' questions and concerns to headquarters. As discussed later in this chapter, HUD has taken steps to coordinate its national program offices' welfare reform efforts, but it has not taken parallel steps to keep its field offices abreast of welfare reform issues. Given the field offices' proximity to the state welfare offices that administer most of the funds available for implementing welfare reform, vertical as well as horizontal coordination would appear to be in HUD's best interests.

Some of the housing agencies we visited also said they had not received guidance from HUD or were unsure about HUD's role in welfare reform. For example, the executive director of the New Orleans housing agency said the agency had not received any guidance from HUD, and the executive director of the Bogalusa housing agency and the manager of the welfare-to-work department at the Minneapolis housing agency said most of the guidance their agencies received from HUD arrived over a year ago. Furthermore, executive directors at three housing agencies we visited in Louisiana said they were unsure of, or were struggling to figure out, HUD's role in welfare reform. According to the executive director of the St. Paul

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housing agency, HUD is recommending some policies to encourage tenants to stay—such as ceiling rents—and others to encourage them to go—such as the Moving to Opportunity demonstration program, which is evaluating the impact of using Section 8 certificates at five sites to move families into low-poverty areas. According to the executive director of the San Bernardino housing agency, HUD rarely visits the housing agencies and is unable to assist them because of the downsizing occurring at the field level. The executive director said he offered to pay the travel costs for HUD staff so they could provide on-site technical assistance to the housing agency, but the HUD officials said their office’s ethics code prevented them from accepting the offer.

Local Housing Agencies
Need Data to Better
Manage Their
Developments and
Estimate Welfare Reform’s
Impact

Housing interest groups, researchers, and public housing officials discussed the housing agencies’ need for data on tenants’ characteristics and information on how welfare reform could affect housing agencies. Because the recent changes in rent policies have given housing agencies more flexibility in choosing their tenants and because housing agencies now provide or coordinate supportive services as well as provide housing, sound management practices dictate that housing agencies know something about the tenants they serve, according to the Interim Director for the Institute for Policy Studies at Johns Hopkins University and the Co-Director of the Urban Institute’s New Federalism Project.

HUD is already in a position to provide data to local housing agencies. Through the annual recertification process, housing agencies collect information about individual households—such as their sources of income, family composition, and minority status—that the agencies use primarily to determine rents. The housing agencies are required to submit these data to HUD, and HUD compiles the data into its Multifamily Tenant Characteristics System (MTCS) but does not routinely return the data to the housing agencies. The larger housing agencies tend to keep the data or have their own data systems, but some of the smaller housing agencies do not have the capacity or resources to maintain their own systems. Although HUD has summarized data for each housing agency on the Internet and in printed documents that can be ordered from HUD, eight of the housing agencies we visited said that they do not use HUD’s MTCS data in their operations. While some of the larger housing agencies collect their own data, the smaller ones tend not to collect their own data or use MTCS.

As discussed in chapter 2, at most of the locations we visited, housing agency staff said they did not have the resources or expertise to compile

and analyze the data to determine the impact of welfare reform. The St. Paul public housing agency commented that the MTCS data on the Internet provide an interesting overview, but the agency is concerned about the accuracy of these data and has had difficulty reading and manipulating them. Policy analysts at the Council of Large Public Housing Authorities and the National Association of Housing and Redevelopment Officials suggested that HUD reformat its data to be more user-friendly. They also said that HUD could gather and disseminate data easily and should consider sending the MTCS data back to the housing agencies along with instructions for analyzing the data to help the agencies develop sound management practices and determine which programs their tenants need to become self-sufficient. Although prior GAO²³ and HUD²⁴ studies have questioned the reliability and accuracy of HUD's data, interest group officials and researchers said that the more housing agencies use the data, the more they will demand that the current data problems be corrected.

HUD Has Redirected Programs and Emphasized Existing Programs, but Opportunities for Participation Are Limited

HUD has redirected several self-sufficiency programs to emphasize the importance of coordination for housing agencies and discussed the potential for using some of its other programs to promote welfare reform. HUD also operates four demonstration programs that are testing the impact of providing services on tenants' ability to move toward self-sufficiency. However, most of the self-sufficiency programs are small, and the opportunities for housing agencies to receive funds are limited. While HUD's CDBG program provides a steady stream of funding to over 4,000 communities nationwide, the bulk of this funding has historically been used for housing activities and public facilities that have not directly benefited the residents of public and assisted housing.

HUD Has Modified Programs and Stressed the Usefulness of Existing Programs

To more closely align its self-sufficiency programs with the goals of welfare reform, HUD has redirected several programs to emphasize the importance for housing agencies of coordinating with local welfare efforts and has proposed new welfare-to-work vouchers. For example, applicants for the 1997 EDSS and TOP grants are required to explain how they will use their grant funds to coordinate programs with the local welfare offices. HUD has broadened the applicability of the Drug Elimination grant so that the funding can be used to develop employment programs that are consistent with local welfare reform efforts. In addition, in its fiscal year

²³HUD: Field Directors' Views on Recent Management Initiative (GAO/RCED-97-34, Feb. 12, 1997).

²⁴U.S. Department of Housing and Urban Development Accountability Report, Fiscal Year 1996 (Washington, D.C.: Mar. 1997).

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1999 budget, HUD requested 50,000 new welfare-to-work vouchers to help meet the housing needs of those moving from welfare to work.

HUD has also discussed ways in which some of its other programs can be used to support welfare reform. For example, HUD said that its core economic development programs, such as the Empowerment Zones/Enterprise Communities, Economic Development Initiative, Section 108, and CDBG programs, have the dual purpose of restoring communities and providing funds for activities that may lead to the creation of jobs. In a December 1996 policy paper, HUD outlined the importance of CDBG—funded at about \$4.5 billion for fiscal years 1996 and 1997—as a potential major contributor to employment and training programs that could be used to support welfare reform. In the paper, HUD discussed the flexibility that the CDBG program gives communities to tailor their local programs to fit their particular needs. The paper also emphasized the potential for using CDBG funds in strategies for creating jobs, providing public services, assisting microenterprises, and revitalizing neighborhoods.

Finally, HUD operates demonstration programs that are examining how providing services will affect tenants' ability to move toward self-sufficiency. For example, HUD's Bridges to Work demonstration program is evaluating the utility of linking inner city jobs with a package of services, such as transportation and child care referrals. The Moving to Opportunity program moves tenants to low-poverty areas, and the Moving to Work and Jobs Plus demonstration programs are evaluating how work incentives or services affect tenants' ability to move toward self-sufficiency.

Participation in HUD's
Programs Is Limited

HUD has tried to refocus its programs targeted toward public and assisted housing to facilitate welfare reform; however, the programs are small and the opportunities for housing agencies to receive funds are limited. Although all 3,200 housing agencies are eligible to apply for the self-sufficiency programs, the grants are modest and very competitive. For example, the Drug Elimination program—funded at \$310 million in fiscal year 1998—offers the best odds of receiving funding, since over half of the 889 applicants in fiscal year 1997 received funding. The grant awards ranged from \$25,000 to \$250,000. However, the FSS program—required for housing agencies that receive additional public housing units or Section 8 certificates and vouchers—provides no funding for services, but \$25.2 million is available in fiscal year 1998 for FSS program coordinators.

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The EDSS program—with \$43.6 million available in fiscal year 1998—and the HOPE VI program²⁵—with \$550 million in fiscal year 1998 funding—were also competitive. For example, in 1997 HUD received 221 applications for EDSS and awarded 112 grants. For HOPE VI, 28 out of 127 applicants received grants in 1997. HUD acknowledges the small-scale nature of these programs but views the funding as a mechanism to leverage other resources.

HUD's demonstration programs serve few sites, as is consistent with their purpose, and are targeted toward large metropolitan areas. Bridges to Work is limited to 5 distressed neighborhoods in large metropolitan areas, and Jobs Plus is restricted to 7 large housing agencies in large metropolitan areas. Commonly, the selection criteria for demonstration programs are controlled, and not all housing agencies are eligible to participate. Consequently, given the small number of awards available and the restrictions on participating in the demonstration programs, three of the housing agencies we visited said they sometimes decide not to spend the time developing applications.

While HUD's CDBG program provides a steady stream of funding to over 4,000 communities nationwide, most of the funding has not been used for economic development and public services activities, and data are not available to determine whether the jobs that are created benefit those who formerly received cash assistance. For example, in fiscal year 1994, entitlement communities—which receive 70 percent of the funding—used 36 percent of their funds for housing activities and 23 percent for public works. These communities used only 8 percent of their funds for economic development activities and 13 percent for public service activities. Furthermore, data do not exist to determine whether the jobs created using CDBG funds help those with incomes as low as those of individuals receiving cash assistance. However, HUD's Deputy Assistant Secretary for Policy Development said that HUD is exploring ways to modify its data collection procedures to track jobs created for those receiving TANF benefits. According to the Executive Director of the Council of State Community Development Agencies, it is doubtful that CDBG funds are helping people on welfare get jobs because most jobs created probably go to individuals with incomes at about 80 percent of median income. He said that in most areas, welfare recipients' incomes would be less than 50 percent of median income. Finally, CDBG was mentioned as a source of income by only 2 of the 18 housing agencies we visited.

²⁵HOPE VI is primarily a housing revitalization program; however, public housing authorities may use a portion of the funding they receive for HOPE VI for supportive services.

HUD Has Taken Steps to Increase Coordination, but Has Not Developed a Comprehensive Strategy for Interacting With the States

Internally, HUD department and office program managers meet periodically to coordinate and share information on welfare reform issues. Internal coordination is important for HUD because at least five of its departments and offices have responsibility for self-sufficiency and economic opportunity programs that it believes will support welfare reform. HUD program managers also meet with managers from other federal agencies. However, HUD has not developed a comprehensive strategy for bringing the needs of its tenants on cash assistance to the attention of the state offices that administer most of the funds available for welfare reform. HUD has resources that it could use to leverage benefits for its tenants.

HUD Has Taken Steps to Increase Internal and External Coordination

Internally, HUD department and office program managers meet periodically to coordinate and share information on welfare reform issues. For example the Deputy Assistant Secretary for Policy Development in HUD's Office of Policy Development and Research—who is responsible for coordinating welfare reform activities within HUD and with other federal agencies—and program directors in the Office of Public and Indian Housing and Community Planning and Development said that HUD does not follow a specific process for coordinating welfare reform efforts, but internal coordination takes place through the Department's Welfare Task Force, through the NOFA review process, or informally, in the course of administering programs. HUD's Welfare Reform Task Force met biweekly prior to the passage of welfare reform. After the passage of welfare reform, the group met less frequently but has recently begun to meet again. Internal coordination also occurs when a NOFA is circulated, before its release, to the various assistant secretaries so they can review and comment on it and look for ways to maximize funding opportunities and provide additional services to support welfare reform. Finally, coordination occurs in administering programs, such as the Jobs Plus demonstration program, which is managed by the Office of Policy Development and Research and is a component of the Moving to Work initiative, administered by the Office of Public and Indian Housing. According to managers of both programs, representatives from the two offices met regularly to develop and share information on the selection and evaluation criteria for both programs.

Internal coordination is particularly important for HUD because at least five of its departments and offices have programs that assist housing agencies and their residents. Together, these departments and offices administer 24

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programs designed to move tenants toward self-sufficiency.²⁶ The Office of Public and Indian Housing operates roughly 13 self-sufficiency programs, the Office of Community Planning and Development operates 6 programs, the Office of Housing manages 1 program, the Office of the Secretary's Office of Labor Relations operates 1 program, and the Office of Policy Development and Research oversees 3 demonstration programs.

HUD program managers also coordinate with managers from other federal agencies. For example, the Deputy Assistant Secretary for Policy Development in HUD's Office of Policy Development and Research serves on the Department of Labor's Welfare Reform Task Force. HUD's Office of Labor Relations manager for Step-Up provides work experience through registered apprenticeships and works closely with the Environmental Protection Agency (EPA) to develop a mechanism for creating jobs through Step-Up and EPA's brownfields cleanup program. In addition, several Office of Public and Indian Housing managers have developed relationships with officials in HHS. For example, HHS' Office of Community Services and HUD's Office of Public and Indian Housing developed a partnership between housing agencies and community development corporations to provide EDSS in six communities. In addition, representatives from HHS' Administration for Children and Families and HUD officials said that they have met several times to discuss issues such as income verification, and HHS officials have provided information on welfare reform at HUD training sessions. The HHS officials said they saw HUD as a proactive agency and were impressed with the way its demonstration programs, such as Bridges to Work and Moving to Work, anticipated the reforms of the welfare system. However, the Branch Chief for the Office of Family Assistance within the Office for Children and Families said that better coordination is needed between all federal agencies and that his office within HHS had been directed to establish a federal welfare reform coordinating body. HUD has also collaborated with the Department of Labor, HHS, and a number of private foundations in the Jobs Plus demonstration program; coordinated efforts on the Bridges to Work demonstration program with the Department of Transportation; provided information to the Small Business Administration in support of its efforts to help women make the transition to work; and signed a memorandum of understanding with the Department of Agriculture that resulted in the delivery of Agriculture's services at six public housing communities.

²⁶HUD: Inventory of Self-Sufficiency and Economic Opportunity Programs (GAO/RCED-97-191R, July 28, 1997).

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According to HUD officials, the expiration of legislative authority to transfer funds from one federal agency to another has limited interagency coordination. The Joint Funding Simplification Act of 1974, which permitted interagency transfers, expired on February 3, 1985. HUD officials believe that without the ability to move funds from one agency to another, it is difficult for federal agencies to operate joint programs because agencies must separate funds and operate under two sets of federal rules. HUD believes that this requirement makes coordination more challenging at the federal and local levels.

HUD Has Not Established
a Comprehensive Strategy
for Coordination With
States

The devolution of decision-making authority for cash assistance programs to the states and sometimes to localities has created a new need for HUD and public housing agencies to interact with state and local decisionmakers. In the past, housing agencies carried out federal public and assisted housing programs—relying on dedicated funds from HUD—and seldom interacted with broader community development agencies. Today, as the states exercise greater control over welfare benefits and administer additional funds for employment and supportive services, HUD and the housing agencies have a greater stake in the results of state and local decision-making. To the extent that HUD and housing agencies can reach out and inform state and local decisionmakers of their tenants' needs, they may be able to reduce the historical isolation of public housing residents from the community at large and help the tenants obtain needed services. Greater interaction between local housing professionals and welfare administrators could also streamline the delivery of services to assisted households and create mutually beneficial opportunities for collaboration.

Despite the advantages of working more closely with state agencies, HUD has not developed a comprehensive strategy for bringing the needs of its tenants to the attention of these agencies. Although HUD has an organizational presence at both the national (headquarters) and state (field office) levels, it has not systematically taken advantage of its field structure to establish connections with state welfare offices and agencies that have more resources than it does to provide employment and supportive services. While HUD's strategic plan and other management documents stress the importance of making welfare reform work and explain how HUD's own programs can facilitate welfare reform, they do not recognize a role for HUD at the state level and do not include a formal strategy for increasing the states' awareness of the assisted housing population and for improving coordination among HUD, the states, and the

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public housing agencies. Such a strategy is critical, for, as we reported in chapter 2, officials at three state welfare offices said they did not reach out to the public housing community for input into state welfare reform plans. In addition, we found little evidence that the states were targeting funds for services to public housing developments.

HUD recognizes that it is in a unique position to assist people moving from welfare to work because it has a physical presence where the poor live. Nationwide, in 1996, about one-fourth of the households on AFDC also benefited from housing assistance provided by HUD. In the states we visited, the proportion ranged from a low of 12.1 percent in California to a high of 43.1 percent in Massachusetts. In Louisiana and Minnesota, 27.8 percent and 40.1 percent, respectively, of the households on welfare also received housing assistance. Especially in states such as Massachusetts and Minnesota, where many of the same households receive both types of assistance, public housing agencies could use place-based strategies to help welfare recipients move to work.

Because HUD's funding is limited and housing agencies vary in their ability to administer programs, public housing, local government, and interest group officials believe that HUD and housing agencies should establish partnerships with other social service providers to bring services to housing agencies. For example, the Assistant Director of the American Public Welfare Association said that HUD could play a valuable role by marketing housing agencies' facilities, making them available to state and local providers for the delivery of supportive services. She said that HUD could also help educate service providers by sharing demographic data with them on TANF recipients who reside in public and assisted housing, together with findings from HUD's demonstration programs. Moreover, according to the Research Director for the Council of Large Public Housing Authorities, the data and expertise HUD has acquired through its supportive service programs could help service providers understand how local housing agencies operate and what their tenants need.

Conclusions

Although HUD has provided guidance on welfare reform, it has not ensured that all of the field offices and public housing agencies have received and understood the guidance. As a result, some offices and agencies are confused about HUD's role under welfare reform. Without vertical as well as horizontal coordination within HUD, information available at the national level may not be reaching the field and local levels, and the field offices and local housing agencies may be missing opportunities to obtain

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funds or services for their tenants from the states, other federal agencies, or HUD itself. With greater emphasis on vertical coordination, field officials might also be encouraged to consolidate and clarify information and guidance from HUD's multiple national program offices for the local housing agencies within each field office's jurisdiction.

Just as HUD has made guidance on welfare reform available to the field offices and housing agencies but not followed through to make sure they have received and understood the guidance, so the Department has made data available to the housing agencies but not followed through to make sure they are using the data. HUD has made summaries of the data that it collects from public housing agencies available electronically and in printed documents, but the agencies are not using the data. Many of the agencies, particularly smaller ones, lack experience in analyzing the data and in translating the results of analyses into actions—such as establishing appropriate self-sufficiency programs or rent policies, as discussed in chapter 2. Providing the agencies with data and guidance for analyzing the data could assist them in assessing the impact of welfare reform on their tenants' incomes and their own rental revenue. While such an effort might take time in the short run, it could pay off in the long run by equipping the agencies to monitor, analyze, and respond to the needs of their tenants and thus to operate more independently and effectively in the future.

In the states that we visited, public housing agencies' historical lack of involvement in state and local decision-making has continued under welfare reform, as we learned from the agencies' executive directors, most of whom did not help to develop their state's welfare reforms. Now, as the states implement their welfare reforms, the agencies may remain on the sidelines unless HUD makes a comprehensive effort to let the state offices know that, in many locations, housing agencies could provide good places for delivering services. HUD can use its resources—data, expertise, and staff at the state level—and encourage housing agencies to use their physical facilities, to build links with the state offices and leverage federal and state funds for tenants. For example, HUD can rely on staff in its field offices to contact state offices and statewide service providers to market the benefits of using assisted housing developments as places to deliver services related to welfare reform. Similarly, HUD can systematically encourage housing agency officials to initiate such contacts at the local level.

Recommendations

To assist public housing agencies in their efforts to help residents move from welfare to work, GAO recommends that the Secretary of Housing and Urban Development

- increase communications with field offices and housing agencies to clarify HUD's role in welfare reform, explain how current programs can be used to complement welfare reform efforts, and identify sources of information about other federal welfare reform efforts;
- provide additional technical assistance and data on tenants' characteristics along with guidance that would help housing agencies use the data to assist in managing the units and in determining what impact welfare reform might have on the agencies; and
- develop a comprehensive strategy that relies on each field office to promote the benefits of using assisted housing developments as places to deliver services related to welfare reform and to help link other field office and housing agency staff with federal, state and local welfare reform efforts.

Agency Comments and Our Evaluation

HUD commended us for the report's overall conclusions and said that they reflect many of the agency's own concerns. HUD was also pleased that the report recognized the Department's commitment to making welfare reform work. According to HUD, it is important that our report recognizes the need for a great deal of coordination within HUD; between HUD and the housing agencies; and among HUD, the housing agencies, and the other players in the welfare reform effort. In addition, HUD said that all three of the report's recommendations have a great deal of merit and that it plans to implement them.

HUD did not believe that the draft report sufficiently acknowledged the initiatives undertaken by the Department to deal with welfare reform. For example, HUD said the report did not address (1) departmental legislative proposals containing a number of provisions related to welfare reform and (2) new program initiatives undertaken or planned by HUD's Office of Public and Indian Housing and Office of Policy Development and Research. In addition, HUD said the report did not sufficiently acknowledge the numerous efforts taken by the Department to coordinate with other federal agencies and that references to "informal" coordination seemed inadequate. After reviewing HUD's comments, we added additional references to HUD's legislative proposals in the introductory chapter; however, EDSS and TOP, the welfare-to-work vouchers, and the expanded empowerment zones were already mentioned in this chapter. We

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considered the comments about HUD's new program initiatives but concluded that the report already included the primary efforts that could be documented at the time of our review. In response to HUD's comments about its coordination with other federal agencies, we expanded our description of HUD's efforts to coordinate with other federal agencies and eliminated references to "informal" external coordination. We also added several additional examples of HUD's external coordination efforts.

Finally, HUD said that it has several efforts under way or about to begin that will result in information sharing and will make use of the lessons in our report. For example, HUD said that Policy Development and Research staff are preparing guidelines for housing agencies to help them look at the data they have in hand and the data they might need to gather to do their own assessments of the impact of welfare reform on their rental revenue. In addition, Public and Indian Housing staff are finalizing a best practices guidebook on welfare-to-work programs and techniques being used in public housing agencies. HUD said that it has also begun work on a book of welfare-to-work case studies that will expand the scope of the best practices guidebook to show how a variety of HUD funding sources are already being used to help families on welfare make the transition to work.

Characteristics of Welfare Reform Plans, Welfare Benefit Levels, and AFDC/TANF Populations for Selected States

Each state we visited—California, Louisiana, Massachusetts, and Minnesota—implemented its state Temporary Assistance for Needy Families (TANF) plan in a different way. California implemented its plan to encourage and reward personal responsibility and accountability. Its TANF program, CalWORKs, went into effect January 1, 1998. CalWORKs requires TANF recipients to begin looking for a job immediately. Although California has imposed a 5-year cumulative lifetime limit on aid, the state restricts aid to 18 months (or 24 months for those on the rolls on Jan. 1, 1998) for each enrollment. The state may continue to provide assistance beyond this limit if the county determines that a job is unavailable for a recipient and the recipient participates in community service. The state may then provide aid to a parent or caretaker for up to 60 months with some exceptions and the state may continue to provide aid to children beyond 60 months.

Louisiana's Family Independence Temporary Assistance Program, effective as of January 1, 1997, limits cash assistance to 24 months within a 60-month period, with some exceptions. The state will end a family's eligibility for assistance for 3 months if the head of the family refuses to accept employment. The state will also limit the receipt of benefits if children fail to attend school or are not immunized. Louisiana's work activities program, named the FINDWork Program, started in May 1997 and requires a single parent to work 20 hours per week to receive assistance. The state will use individual plans to assess all recipients' employability.

Massachusetts' TANF plan was effective as of September 30, 1996. The state's TANF program requires a nonexempt recipient (as defined by the state) to work at least 20 hours per week after receiving benefits for 2 months unless the recipient has a child below school age. Work can include community service. A nonexempt recipient—one who is expected and required to work—is limited to 24 months of aid in a continuous 60-month period, with some exceptions. The state provides a smaller maximum benefit but more generous work incentives for a nonexempt recipient than for an exempt recipient.

Minnesota welfare officials explained that the state's goal in implementing welfare reform was to reduce dependency on welfare and to reduce poverty. State welfare officials said that the state's plan combines an expectation for recipients to work with financial incentives to work. Minnesota's TANF program, called the Minnesota Family Investment Program-Statewide (MFIP-S) expands a program that was started in 1994 under a waiver of provisions of the state's Aid to Families with Dependent

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 Characteristics of Welfare Reform Plans,
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 Populations for Selected States**

Children (AFDC) program. Under MFIP-S, which began in July 1, 1997, the state limits assistance to 60 months. One-parent families are required to work within 6 months and two-parent families are required to work immediately. Minnesota's counties have the option to lower the time that recipients are required to work. The state converted from the previous pilot program to MFIP-S between January 1998 and March 1998.

Despite their different approaches, the states we visited offered transitional assistance for child care and health care for low-income families. These states' welfare reform plans also included provisions for training and educating welfare recipients.

Information on the benefit levels and the numbers and percentages of persons receiving AFDC, TANF, and housing assistance in the states we visited appears in tables I.1 through I.3.

Table I.1: Monthly Benefit Levels for Selected States, Fiscal Year 1997

State	Maximum benefit level, family of 3 (2 children)
California	Region 1 - \$565 Region 2 - \$538
Louisiana	\$190
Massachusetts	\$579
Minnesota	\$532

Source: HHS, Summary of Selected Provisions of State TANF Plans.

Table I.2: Number of Persons Receiving AFDC/TANF in January 1996 and September 1997 in Selected States

State	Number of persons receiving AFDC in January 1996	Number of persons receiving TANF in September 1997	Percentage decrease from January 1996 to September 1997
California	2,648,772	2,225,893	16.0
Louisiana	239,247	127,752	46.6
Massachusetts	242,572	194,401	19.9
Minnesota	171,916	145,220	15.5

Source: Department of Health and Human Services (HHS), Administration for Children and Families.

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Table I.3: Percentage of Households Receiving AFDC and Housing Assistance in Selected States in 1996

State	Percentage of AFDC households that also received housing assistance in 1996
California	12.1
Louisiana	27.8
Massachusetts	43.1
Minnesota	40.1

Source: Center on Budget and Policy Priorities, Tabulations of 1996 AFDC Quality Control Data.

HUD Self-Sufficiency Programs Used by Selected Housing Agencies to Promote Welfare Reform

Program	Purpose of program	Target group
Tenant Opportunity Program (TOP)	To provide resident organizations (e.g., resident corporations) with funding for activities such as business development, education, and social services that will help meet the challenges of welfare reform.	Residents of public housing
Economic Development and Supportive Services (EDSS)	To provide service coordinators, education, training, and supportive services (e.g., child care, employment training, computer skills, counseling, youth mentoring, and transportation) that will help meet the challenges of welfare reform.	Residents of public and Indian housing, the elderly, and persons with disabilities
HOPE VI	To revitalize severely distressed public housing through physical improvements and activities to promote residents' self-sufficiency (e.g., training, education, and other activities designed to encourage and support work by public housing residents).	Residents of public housing
Public and Assisted Housing Drug Elimination	To reduce or eliminate drug-related crime in or around the premises of the housing agency. Funds may be used to establish employment, training, and educational opportunities that promote federal and local welfare-to-work goals.	Residents of Indian, public, and assisted housing
Family Self-Sufficiency (FSS)	To help residents of public housing and recipients of tenant-based Section 8 assistance obtain education, training, and supportive services.	Residents of public housing and recipients of tenant-based Section 8 housing
Moving to Opportunity Demonstration	To increase household choice by providing assistance to help low-income families move from public and assisted housing in distressed, high-poverty inner-city neighborhoods to low-poverty neighborhoods.	Low-income families
Moving to Work Demonstration	To evaluate the impact of helping low-income families with children become economically self-sufficient by providing incentives when the head of the household is working, seeking work, or preparing for work by participating in job training, education, or programs that assist people.	Low-income families

(continued)

**Appendix II
 HUD Self-Sufficiency Programs Used by
 Selected Housing Agencies to Promote
 Welfare Reform**

Program	Purpose of program	Target group
Family Investment Centers	To provide access to educational and employment opportunities in order to achieve self-sufficiency and independence by (a) developing facilities in or near public housing for training and support services; (b) mobilizing public and private resources to expand and improve the delivery of services; (c) providing funding for essential training and support services that cannot otherwise be funded; and (d) improving the capacity of management to assess the training and service needs of families, coordinate the provision of training and services that meet needs, and ensure the long-term provision of such training and services.	Residents of public housing
Jobs Plus Demonstration	To target, as the first phase of the Moving-to-Work Demonstration, public housing sites in 6 to 10 communities to (1) saturate those sites with services, (2) dramatically increase the share of residents who are employed, and (3) retain those residents within the community.	Residents of public housing

Simulating Trends in Employment, Welfare, and Related Dynamics to Estimate the Potential Impact of Welfare Reform on Assisted Tenants

This appendix discusses the results of a welfare reform simulation model developed by Mathematica Policy Research, Incorporated. Mathematica analyzes public policy issues in several areas—including health care, education, welfare, employment, and child development—for federal and state governments, as well as private-sector clients. We requested an analysis of the potential impact of welfare reform on tenants of public and assisted housing to provide us with information for several assignments on welfare reform. This appendix includes information on the background of Mathematica’s Simulation of Trends in Employment, Welfare, and Related Dynamics (STEWARD) model, a description of the analyses we requested from Mathematica, and some summary results from the STEWARD model.

We requested simulations of trends in employment and welfare for single mothers, including those that were receiving AFDC and/or living in public or assisted housing²⁷ before the implementation of the Personal Responsibility and Work Opportunity Reconciliation Act. We were particularly interested in information on changes in income and movements from welfare under different state welfare plans, as well as in whether reforms are likely to have different effects on households with different demographic characteristics. We designed our request so that we could see whether welfare reform would have different effects on welfare populations that did and did not receive housing assistance.

The STEWARD Model

The STEWARD model is a dynamic simulation model designed by Mathematica to capture the effects of complex changes in welfare programs and in policies affecting welfare recipients. The decisions of single mothers to participate in one or more programs are modeled, as are their decisions to work. The effects of program changes are simulated using data on nearly 3,200 female household heads over 48 months. These data were obtained from the National Longitudinal Survey of Labor Force Behavior, Youth Survey, and Panel Study of Income Dynamics.

To produce the simulations, the model analyzes information about past behavior and examines how households actually made decisions on the basis of programs’ characteristics and economic conditions over 4 years. On the basis of that information, the model then projects the behavior of similar households, given changes in programs and the economy. Hence, simulations show expected behavioral responses to the changes embodied in welfare reform. Each simulation provides estimated outcomes that can be compared to a baseline estimate of how the same households would

²⁷Mathematica’s data do not distinguish between residents of public housing and assisted housing.

have behaved without welfare reform or in response to a different set of reforms.

The model illustrates the effects of several changes in welfare programs and shows how outcomes may vary, depending on factors that differ by state. However, the model has some important limitations. First, it uses the behavior of welfare recipients in the 1980s to predict the behavior of recipients in the 1990s. Because the changes incorporated in the 1996 welfare reform law were so extensive, past behavior may not accurately reflect future choices. In addition, this model does not fully account for differences in the implementation of welfare reform across the states. Finally, for its analysis of the tenant population, the model uses self-reported information about housing that is based on responses to a survey and may not be accurate. As a result of these limitations, Mathematica's analysts advise using the results for assessing changes, but not for predicting future levels of households on welfare.

What We Requested From Mathematica

To test the effects of differences in key features of welfare reform plans, implementation measures, and economic conditions, we asked Mathematica to run simulations for several different types of welfare reform packages. The key features of the reform plan that differed were the time limits (some runs assumed a 2-year limit on the receipt of TANF benefits, others a 5-year limit); the adjustments to earned income (runs assumed that different percentages of TANF recipients' earnings would be ignored in calculating TANF benefits); the family cap (some runs included a family cap that excluded benefits for additional children born while recipients were on assistance); and the exemptions from work requirements (some runs exempted the head of household from work requirements if the youngest child was under 3 months of age, while other runs assumed an exemption if the youngest child was under 1 year). The implementation measures that differed were the percentages of nonexempt recipients (those required to work) that were sanctioned for noncompliance with work or other requirements and the percentages by which their monthly benefits were reduced. The runs with the highest sanctioning levels assumed a 15-percent sanctioning rate and a 75-percent loss in TANF benefits for those sanctioned. Mathematica also tested the effects of differences in the degree to which recipients would anticipate the future—in some runs, they anticipated the time limits, while in other runs, they ignored the limits. Although most of the simulations assumed the current economic environment of low unemployment, some created a high unemployment scenario using unemployment rates from 1992.

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Mathematica performed the simulations and presented the results for a simulated group of households—both with and without housing assistance—that were receiving public assistance (AFDC). The results show the expected outcome 4 years after welfare reform went into effect for households (both with and without housing assistance) within subgroups that were defined according to their work and welfare status. The results include data for several indicators of the economic status of these populations after the implementation of welfare reform, including the percentage of households that are working/not working and are/are not on TANF, the percentage of households with earnings and the percentage in poverty, and the average income per group. Additionally, the results provide demographic information about the households within each subgroup, including the number of years of work experience, the level of education, and the age of the head of household; whether the head of household had health limitations or a disabled child; and the number of children in the household under 3 and 6 years old.

Summary of Results

Across variations in welfare reform plans and economic conditions, the model's results suggest that when time limits are imposed, welfare rolls will decline. However, people with housing assistance appear less likely to leave welfare rolls in response to impending time limits than people without housing assistance. Similarly, across variations in welfare reform plans and economic conditions, the results suggest that people with housing assistance are less likely to enter the workforce than people without housing assistance. Finally, according to the results, people with housing assistance are likely to have lower incomes than people without housing assistance.

Tabulations of the model's results allowed us to compare the demographic characteristics of TANF recipients who the model predicted would enter the workforce after 4 years and of TANF recipients who the model predicted would continue to receive TANF benefits after that time.²⁸ Female household heads that, according to the model, were in the workforce after 4 years tended to (1) have more work experience, (2) have fewer young children in the home, (3) have fewer serious reported health problems,²⁹ and (4) be somewhat younger than those that were not working after 4

²⁸The results were tabulated for women predicted to be in one of three categories 48 months after welfare reform went into effect. The three categories were working, still receiving TANF, and neither working nor receiving TANF. A small number of women were predicted to be working and receiving TANF; these women are included in the results for both those working and those on TANF.

²⁹For all simulations except the baseline, exemptions from TANF's time limits were specified for households with disabled children or for mothers unable to work because of a disability.

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years. Conversely, female household heads that, according to the model, were still receiving TANF benefits after 4 years were more likely to (1) have less education, (2) have more young children in the home, and (3) have less work experience than those that had left the TANF rolls.

According to the model's results, the demographic characteristics of those originally on welfare also varied with whether or not they reported receiving housing assistance. In particular, heads of households with assisted housing were more likely to (1) have little prior work experience, (2) be somewhat older, and (3) have reported health problems or a disabled child in the home. Interestingly, these characteristics were also associated with those that did not enter the workforce after the implementation of welfare reform.

Demographic and Revenue Source Data for Selected Housing Agencies

Table IV.1 presents demographic data from several sources for the states and housing agencies we selected. Tables IV.2 through IV.7 provide data from HUD's Multifamily Tenant Characteristics System (MTCs), which were verified by the selected housing agencies. The data in table IV.8 were provided by the selected housing agencies.

**Appendix IV
Demographic and Revenue Source Data for
Selected Housing Agencies**

**Table IV.1: Demographic Data for
Selected States and Housing Agencies**

State/ housing agency	Total population^a	Poverty rate (by county)^b	Unemployment rate (by state/ metropolitan area)^c	AFDC/TANF population^d
California	31,878,234	17.4	7.4	2,225,893
Butte County	192,507	19.0	10.3	
Kern County	622,729	21.8	14.2	
Kings County	113,351	22.5	^e	
Los Angeles	3,553,638	23.8	7.8	
Merced County	192,311	24.5	20.0	
San Bernardino County	1,598,358	17.5	7.4	
Louisiana	4,350,579	23.9	7.3	127,752
Bogalusa	13,877	31.0	^e	
E. Baton Rouge	395,914	19.7	5.9	
New Orleans	476,625	37.9	6.2	
Shreveport	191,558	25.3	8.0	
Massachusetts	6,092,352	11.1	4.8	194,401
Boston	558,394	19.4	3.8	
Chicopee	54,532	14.6	5.1	
Lawrence	68,807	12.4	5.9	
New Bedford	96,903	11.6	10.3	
Minnesota	4,657,758	10.8	4.4	145,220
Duluth	83,699	14.3	6.2	
Hibbing	17,600	14.3	6.2	
Minneapolis	358,785	11.7	3.1	
St. Paul	259,606	13.4	3.1	

Note: The data in this table are not all reported for the same time period; the total population, TANF population, and unemployment rate data are reported for the time period that is the most recent and closest to September 1996, the date of the MTCS data. The poverty rate data are the most recent available at the county level.

^aFrom population estimates for July 1996, U.S. Bureau of the Census.

^bFrom County Estimates for People of All Ages in Poverty, Small Area Income and Poverty Estimates Program, U.S. Bureau of the Census (1993).

^cLabor force data, Bureau of Labor Statistics (Jan. 1997). These data are not seasonally adjusted.

^dFrom the Administration for Children and Families, HHS (Sept. 1997).

^eBecause this county is not part of a metropolitan area, there are no corresponding unemployment data.

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Demographic and Revenue Source Data for
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Table IV.2: Demographic Characteristics of Heads of Household in Public Housing (PH) or Assisted Housing (AH) at Selected Housing Agencies

State/ housing agency	Percentage of heads of household who are								Average number of persons in household	
	Disabled		Elderly		Single with one or more children under age 18		Female		PH	AH
	PH	AH	PH	AH	PH	AH	PH	AH		
California										
Butte County	21	31	27	19	20	39	56	79	3.7	3.1
Kern County	30	32	26	16	42	60	67	87	3.3	3.1
Kings County	19	18	13	9	54	53	59	68	3.9	3.0
Los Angeles	15	35	12	22	75	94	69	67	3.5	2.6
Merced County	18	21	19	15	35	48	67	76	3.6	3.7
San Bernardino County	22	26	18	22	46	53	71	88	3.4	3.0
Louisiana										
Bogalusa	37	20	19	16	61	69	85	93	2.6	2.8
E. Baton Rouge	17	4	16	7	62	83	82	97	2.5	3.3
New Orleans	18	24	12	17	69	71	93	89	3.0	2.7
Shreveport	25	21	15	8	67	75	90	93	3.0	3.3
Massachusetts										
Boston	17	22	32	14	35	66	70	89	2.0	3.0
Chicopee	29	34	31	23	33	39	74	81	2.0	2.3
Lawrence	22	35	41	22	33	53	73	84	2.0	2.6
New Bedford	28	27	18	25	53	52	80	88	2.6	2.2
Minnesota										
Duluth	41	32	39	14	25	55	64	79	1.8	2.3
Hibbing	26	^a	39	^a	27	^a	74	^a	1.7	^a
Minneapolis	21	16	32	14	11	66	54	83	1.6	3.0
St. Paul ^b	36	29	39	14	19	59	63	86	2.5	2.9

^aNot applicable because the Hibbing housing agency does not administer any assisted housing.

^bData include 135 households (about 4 percent of the total number of households) in project-based Section 8 programs.

**Appendix IV
Demographic and Revenue Source Data for
Selected Housing Agencies**

Table IV.3: Racial Demographics of Tenants in Public Housing (PH) or Assisted Housing (AH) at Selected Housing Agencies

State/ housing agency	Percentage of tenants									
	Caucasian		Black		Hispanic		Asian or Pacific Islander		Native American	
	PH	AH	PH	AH	PH	AH	PH	AH	PH	AH
California										
Butte County	37	73	1	4	40	6	19	15	2	3
Kern County	21	26	20	49	58	24	1	1	0	0
Kings County	11	32	12	24	72	40	5	3	0	1
Los Angeles	2	16	32	57	62	24	4	2	0	1
Merced County	23	28	13	17	54	40	10	15	1	0
San Bernardino County	19	31	28	38	37	29	16	2	0	0
Louisiana										
Bogalusa	9	51	91	49	0	0	0	0	0	0
E. Baton Rouge	6	4	94	95	0	1	0	0	0	0
New Orleans	1	1	99	98	0	0	0	1	0	1
Shreveport	2	6	98	93	0	1	0	0	0	0
Massachusetts										
Boston	34	22	32	48	27	26	6	3	1	1
Chicopee	62	82	2	2	36	14	0	1	0	1
Lawrence	36	35	1	1	63	63	0	0	0	0
New Bedford	34	57	24	8	42	18	1	1	0	11
Minnesota										
Duluth	87	87	4	4	1	1	2	1	7	8
Hibbing	98	^a	0	^a	0	^a	1	^a	0	^a
Minneapolis	43	31	42	59	1	2	11	4	3	4
St. Paul	50	52	16	35	3	6	30	4	1	3

^aNot applicable because the Hibbing housing agency does not administer any assisted housing.

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Demographic and Revenue Source Data for
Selected Housing Agencies**

Table IV.4: Household Income of Tenants in Public Housing (PH) or Assisted Housing (AH) at Selected Housing Agencies

State/ housing agency	Average annual household income ^a		Percentage of households with average annual income of							
	PH	AH	\$0 –\$5,000		\$5,001- \$10,000		\$10,001 - \$20,000		\$20,001 or more	
			PH	AH	PH	AH	PH	AH	PH	AH
California										
Butte County	11,000	10,000	1	2	42	61	52	35	5	2
Kern County	10,000	11,000	2	2	54	56	41	37	3	5
Kings County	11,200	10,600	4	5	47	51	42	39	7	5
Los Angeles	9,900	10,500	8	9	58	52	28	32	6	7
Merced County	12,000	11,000	3	2	41	50	45	41	11	7
San Bernardino County	11,000	10,400	5	5	51	56	38	34	6	5
Louisiana										
Bogalusa	5,500	6,000	39	37	54	51	7	11	0	1
E. Baton Rouge	3,800	7,500	64	34	30	39	5	25	1	2
New Orleans	5,300	7,100	53	27	35	50	11	22	1	1
Shreveport	6,800	7,300	33	31	48	46	18	21	1	2
Massachusetts										
Boston	10,200	11,000	10	4	58	52	25	31	7	13
Chicopee	9,200	10,000	5	3	64	55	28	37	3	5
Lawrence	10,400	10,000	4	2	57	56	35	37	4	6
New Bedford	9,100	9,400	5	2	66	67	26	27	3	4
Minnesota										
Duluth	8,300	8,300	8	5	68	74	22	19	2	2
Hibbing	8,200	^b	8	^b	67	^b	24	^b	1	^b
Minneapolis	7,800	8,400	23	7	52	52	22	34	3	7
St. Paul	9,300	8,300	8	14	58	59	31	24	3	4

^aRounded to the nearest hundred.

^bNot applicable because the Hibbing housing agency does not administer any assisted housing.

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Demographic and Revenue Source Data for
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Table IV.5: Percentage of Household Income Derived From AFDC for Tenants in Public Housing or Assisted Housing at Selected Housing Agencies

State/ housing agency	Percentage for households in	
	Public housing	Assisted housing
California		
Butte County	24	42
Kern County	29	37
Kings County	32	39
Los Angeles	39	38
Merced County	32	45
San Bernardino County	29	33
Louisiana		
Bogalusa	15	13
E. Baton Rouge	15	10
New Orleans	27	26
Shreveport	9	8
Massachusetts		
Boston	17	23
Chicopee	17	12
Lawrence	19	22
New Bedford	32	24
Minnesota		
Duluth	18	29
Hibbing	13	^a
Minneapolis	9	38
St. Paul	23	35 ^b

^aNot applicable because the Hibbing housing agency does not administer any assisted housing.

^bData include 135 households (about 4 percent of the total number of households) in project-based Section 8 programs.

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Table IV.6: Percentage of Households in Public Housing (PH) or Assisted Housing (AH), With Income Assistance, at Selected Housing Agencies

State/ housing agency	Percentage of households with							
	AFDC as only source of income		Any AFDC income		Any wage income		Any SSI income	
	PH	AH	PH	AH	PH	AH	PH	AH
California								
Butte County	18	31	34	53	42	22	25	38
Kern County	19	28	42	54	41	26	30	37
Kings County	18	33	25	30	22	24	13	15
Los Angeles	41	20	53	37	32	30	19	32
Merced County	21	31	55	64	45	34	28	30
San Bernardino County	38	37	57	44	29	18	24	25
Louisiana								
Bogalusa	29	23	42	37	19	35	41	30
E. Baton Rouge	27	23	34	32	20	20	25	7
New Orleans	40	13	50	26	17	30	0	36
Shreveport	20	15	30	26	36	40	29	32
Massachusetts								
Boston	18	29	20	34	28	40	35	27
Chicopee	16	10	26	21	13	29	32	27
Lawrence	16	20	20	33	22	24	41	39
New Bedford	36	27	48	37	17	22	33	33
Minnesota								
Duluth	16	28	24	43	16	28	24	27
Hibbing	15	^a	19	^a	28	^a	18	^a
Minneapolis	5	18	12	52	21	29	27	34
St. Paul	14	27	29	49	15	22	32	26

^aNot applicable because the Hibbing housing agency does not administer any assisted housing.

**Appendix IV
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Table IV.7: Size of Selected Housing Agencies

State/ housing agency	Number of units	
	Public housing	Assisted housing
California		
Butte County	295	1,053
Kern County	997	2,096
Kings County	265	662
Los Angeles	8,363	36,682
Merced County	544	927
San Bernardino County	1,728	5,372
Louisiana		
Bogalusa	340	82
E. Baton Rouge	1,326	1,394
New Orleans	13,114	4,169
Shreveport	934	1,771
Massachusetts		
Boston	10,638	6,280
Chicopee	383	397
Lawrence	1,056	832
New Bedford	1,607	1,337
Minnesota		
Duluth	1,250	1,122
Hibbing	326	0
Minneapolis	6,221	2,856
St. Paul	4,274	3,055

**Appendix IV
Demographic and Revenue Source Data for
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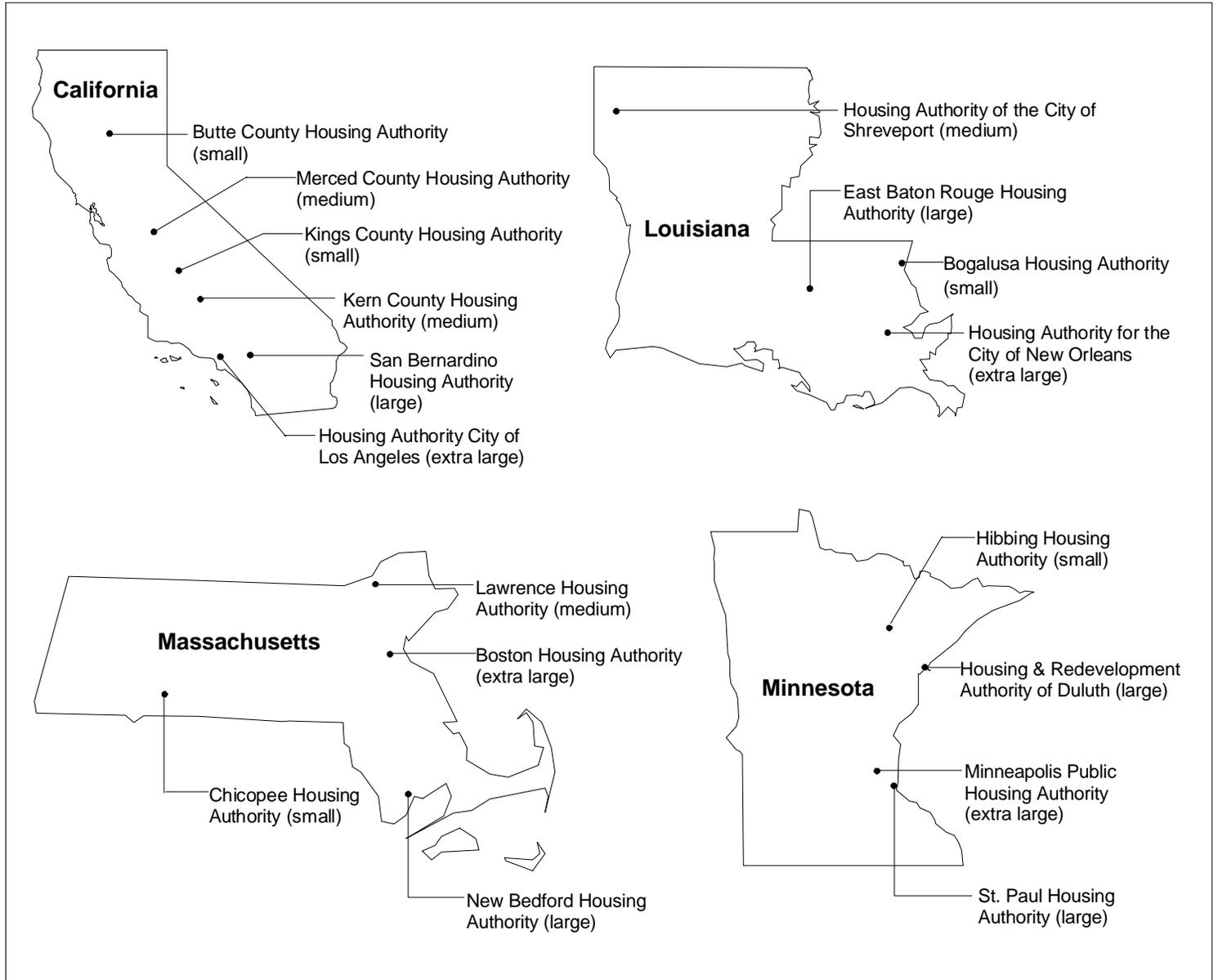
Table IV.8: Selected Housing Agencies' Sources of Revenue

State/ housing agency	Percentage of total revenue				
	Rent from tenants	Operating subsidy from HUD	COMP grant from HUD	Section 8 administrative fees	Other sources
California					
Butte County	49.0	0.0	16.2	25.8	9.0
Kern County	20.4	17.0	23.4	13.8	25.4
Kings County	29.1	16.1	37.1	15.5	2.1
Los Angeles	18.9	24.1	23.1	28.2	5.7
Merced County	25.3	9.1	25.5	11.6	28.7
San Bernardino County	35.1	28.1	4.7	30.5	1.5
Louisiana					
Bogalusa	32.0	26.7	33.2	2.4	5.7
E. Baton Rouge	29.5	35.5	23.5	9.8	1.7
New Orleans	13.8	40.6	38.9	2.3	4.3
Shreveport	15.1	24.4	18.9	17.5	24.1
Massachusetts					
Boston	21.1	34.6	38.7	4.9	0.7
Chicopee	17.6	10.2	15.8	4.3	52.1
Lawrence	28.4	29.1	22.5	6.3	13.8
New Bedford	19.5	15.8	41.9	3.7	19.0
Minnesota					
Duluth	41.4	16.3	28.6	^a	13.7
Hibbing	47.2	21.5	31.3	0.0	0.0
Minneapolis	28.6	37.6	29.7	4.1	^a
St. Paul	24.2	21.5	34.3	5.7	14.3

^aNo information reported for this source of revenue.

Maps of Selected Locations

Appendix V: Maps of Selected Locations



Comments From the Department of Housing and Urban Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-6000

May 14, 1998

OFFICE OF THE ASSISTANT SECRETARY
FOR POLICY DEVELOPMENT AND RESEARCH

Ms. Judy England-Joseph
Director, Housing and Community
Development Issues
U.S. General Accounting Office
Washington, DC 20548

Dear Ms. England-Joseph:

On behalf of Secretary Cuomo, thank you for the opportunity to review and comment on the draft of your proposed report to the Congress entitled Welfare Reform: Changes Will Further Shape the Roles of Housing Agencies and HUD. Department staff from the Offices of Policy Development and Research, Public and Indian Housing, Community Planning and Development, and Labor Relations have all had an opportunity to read the draft document and the comments provided below reflect all of their views.

Our comments are presented in two parts. This letter offers general reaction to the methodology, content, and recommendations of the report. This is supplemented with more specific technical comments and specific references that help locate the text that led to some of our general comments. These supplemental comments are included in an attachment to this letter.

I want to commend you on the overall conclusions of the report. They reflect many of our own concerns about the challenges facing housing authorities and HUD in responding to the need for information, staff resources, and coordination of efforts in order to succeed in this new environment. HUD certainly agrees that in general, housing agency officials are being faced with major challenges in understanding and dealing with the potential impacts of welfare reform on the recipients of housing assistance and on the housing agencies themselves. These officials recognize these challenges in general, though they may not be able to define them specifically.

We are also gratified that your report recognizes the strong commitment that the Department has to making welfare reform work. I think that it is important to note that our concern for the principles of welfare-to-work predate the welfare reform law; we have a long history of seeking to

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help residents of public and assisted housing become self-sufficient. We think that this is simply good public policy. It is also important that your report recognizes the need for a great deal of coordination within HUD; between HUD and the housing agencies; and among HUD, the housing agencies, and all of the players in the welfare reform effort.

I believe that all three of your recommendations (increased communication with field offices and housing agencies; additional technical assistance and data; and development of a comprehensive strategy for promoting the use of housing developments as service delivery sites) have a great deal of merit. They reflect our own concerns and intentions, and we will implement them insofar as practicable. However, I think it is appropriate to point out instances in which your report does not fully provide the information that it might have or acknowledge the substantial efforts that the Department has made to date in accomplishing the goals you set out.

More Detailed Information is Needed

See comment 1.

Your comments and recommendations could contain more details or guidance that would be helpful to both HUD and the Congress in helping us improve our performance. For example:

See comment 2.

One central recommendation is that there is insufficient coordination within HUD, between HUD and housing authorities, and between housing authorities and welfare agencies on the issue of welfare reform and that this should be remedied. However, you do not provide sufficient guidance on what exactly should be communicated and coordinated. If the point of coordination is to understand how people are likely to be affected and to devise strategies for dealing with problems that are sure to be uncovered in the wake of welfare reform, more specificity on what you learned about what kinds of information is required by HUD, housing authorities, and welfare agencies would be extremely useful.

See comment 2.

You report that housing authorities seem overwhelmed by the task of estimating impacts of welfare reform. However, you give no guidance on what housing authorities needed to know or what they thought they needed to know, which might help us in offering assistance. It also would allow us to discriminate better between cases where housing authorities prematurely decided they could not cope on their own or where they legitimately felt unable to get a handle on some

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aspect of their situation. For example, housing authorities can't be faulted for being unable to predict how changes in state welfare provisions might affect their situation, but there is no reason why they can't consider how their minimum rent policies could affect outcomes. The recently issued HUD report, Welfare Reform Impacts on the Public Housing Program: A Preliminary Forecast, shows that minimum rents policies can make a big difference and analyzing these differences doesn't require collecting information on a lot of other factors that may be hard to measure. In this vein, more information on the obstacles you mention to the use of rent reform policies would have been extremely helpful.

You observe that housing authorities must know more about the demographics of their tenants. On this point there is wholehearted agreement. But it would help if you explained why such information is useful. It would also be useful to explain that information on one critical demographic variable, level of education, is now held by welfare agencies, not housing authorities. Thus, when you report that the head of the American Public Welfare Association says that HUD should share information on the Temporary Assistance for Need Families (TANF) recipients who reside in public housing, it would also be useful to note that the sharing should go in both directions. Not only has our own research staff found it difficult to get information on education from a number of welfare agencies, but we also understand that housing agency staff have met with similar difficulty in accessing data from state welfare agency data systems.

HUD's Ongoing Efforts

The report does not sufficiently acknowledge the initiatives undertaken by the Department to deal with welfare reform. For example, it does not describe several policy initiatives proposed by HUD. It also does not give sufficient recognition to the steps already taken by the Department to address welfare reform in public housing. I believe that this record is especially impressive because, as the report acknowledges, HUD has no mandated role in welfare reform and no budget authorization specifically targeted to this purpose.

HUD's legislative proposal contains a number of welfare-related provisions, which should be acknowledged. HUD would permit housing agencies to go beyond your recommendation of simply serving as a service delivery site

See comment 3.

See comment 4.

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by permitting them to play a more active role in making welfare work:

- An 18 month earned income disregard
- More market-driven ceiling rents as well as flat rents
- Stronger policy on coordination with welfare agencies
- Consolidation of the Economic Development and Supportive Services Program and the Tenant Opportunity Program
- A welfare-to-work voucher program
- Expansion of empowerment zones for job creation

The welfare-to-work voucher proposal merits special mention. We believe that Section 8 tenant-based assistance is an excellent tool for making welfare reform succeed because it supports the residential mobility that is often necessary to take and keep a job. Our proposal for an additional 50,000 units of Section 8 targeted to families faced with moving off of welfare is intended to expand our capacity to support these efforts.

HUD's Office of Public and Indian Housing has undertaken a number of new program initiatives that should be discussed. They are examples of ongoing efforts to increase communications and provide technical assistance:

- Special Notice on Resident Training Income Exclusions
- Several welfare-to-work round tables, including one on the multicultural impact of welfare reform
- Special welfare-to-work training sessions in connection with the FY 97 resident services Notices of Funds Availability. The training was for housing agencies, resident organizations and HUD field staff.
- A Best Practices Guidebook is being finalized that contains successful welfare-to-work programs and techniques being used in public housing agencies. A video conference to share the best practices information is planned for FY 99.
- Welfare-to-work sessions conducted by field offices.

The report does not sufficiently acknowledge the numerous efforts the Department has taken to coordinate with other agencies, especially at the Federal level. These efforts will also contribute to the ability to develop comprehensive strategies at the local level. As the following list will demonstrate, the effectiveness of these

See comment 5.

See comment 6.

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collaborative efforts makes your characterization of our efforts as "informal" seem inadequate:

- High-level HUD staff regularly participate in Domestic Policy Council coordinating meetings on welfare-to-work policies and activities.
- HUD has coordinated with Department of Labor (DOL) staff in the development of the DOL Welfare-to-Work grant program and was successful, in the case of the competitive grants, in creating a focus on public housing residents and five bonus points for applicants from Enterprise Zones and Empowerment Communities
- HUD has collaborated with Department of Transportation (DOT) staff in the formulation of their proposed Access to Jobs welfare program and in the operation of the Bridges to Work demonstration, both of which explore the possibilities of using transportation and related services to overcome barriers to work.
- The Office of Public and Indian Housing developed a special partnership initiative with the Office of Community Services at the Department of Health and Human Services to provide Economic Development and Supportive Services in six communities utilizing a partnership between housing agencies and Community Development Corporations.
- The Departments of Labor and Health and Human Services are partners, along with a number of private foundations, in HUD's Jobs Plus demonstration, which looks at the potential for making a major change in the level of employment at a single public housing development in each of seven cities when those developments are given saturated, state-of-the-art services.
- HUD has provided program information to the Small Business Administration to help in its efforts to provide support to women making the transition to work.
- HUD staff have been working with the Department of Health and Human Services on the design of their evaluation of the Department of Labor's Welfare-to-Work Grants program.
- HUD signed a memorandum of understanding with the Department of Agriculture that resulted in the delivery of that Department's services on-site at six public housing communities around the country.

See comment 7.

In addition, the recent hiring of HUD Community Builders should help to increase the State Coordination connected with welfare reform. Community Builders located in our field offices will be able to supplement the current efforts of Secretary's Representatives and State Coordinators in assuring that state welfare officials understand both the

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need of housing assistance recipients for attention under TANF and the resources that housing agencies can bring to the table in making welfare reform work.

See comment 8.

One further comment on interagency coordination is appropriate. The legislation permitting interagency transfers of funds has expired. Without this ability to move funds from one agency to another, it is much more difficult to operate joint programs; they must now be separately funded and operated under two sets of agency rules. This makes coordination more challenging both at the Federal level and locally, where true program coordination must take place.

See comment 9.

The report emphasizes the critical role performed by HUD in assuring sufficient coordination with and targeting of state welfare resources to HUD assisted housing. However, the report does not acknowledge that many HUD programs are structured to require coordination, although this coordination takes place at the local rather than the state level. The Family Self-Sufficiency Program requires a local coordinating committee and the Family Investment Center and Economic Development and Supportive Services Programs require local matching resources. Neighborhood Network and Empowerment Zone Programs also mandate coordination. All of these programs offer opportunities for service delivery at housing developments. Clearly, it is beneficial for HUD field offices to facilitate coordination in some instances. However, we believe it would be helpful if the welfare agencies were required to coordinate with housing as a reciprocal policy.

See comment 10.

The report gives insufficient treatment to the job creation component of welfare reform and the critical role performed by HUD in job creation, especially through the Empowerment Zone/Enterprise Community, Section 108/Economic Development Initiative, and other Community Development programs. The role of Section 3 in job creation should also be acknowledged.

See comment 11.

Finally, where the report does credit the Department for its programs such as Family Self-Sufficiency, Drug Elimination Grants, or Economic Development and Social Services, it comments on the small scale of the programs and their inability to provide funds more broadly. The Department views our funding efforts as seed capital, allowing housing agencies to leverage other funding agencies' resources.

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Additional HUD Efforts

We strongly agree with your recommendations on the need for communication with public housing agencies and field staff. We were disappointed to read that some of our past efforts were unsuccessful in either reaching their target audiences or in impelling them to take action. We take this criticism seriously and will consider how to remedy this. One solution may lie with our Community Builders, whose job will be to create integrated solutions to community problems. In addition, they are being trained in the use of HUD's 2020 software and the use of the Multifamily Tenant Characteristics System (MTCS) and other data bases and will be able to help both other field staff members and housing agency employees make use of these resources. The Office of Public and Indian Housing also is planning to include instruction on utilizing MTCS data in training it has planned for early Fiscal Year 1999.

We have several efforts either underway or about to begin in the Office of Policy Development and Research (PD&R) which will result in information sharing, and we will use the lessons of your report in considering how to make them reach and have an impact on their target audiences. However, we must point out that while we can improve our efforts to share information, we cannot ever guarantee that the information will be used.

- Bridges to Work and Jobs Plus have already been mentioned. In addition to operating the demonstrations, we also are sponsoring evaluations of these programs.
- The PD&R staff who prepared our report on welfare reform's impacts on public housing are now preparing guidelines for housing agencies to help them look at data they have in hand and data they might need to gather in order to do their own assessments of the impact of welfare reform on rent revenues.
- Work has begun on a book of welfare-to-work case studies that will offer concrete examples of how a variety of HUD funding sources are already being used to help families on welfare make the transition to work. This book will expand the scope of the book being prepared by the Office of Public and Indian Housing (PIH) by including a wider range of PIH programs as well as programs from other HUD program offices.
- A competition is currently underway to fund a number of small grants on topics related to the intersection of housing and welfare reform. By the end of the summer, we should make grant awards of \$25-50,000 to up to 12 researchers. The results of these projects will add to

See comment 12.

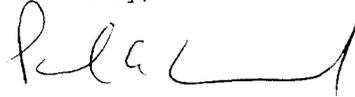
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our understanding of how HUD-funded programs and welfare reform efforts affect each other.

- PD&R will sponsor an assessment of the potential effectiveness of our current welfare-to-work efforts that will look at our efforts in light of the state of knowledge of welfare-to-work efforts more broadly. This will allow us to reconsider or fine-tune program design to make our programs more likely to succeed.

Despite this long discussion of issues to which we believe the report paid insufficient attention, I assure you that we take both the discussion in your report and your recommendations very seriously. We will consider your work very carefully as we continue our efforts to assure the success of welfare reform for people served by housing agencies, and we will strive to make better use of our field staff and our fiscal resources in achieving better state and local coordination and in providing direct assistance to the people on the ground who are faced with direct delivery of services to our clients.

Sincerely,



Paul A. Leonard
Deputy Assistant Secretary
for Policy Development

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Attachment 1

Technical Comments on the GAO Report,
Welfare Reform: Changes will Further Shape the Roles of
Housing Agencies and HUD

Now on p. 4.
See comment 13.

Pages 3-4 - While it is true that welfare agencies rarely target services to PHAs, the report does not acknowledge that many of the residents are receiving services without such targeting. As discussed in the body of the letter, this portion of the report underplays HUD's efforts including legislative proposals and program office initiatives.

Now on p. 3.
See comment 14.

Page 4 - The report states that housing agencies lack resources needed to undertake a detailed analysis of the impact of welfare reform but is not specific about what resources they need. The public housing occupancy data system (MTCS) now includes standardized data formats including welfare trend data that could be utilized to determine program impact.

See comment 15.

The report states that over two thirds of the agencies had implemented new rent and admission policies, but few residents were benefiting from them. This area needs further explanation about why the policies resulted in so little benefit.

See comment 16.

The report indicates housing authorities rely exclusively on federal funding and seldom interact with state and local governments. There needs to be data to substantiate this generalization - while it may be the case for your sample, we are aware of many housing agencies that are utilizing state and local funding.

Now on p. 7.
See comment 17.

Pages 6-7 - These pages contain the recommendations about increased communications, which we address in the body of the letter.

Now on p. 16.
See comment 18.

Page 14 - The description of the FSS obligation is not quite accurate. PHAs that receive incremental units of public housing or Section 8 tenant-based assistance must operate an FSS program of a size equal to that increase. For example, if a PHA receives 50 incremental Section 8 units, it must operate a Section 8 FSS program for 50 participants. Thus, the rule is that if a PHA receives additional units it must operate an FSS program, not that a PHA must operate an FSS program to receive additional units. In fact, under some circumstances, the obligation to operate an FSS program of a given size may be modified or eliminated. In addition, your

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Now on pp. 17, 18.
See comment 19.

discussion of self-sufficiency resources should recognize that both operating subsidy and modernization funds can support welfare reform-related activities.

Page 16 - This would be an appropriate place to recognize HUD's legislative initiatives discussed in the text of our letter.

Now on p. 20.
See comment 20.

Page 19 - The number of project-based Section 8 assisted units is about 1.4 million, not 1.7 million. The other 300,000 project-based assistance units are less deeply targeted than Section 8.

Now on p. 32.
See comment 21.

Page 34 - While we appreciate the desire of the Butte County director to have HUD analyze data for his agency, this is not practical for the Department to do for every PHA. While our HUD 2020 software will make data more accessible, in cases like Butte County local colleges and universities might prove a valuable resource. HUD's experience with its university programs has shown a willingness on the part of the academic community to be of service. While HUD will do everything possible to help housing agency staff, at some point they must become proactive; they will have to identify and make use of local resources to assist them with some of these tasks.

Now on p. 33.
See comment 22.

Page 35 - The Minnesota legislature has voted to delay implementation of the \$100 decrease in TANF for housing assistance recipients until July 1, 1999.

Now on pp. 38, 39.
See comment 23.

Page 42 - Did the two agencies without FSS programs have an obligation to operate the program?

Now on p. 39.
See comment 24.

Page 43 - Table 2.1 would be easier to read if the numbers in the note at the end were simply included in parentheses under the column headings.

Now on p. 40.
See comment 25.

Page 45 - Were the PHA staff invited to participate in the welfare reform planning efforts or did they make any effort to get themselves invited? HUD has encouraged them to get involved.

Now on p. 43.
See comment 26.

Page 50 - Why are TANF recipients of housing assistance less likely to succeed? Does housing assistance remove their incentives to succeed or is there something else about them? The appendix suggests that they have more barriers, but you ignore that here.

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Now on p. 46.
See comment 27.

Page 52 - It is not correct to include physical facilities as a HUD asset. They are a PHA asset and the decision to offer them lies with the PHAs.

Now on p. 49.
See comment 28.

Page 56 - The four training locations cited here are examples; PIH offered many other state or regional training sessions that included welfare reform as a topic, and additional sessions are planned. HUD officials also participated in many conferences (in person, by audio, or by television) where they spoke about welfare reform and HUD's role. Conference sponsors included many state and national housing organizations, and even included the GAO.

Now on p. 51.
See comment 29.

Page 58 - The St. Paul director's point is rhetorical. The text should point out that the Moving to Opportunity is a demonstration program in five sites, and St. Paul is not one of them.

Now on p. 53.
See comment 30.

Page 62 - Once again the description of FSS is in error. It is also important to remember that the principle behind FSS is one of local coordination of existing resources; it was never meant to pay for services. In fact, it predates welfare reform in recognizing the importance of having PHAs and welfare agencies work together. Further, because there have been so few incremental units over the last several years, there has been no real increase in program size. The service coordinator money is for existing FSS programs, and is focused smaller PHAs who are least likely to have resources to do service coordination.

Now on p. 54.
See comment 31.

Page 63 - The discussion of CDBG ignores that fact that funds used for housing and public works also generate jobs and that Section 3 does apply to CDBG funds.

Now on p. 55.
See comment 32.

Page 64 - It seems inadequate to characterize HUD staff meetings with other agencies as informal. They are for specific purposes of information sharing or program coordination. It is also the case that the HUD welfare reform group meets regularly, rather than periodically.

Now on p. 56.
See comment 33.

Page 65 - Once again, our interagency efforts are characterized as informal. In addition, no recognition is given to our participation in the weekly Domestic Policy Council meetings on welfare reform implementation.

Now on p. 59.
See comment 34.

Page 68 - The follow-through suggested - making sure agencies received the information we sent and making sure that they use the data we supply - seems burdensome, given staffing levels.

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See comment 35.

Appendix III - The description of data sets used for the STEWARD model seems incorrect; it does not reflect conversations between HUD's Office of Policy Development and Research and Mathematica Policy Research.

The following are GAO's comments on the Department of Housing and Urban Development's letter dated May 14, 1998.

GAO's Comments

1. In drafting our recommendations, we avoided being overly prescriptive. However, in chapter 2, we discuss difficulties that housing agencies encountered in implementing reforms such as ceiling rents and local preferences. Additional guidance from HUD could help housing agencies overcome these difficulties. In chapter 3, we discuss the reasons why HUD and housing officials believe it is important to improve coordination and the flow of information.
2. In chapter 2, we address the kinds of information that housing agencies would need to estimate the impact of welfare reform. Although it was beyond the scope of our review to assess the capacity of the 18 housing agencies we visited to make their own estimates, the smaller housing agencies generally said they had less experience using basic demographic information (such as that already available to them through HUD's MTCS) in managing their units.
3. The reasons why demographic information on tenants—such as data on their education, prior work experience, age, and minority status—is useful for housing agencies to know are discussed in chapter 2. It was beyond the scope of our review to examine housing agencies' access to state welfare agencies' data.
4. After reviewing HUD's comments, we added information to chapter 1 to acknowledge the provisions related to welfare reform in HUD's proposed public housing reform bill. However, the consolidation of the Economic Development and Supportive Services Program and the Tenant Opportunity Program, the welfare-to-work vouchers, and the expansion of empowerment zones were already mentioned in chapter 3.
5. During the course of our work, we asked HUD's Office of Public and Indian Housing to document their efforts to increase communications and provide technical assistance related to welfare reform. Our draft report included the primary efforts documented by the Office at the time of our review. We commend the Office for its plans to finalize a best practices guidebook on successful welfare-to-work programs and techniques used by housing agencies.

6. We expanded our description in chapter 3 of HUD's efforts to coordinate with other federal agencies, and we eliminated our characterization of the efforts as "informal." However, we did not mention the Domestic Policy Council's coordinating meetings on welfare-to-work policy activities because during the course of our review, HUD, HHS and Domestic Policy Council officials informed us that the Council meets on an ad hoc basis as issues arise, but does not have a set schedule for meeting on welfare reform issues.

7. We agree that HUD's recent hiring of community builders could help to increase coordination with the states on welfare reform. HUD could consider using the community builders as part of its strategy to implement our recommendation on promoting the benefits of using assisted housing developments as places to deliver services related to welfare reform and to help link other field office and housing agency staff with federal, state and local welfare reform efforts.

8. In chapter 3, we added HUD's comment about the increased challenges to coordination posed by the expiration of legislation permitting interagency transfers of funds.

9. We expanded our discussion in chapter 1 to emphasize opportunities for local coordination through some of HUD's self-sufficiency programs. While we agree with HUD, in principle that a reciprocal coordination policy for welfare agencies (discussed in ch. 3) could help, HUD needs to demonstrate to these agencies that the housing community can provide resources to support welfare reform.

10. Chapter 3 discusses HUD's efforts to create and retain jobs through the Empowerment Zone and Enterprise Community, Section 108, Economic Development Initiative, and other community development programs. We did not discuss the Section 3 program because, according to a November 1996 HUD-funded study,³⁰ it is an inherently limited mechanism for employing large numbers of residents. The jobs that residents receive through this program are mainly in construction and therefore provide periodic and short-term employment. Furthermore, the number of jobs resulting from federal funding to any single housing agency is small compared with the number of jobs residents need.

³⁰Lessons From the Field on the Implementation of Section 3, Prepared for HUD's Office of Policy Development and Research by the Manpower Demonstration Research Corporation (Nov. 1996).

11. We added HUD's view that the Department's small-scale self-sufficiency programs are intended to provide seed capital that housing agencies can use to leverage other funding agencies' resources.

12. See comment 7.

13. We revised the report's executive summary to make it clear that the residents of public and assisted housing on TANF are eligible to receive services. For our response to HUD's comments about its legislative proposals, see comment 4.

14. We believe that the issues HUD raises are adequately addressed in the body of the report. For example, in chapter 2 we discuss the kinds of information housing agencies might need. In chapter 3, we identify some problems with the MTCS data that limit the usefulness of these data in determining the impact of welfare reform.

15. In chapter 2, we cite some housing agencies' reasons for not using ceiling rents and adjustments to earned income. According to the housing agencies, these policies would reduce revenues, are difficult to administer, and have not been permanently adopted.

16. The section of the report that HUD refers to here discusses housing agencies' past reliance on federal funding and lack of interaction with state and local governments, which often resulted in isolation. In chapter 2, we discuss the increased efforts made by some of the housing agencies we visited to take advantage of state and local programs and interact with local welfare agencies.

17. See comment 1.

18. We revised our discussion of the Family Self-Sufficiency program.

19. See comment 4.

20. We eliminated the reference to "Section 8" project-based units.

21. We considered HUD's comments but made no changes to the report. We believe that HUD should convey its suggestions directly to the Butte County housing agency.

22. After following up on HUD's comment with Minnesota officials, we updated the footnote in chapter 2 to reflect the delay in implementing the \$100 decrease in TANF benefits for recipients with housing assistance.

23. The two agencies did not have an obligation to operate a Family Self-Sufficiency program.

24. Although we considered HUD's suggestion, we did not revise table 2.1. We did, however, add a reference to the discussion of our selection criteria in chapter 1.

25. In chapter 2, we reported that welfare officials in three of the four states we visited said they did not reach out to the public housing community during the development of their state's TANF plan. However, officials in some states said they were reaching out to the public housing community during the implementation of welfare reform. In addition, we provide several examples of housing agencies coordinating with state and local agencies around welfare reform issues. Chapter 3 includes a discussion of the guidance HUD provided to housing agencies on welfare reform.

26. Appendix III of the report provides more details on this issue.

27. We revised the wording in the executive summary and chapter 3 to reflect this distinction.

28. See comment 5.

29. The director of the St. Paul housing agency made the comment to demonstrate that the goals of some of HUD's programs contribute to the confusion over HUD's role in welfare reform. In chapter 3, we noted that the demonstration project is operating at five sites.

30. See comment 17.

31. We revised the text so that it emphasizes uses of CDBG funds rather than job creation.

32. See comment 6.

33. See comment 6.

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34. Our conclusion suggests that HUD take every reasonable opportunity to ensure that housing agencies receive and understand the guidance and data available to assist them in welfare reform efforts. It is up to HUD to determine what is reasonable.

35. We did not revise our report on the basis of this comment because, in discussions with HUD and Mathematica, we learned that HUD and Mathematica had discussed the Math STEWARD model, a newer version of the STEWARD model that was not available when we contracted with Mathematica for the simulations discussed in this report.

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Appendix VII
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Related GAO Products

Section 8 Tenant-Based Housing Assistance: Opportunities to Improve HUD's Financial Management ([GAO/RCED-98-47](#), Feb. 20, 1998).

Welfare Reform: HHS' Progress in Implementing Its Responsibilities. ([GAO/HEHS-98-44](#), Feb. 2, 1998).

Welfare Reform: States' Efforts to Expand Child Care Programs ([GAO/HEHS-98-27](#), Jan. 13, 1998).

Welfare Reform: HUD's Preliminary Estimate of the Financial Impact of Welfare Reform on HUD's Programs ([GAO/RCED-98-57R](#), Jan. 30, 1998).

Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges ([GAO/GGD-98-44](#), Jan. 30, 1998).

Welfare Reform: State and Local Responses to Restricting Food Stamp Benefits ([GAO/RCED-98-41](#), Dec. 18, 1997).

Results Act: Observations on the Department of Housing and Urban Development's Draft Strategic Plan ([GAO/RCED-97-224R](#), Aug. 8, 1997).

HUD: Inventory of Self-Sufficiency and Economic Opportunity Programs ([GAO/RCED-97-191R](#), July 28, 1997).

Welfare Reform: Issues and Possible Implications for HUD's Programs and Tenants ([GAO/RCED-97-148R](#), June 16, 1997).

Welfare Reform: Implications of Increased Work Participation for Child Care ([GAO/HEHS-97-75](#), May 29, 1997).

Welfare Reform: States' Early Experiences With Benefit Termination ([GAO/HEHS-97-74](#), May 15, 1997).

Food Stamp Program: Characteristics of Households Affected by Limit on the Shelter Deduction ([GAO/RCED-97-118](#), May 14, 1997).

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