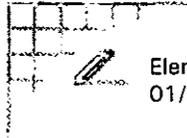


NLWJC - Kagan

DPC - Box 031 - Folder 003

Housing - Vouchers



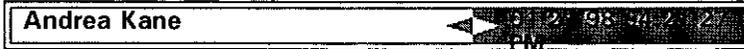
Elena Kagan
01/21/98 07:12:49 PM

Record Type: Record

To: Laura Emmett/WHO/EOP
cc:
Subject: Housing assistance by race/ethnicity

please print

----- Forwarded by Elena Kagan/OPD/EOP on 01/21/98 07:13 PM -----



Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Housing assistance by race/ethnicity

Here's a spreadsheet I did summarizing HUD data showing race/ethnicity of those receiving housing assistance, those eligible for but not receiving, and those with worst case housing needs and not receiving. This is the basis for the one pager that specialty press office sent to Spanish language newspaper.



HOUSING.W

The information is from "Characteristics of HUD-Assisted Renters and Their Units in 1993", prepared by Duane T. McGough, Housing and Demographic Analysis Division, HUD Office of Policy Development and Research, dated May 1997. If anyone wants the actual tables, let me know.

Message Sent To:

- Bruce N. Reed/OPD/EOP
- Elena Kagan/OPD/EOP
- WEINSTEIN_P @ A1 @ CD @ LNGTWY
- Cynthia A. Rice/OPD/EOP
- Francis S. Redburn/OMB/EOP
- Julie A. Fernandes/OPD/EOP
- Jose Cerda III/OPD/EOP
- Emil E. Parker/OPD/EOP

Unmet housing need among minority populations
(in thousands)

	Assisted (1)	% of TOTAL	Eligible but not assisted (2)	% of TOTAL	Worst case needs and not assisted (3)	% of TOTAL
Black	1625	40.08%	2656	22.62%	1104	22.77%
White	2183	53.85%	8279	70.52%	3354	69.17%
White Hispanic	314	7.75%	1555	13.25%	710	14.64%
White Non-Hispanic	1869	46.10%	6725	57.28%	2644	54.53%
Other	246	6.07%	805	6.86%	391	8.06%
TOTAL (B+W+O)	4054		11740		4849	
Total Hispanic	418	10.31%	1852	15.78%	871	17.96%
Black H (Total H - WhiteH)	104	2.57%	297	2.53%	161	3.32%
Black NH (B-BH)	1521	37.52%	2359	20.09%	943	19.45%
Black NH +Total Hispanic	1939	47.83%	4211	35.87%	1814	37.41%

1993 numbers from American Housing Survey, provided by HUD

(1) receiving public housing, project-based Section 8, and tenant-based Section 8

(2) income 50% or less of median income

Welfare to Work Housing Vouchers

January 21, 1998

Internal Questions & Answers

1. What are the new housing vouchers the President is proposing?

The President's budget will provide \$283 million for 50,000 new housing vouchers for welfare recipients who need housing assistance to get or keep a job. Families could use these housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing to eliminate emergencies that keep them from getting to work every day on time. These targeted vouchers will give people on welfare a new tool to make the transition to a job and succeed in the work place.

This proposal will help address the problem that in many regions, jobs are being created far from where many welfare recipients live. Currently, about two-thirds of new jobs are being created in the suburbs, but three of four welfare recipients live in rural areas or central cities. To make this daily commute possible, the President is fighting for a \$600 million welfare to work transportation initiative as part of the reauthorization of ISTEA. But in some cases it makes more sense for someone to move closer to work, and this new proposal will make that possible.

2. How are you going to pay for these new vouchers?

Next month the President will send to Congress the first balanced budget in 30 years. This proposal, which costs \$283 million in the first year, and an estimated \$1.3 billion over five years, will be paid for through cuts in other areas of the federal budget. We believe this is a sound investment which can be paid for in the context of a balanced budget.

3. Aren't you just replacing one form of welfare with another?

No. Families will be eligible for these vouchers only if they are working. This is not a free ride--while these vouchers will make housing more affordable, most families will still have to spend about 30% of their income for rent.

4. Given the shortage of affordable housing nationwide, why give welfare recipients special preference for these new vouchers? Will this create an incentive for people to get on welfare in order to get housing?

We think it makes sense to assist families who are working hard to leave welfare and make a better life. These vouchers will only be available to those who are working and for whom the voucher is critical to that family getting or keeping a job. Families on welfare are already eligible for housing assistance, although there are long waiting lists in most communities. Besides, with the tough work requirements and time limits on welfare, we don't think people will

sign up for welfare just to get a housing voucher.

While this proposal focuses on those leaving welfare for work, the President's FY99 budget proposal will also help spur private-sector development of more affordable rental housing for all low-income Americans through a 40% increase in the value of the Low-Income Housing Tax Credit. In addition, the Administration has a long track record of working to make housing affordable and accessible, including increasing funding for the HOME program by 50%.

5. Is there any evidence that people need this help? How do you know it will make a difference?

This proposal will help address the problem that in many regions, jobs are being created far from where many welfare recipients live. Currently, about two-thirds of new jobs are being created in the suburbs, but three of four welfare recipients live in rural areas or central cities. To make this daily commute possible, the President is fighting for a \$600 million welfare to work transportation initiative as part of the reauthorization of ISTEA. But in some cases it makes more sense for someone to move closer to work, and this new proposal will make that possible.

Because there is a major shortage of affordable housing, many welfare recipients live in crowded conditions or substandard housing -- problems which make it difficult for them to get to work on time every day. Overall, about 2 million poor families with children pay over 50 percent of their income for rent or live in substandard housing. Only one-quarter of welfare recipients receive any type of housing assistance and less than half of these receive portable housing assistance that they can use to rent housing in the private market.

6. Since demand far exceeds the number of new vouchers, isn't this just a drop in the bucket? How will you decide who gets them? Will every community get vouchers?

This proposal will increase the overall supply of portable housing vouchers for families on welfare by over 10 percent -- a meaningful investment. Currently, 1.4 million households receive portable rental assistance, of which 446,000 are families with children whose primary source of income is public assistance.

The vouchers will be awarded on a competitive basis to the local housing agencies. Local applications will be developed in partnership with the state, local or tribal agency administering Temporary Assistance for Needy Families (TANF) and the local entity (generally the Private Industry Council) receiving Welfare-to-Work funds allocated on a formula basis by the U.S. Department of Labor. HUD, working with HHS and DOL, will review local applications and select the most promising ones based on established criteria.

The proposal builds in considerable flexibility for local agencies to decide how to best target the vouchers among eligible current or former welfare recipients within their community, because different approaches will make sense in different places.

7. Won't this just encourage working people to move out of public housing, making housing projects even worse places to live?

The proposal provides local agencies considerable flexibility to design strategies that make sense for moving families from welfare to work in their community. While this proposal is not targeted specifically at public housing residents, some local areas may elect to use the new vouchers to help some families move out of public housing and into a privately-owned apartment if such a move is critical to getting or keeping a job. We believe it is important to both increase the number of working people in public housing and to provide opportunities for public housing residents to move to private housing. These vouchers are just one part of our broader housing strategy, which includes attracting more working people to public housing and helping more housing residents get jobs.

8. How will the new vouchers work? How is this different from existing housing programs?

These new welfare to work housing vouchers would be available to families eligible for or currently receiving welfare, or who received welfare within the past year, who need the voucher to get or keep a job, and who meet the criteria for Section 8. The vouchers would be portable and could be used to rent private housing.

Under existing programs, a family is eligible for Section 8 if its income is below 50 percent of the area median income. Currently, there are about 1.4 million units each of portable tenant-based Section 8, project-based Section 8, and public housing.

Section 8 tenant-based vouchers are used to rent housing in the private market. Tenants pay the landlord approximately 30 percent of their income for rent. The public housing authority uses federal funds to pay the landlord the difference between the "fair market rent" and the tenant's rental payment. The average fair market rent, which varies widely around the country, is \$594 a month, the average tenant contribution is \$213, and the average HUD subsidy is \$350.

Section 8 project-based housing subsidies are not portable. They consist of rental units in buildings owned and operated by private owners (for profit and nonprofit). These subsidies cover part or all of the units in a particular building. Tenants pay 30 percent of their income to the project's owner for rent. The remainder is paid by the federal government. These are not administered by the local housing authority. Owners contract directly with HUD or through an intermediary state housing finance agency.

Public housing consists of rental units owned and operated by public housing authorities. Rents are generally set at 30 percent of tenants' income and are paid to the housing authority to help meet operating and maintenance costs. Federal subsidies also cover operating costs and are distributed to housing authorities on a formula basis.

WELFARE TO WORK HOUSING VOUCHERS

The President's FY99 budget will take further steps to promote work and welfare reform through a new plan to provide 50,000 new housing vouchers to welfare recipients who need housing assistance in order to get or keep a job.

Families could use these housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing to eliminate emergencies that keep them from getting to work every day on time. These targeted vouchers will give people on welfare a new tool to make the transition to a job and succeed in the work place.

The \$283 million proposal will help address the problem that in many regions, jobs are being created far from where many welfare recipients live. Currently, about two-thirds of new jobs are being created in the suburbs, but three of four welfare recipients live in rural areas or central cities. To make this daily commute possible, the President is fighting for a \$600 million welfare-to-work transportation initiative as part of the reauthorization of ISTEA. But in some cases it makes more sense for someone to move closer to work -- and this new proposal will make that move from welfare to work possible.

How It Will Work

These vouchers will provide States and communities with a new flexible tool to help families who need housing assistance in order to achieve self-sufficiency.

- The additional vouchers will be available on a *competitive basis* to local housing agencies. Local housing agencies, including Indian housing authorities, may submit an application, developed in consultation with the state, local, or tribal welfare agency and the local Welfare-to-Work formula funds grantee (typically the Private Industry Council).
- The vouchers will be used where they are *essential to a successful transition from welfare to work--that is, where housing assistance is critical for a family to get or keep a job.*
- Families who receive the vouchers must be *eligible for or currently receiving Temporary Assistance for Needy Families (TANF) or have received TANF within the past year.*

The initiative recognizes the direct link between affordable housing and self-sufficiency. Along with the Administration's proposal to increase the Low-Income Housing Tax Credit, this initiative will make decent, affordable housing available to more Americans.

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The most recent data (1993) show that approximately 2.7 million African American households and 1.8 million Hispanic American households were eligible for but did not receive housing assistance. These new vouchers will help address the unmet housing need for some African American and Hispanic American families who are making the transition from welfare to work.



Cynthia A. Rice

01/21/98 05:26:51 PM

Record Type: Record

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

cc:

Subject: Here's the AP story on welfare to work 

WASHINGTON (AP) President Clinton's upcoming budget will seek \$1.3 billion over five years to help welfare recipients live where the jobs are, administration officials said Wednesday. At the same time, officials released figures showing the welfare rolls below 10 million families for the first time since 1971.

The housing money is part of a modest set of welfare proposals Clinton will present to Congress next month. The president also wants to restore legal immigrants' food stamp benefits that were cut in the 1996 welfare overhaul law, and he has proposed spending \$100 million per year to help welfare recipients travel to jobs.

The housing money is meant to help people on welfare or those who recently left the rolls find affordable housing that is closer to jobs. About two-thirds of the new jobs are being created in the suburbs, but three-quarters of welfare recipients live in cities or rural areas.

"It rewards men and women who are willing to work hard to climb out of poverty under their own power," Secretary of Housing and Urban Development Andrew Cuomo said in a statement.

Under the five-year plan, communities would compete for 50,000 housing vouchers each year. People on welfare or those who have left the rolls in the last year could use the vouchers to move across town or to another city or state, as long as housing assistance is essential to getting or keeping a job.

Clinton will ask for \$283 million for the next fiscal year, with about \$300 million in each of the next four years. Using a voucher, a family would pay a maximum of 30 percent of its income for housing it finds on its own; the government would pick up the rest.

HUD already provides about 1.4 million housing vouchers to low-income Americans, including about 446,000 families receiving welfare checks.

Clinton also plans to ask Congress to spend about \$2 billion over five years to restore food stamps for legal immigrants, said an administration official, speaking on condition of anonymity. The 1996 welfare overhaul cut a variety of benefits for poor non-citizens, but Clinton won a budget fight last year to restore most of them, including disability benefits for elderly and sick immigrants.

The official would not say whether the proposal will cover all legal immigrants who lost benefits, or just those who were in the country when the welfare law was signed last year. The proposal also may cover only the neediest groups, such as children, the

disabled or the elderly.

Congressional Republicans have argued that providing such benefits to immigrants only encourages people to enter the country when they cannot afford to support themselves. They contend the people who sponsor their entry into the country, not the government, are responsible for the immigrants' well-being.

The transportation funding, \$600 million over six years, is part of a larger transportation bill that has stalled over other issues. Both the House and Senate have included a version of the program in their bills.

Separately Wednesday, administration officials released data showing the welfare rolls continued to shrink through August 1997.

Clinton plans to highlight the drop in his State of the Union speech Tuesday.

The rolls peaked in January 1994, with 14.3 million recipients. By August, they had fallen 30 percent to just under 10 million families. It was the first time the rolls dipped below 10 million since February 1971.

The largest drop was recorded in Wyoming, where the caseload has fallen 77 percent since 1993. Nine other states saw the number of cases cut by at least half: Alabama, Colorado, Idaho, Louisiana, Mississippi, Oklahoma, Oregon, Tennessee and Wisconsin.

Hawaii was the only state along with Guam and the Virgin Islands to see an increasing number of cases, with the rolls up 37 percent since 1993.

Message Sent To:

Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Paul J. Weinstein Jr./OPD/EOP
Jose Cerda III/OPD/EOP
Julie A. Fernandes/OPD/EOP
Michael Deich/OMB/EOP
Francis S. Redburn/OMB/EOP
Emily Bromberg/WHO/EOP
Andrea Kane/OPD/EOP

housing - vouchers

WELFARE TO WORK HOUSING VOUCHERS

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01/21/98

housing-vouchers

Welfare Reform Daily Report - January 22, 1998 (PAGE 4)

ARTICLES

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Los Angeles Times January 22, 1998, Thursday

**RENT AID PROPOSED FOR WELFARE RECIPIENTS;
REFORM: \$1.3-BILLION WHITE HOUSE PLAN WOULD HELP PARTICIPANTS MOVE NEARER TO JOBS.
PROPOSAL COMES AMID NEWS OF A 25-YEAR LOW IN ROLLS.**

By: MELISSA HEALY, TIMES STAFF WRITER

The Clinton administration, touting a broadening decline in the nation's welfare rolls, on Wednesday unveiled a \$ 1.3-billion program to help defray the housing costs of welfare recipients making the transition to work.

The president's latest initiative came as the federal government released new figures showing the nation's welfare rolls have dropped by 2.2 million in the last year alone. That is the lowest level in more than 25 years. For the first time since 1971, there were fewer than 10 million individuals in the United States relying on welfare checks.

Between August 1996 and August 1997—the first full year following passage of the landmark welfare-reform bill—welfare rolls dropped nationwide by 21%.

In the same period, California's rolls fell from 2,648,772 people to 2,269,558—a reduction of 14% that suggested the state is at last catching up with a national trend.

The president's 1999 budget proposes funding new housing vouchers for 50,000 public aid recipients who need rent assistance to help them get or keep a new job. Clinton's plan, which is to be forwarded to Congress early next month, would seek \$ 289 million in new spending in 1999 and roughly \$ 300 million for each of the following four years.

An expansion of the federal housing-voucher program would bring the Department of Housing and Urban Development more fully into the nation's welfare-reform efforts. To date, HUD's principal role in supporting welfare reform has been to help cities establish new bus lines and van pools to ferry the inner-city poor into suburban areas where jobs are plentiful.

But under the Clinton proposal, most of the new vouchers would be used to help welfare recipients actually move their households into job-rich areas. In so doing, the proposal would address one of welfare reform's most difficult obstacles: the geographic mismatch between entry-level jobs and the welfare recipients who are being pressed to fill them.

About two-thirds of new jobs are being created in the suburbs, while three of four welfare recipients live in rural areas or central cities.

The 50,000 new vouchers would represent a small increase over the 1.5 million "tenant-based Section 8 vouchers" now in circulation. But experts said that by earmarking new vouchers for use exclusively by welfare recipients moving into work, the proposed initiative could have a broader effect.

About one-third of the HUD rental vouchers are being used by families on public assistance, according to the agency. But a host of factors—from bureaucratic obstacles to fear of discrimination—has discouraged many of those welfare families from using their vouchers to move closer to jobs. By focusing new attention on the fact that the vouchers can be used for that purpose, the new program could have an effect far beyond its small numbers.

But the proposal is certain to meet with some opposition on Capitol Hill, where lawmakers have blocked any proposed expansion of the voucher program in recent years.

Please contact Larry McSwain if you would like to receive the WR Daily Report by e-mail or if you have questions about articles found in this publication. (lmcswain@acf.dhhs.gov (e-mail) or 202-401-1230(voice)).

Housing - vouchers
and
WP - housing issues



Cynthia A. Rice

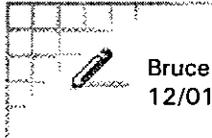
12/01/97 04:12:40 PM

Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Re: Pls examine re: housing vouchers and welfare to work

fyi -- Bruce agrees that we should not limit the vouchers to those now in public housing that want to move out.

----- Forwarded by Cynthia A. Rice/OPD/EOP on 12/01/97 04:09 PM -----



Bruce N. Reed
12/01/97 04:04:40 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc:
Subject: Re: Pls examine re: housing vouchers and welfare to work 

Your point is well taken. Yes, I think you should host the mtg.

My memo had said:

From Cynthia
I agree that we should not set national criteria about which welfare recipients should get the vouchers, but instead should let the local project applicants propose a plan that meets local needs. I think that flexibility should extend to letting applicants decide whether or not to restrict vouchers to those currently living in public housing.

While we want to encourage mobility from public housing to better neighborhoods, we don't want to preclude a voucher from being used, say, to help a welfare mother doubled up with relatives in a private apartment move into her own apartment -- perhaps in a new neighborhood -- if that move would help her make the transition from welfare to work.

Thus, I think the wording in the State of the Union Ideas memo to the President was more restrictive than it should have been. Rather than say the purpose of the 50,000 new vouchers would be "to help welfare recipients in public housing who need to move in order to find employment" I would say the purpose is "to help welfare recipients who need to move in order to find employment."

Andrea is now re-writing NEC's draft memo to the President, which we hope to share with Paul/Jose/Julie by tomorrow morning and Bruce/Elena soon thereafter. Paul hopes to get the memo

into the President by the end of the week and will coordinate with NEC.

Also, Andrea and I are tentatively planning to host a DPC-NEC-OMB-HUD-HHS meeting on Monday to hammer out the additional details we would need for the budget process. Do you folks think that makes sense? I don't see any reason why OMB should continue to be the convener.

Bruce had said:

Thanks. I still think it's a mistake to worry too much about targeting. It's hard for anybody to move from welfare to work and from public housing to a decent neighborhood.

I had said:

Bruce -- I, of course, like our proposal better than Barry's, but I should note that under our proposal, public housing authorities could propose to give vouchers to any type of welfare recipient. These recipients would not necessarily already be living in public housing, nor would they necessarily be a targeted, hard-to-serve population.

Here's why (housing folks -- please correct me if I'm wrong):

Historically, federal law required that families with "urgent housing needs" -- defined as those that pay more than half their income in rent, live in substandard housing, were homeless, or have been involuntarily displaced from their housing -- be given preference for a substantial share of housing subsidies. Thus, historically, they were a pretty need group.

However, the HUD appropriations bills for FY 1996, 1997, and 1998 suspended these preference requirements, so now public housing authorities can target as they see fit, so long as a family's income is less than 50 percent of the area median and the 30 percent of their income they pay in rent under the voucher does not exceed the area fair market rent. The new House and Senate bills, per the Center on Budget, permanently abolish the old preference system and substitute a much less targeted definition.

Thus, compared to other welfare recipients, the welfare recipients who would get housing assistance under our proposal would be "a pretty targeted crowd" only to the extent that a) the public housing authorities rationally chose them and/or b) we selected such proposals during the competitive process. However, the welfare recipients getting vouchers would be a targeted group compared to other families receiving vouchers.

Message Sent To:

Elena Kagan/OPD/EOP
Paul J. Weinstein Jr./OPD/EOP
Andrea Kane/OPD/EOP
Jose Cerda III/OPD/EOP
Julie A. Fernandes/OPD/EOP

From Bruce
From Cynthia

*Wp - housing issues
and
Housing - vouchers*

Exhibit 9

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

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

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

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

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

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

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

DESCRIPTION OF THE ISSUE: Over the past five years, the Clinton Administration successfully sought and achieved significant changes in the subsidized housing programs, which assist 4.5 million households: 1.2 million households in public housing and 3.3 million households in Section 8 privately owned housing (1.8 million project-based; 1.5 million portable vouchers and certificates). Most of these reforms were achieved, at least initially, through one-year

appropriations acts. Subsequently, some became permanent law either in appropriation or reconciliation acts. Twenty significant housing assistance reforms enacted so far during the Clinton Administration are listed in Attachment A.

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

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

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

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

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

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

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

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

More subsidized Section 8 rental contracts expire in 1999 than in the preceding year. Unless rental contracts are renewed, low-income families could lose their rental subsidy. The year-to-year

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

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

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

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

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

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

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

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

1. Five years of subsidy and then begin higher tenant rents. Raise tenant rent contribution by one percentage point per year after five years in subsidized housing, from 30 percent of "eligible" income to 31 percent in year 6 of the subsidy up to a maximum of 35 percent in year 10 of the subsidy. Five-year savings of \$1.4 billion; funds 86,000 vouchers over five years.
2. New entrants pay more. Require initial tenant rent contribution on new entrants equal to 35 percent of income (rather than the 30 percent required at full subsidy level) without a phase in period. Five-year saving of \$1.5 billion; funds 80,000 vouchers over five years.
3. Share administrative costs with the States. Require States to pay the \$420 administrative costs for new entrants into the tenant-based voucher program or lose the voucher to another, more generous State. (Currently, the Federal Government pays all costs of the voucher program and other subsidized housing programs including administrative.)
Five-year outlay savings of \$0.7 billion; funds 37,000 vouchers over five years.
4. Shift 20 percent of the cost of tenant-based vouchers to the States as subsidies turn over. Requires States to pay 20 percent, or \$1,100, for new entrants into the tenant-based voucher program or lose the voucher to another, more generous State. Five-year savings of \$1.9 billion; funds 100,000 vouchers over five years.

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

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

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

1. Match subsidy level terms to needs. Current rules define one subsidy size to fit all circumstance (full rent minus tenant contribution equaling 30 percent of adjusted income). This reform would create a distinction between permanent assistance awarded under today's rules to the elderly and disabled, and transitional assistance offered to families who are working and/or meeting State TANF requirements. Transitional assistance would be sized initially to meet each family's needs, level and conditions of subsidy would vary with circumstances and behavior, and subsidies would be awarded and administered

in conjunctions with TANF-administering agencies; subsidies would phase out or down within five years, making them available to others attempting similar transitions and thereby aiding many more families over time with the same dollars.

2. Let families move from projects to jobs. Current rules force families in subsidized projects to restrict the range of their job searches or move and lose subsidy. This reform would allow someone who finds a job requiring a long commute to jump to the top of the local waiting list for the first available portable voucher. ✓
3. Promote housing mobility. The value of a housing voucher as transitional assistance can be enhanced by expanding housing searches to include areas where jobs are growing. Experience shows that a combination of search counseling and assistance and metropolitan or broader administration of assistance can greatly expand the use of vouchers to support long-distance moves. Stronger fair housing enforcement (discussed in the Civil Rights crosscut) would complement this reform. ✓
4. Shift block grant priorities to favor tenant-based assistance. Currently, only a small portion of HOME and CDBG dollars support locally designed tenant-based rent subsidy programs. Various means could be used to encourage communities to greatly increase the use of the block grants, which total \$6 billion annually, to support family economic transitions with short-term rental housing assistance.
5. Convert more project-based subsidies to portable assistance. Options outlined in the following three issue papers would, over time, replace poorly designed, poorly located, poorly run, and/or high-cost projects with portable housing vouchers.]

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

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

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

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

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

TANF

1. Eligibility is limited to families with children with little or no earnings (initially) and one or more young children.
 2. Assistance is likely to be time-limited.
 3. Receipt is conditional on work.
 4. States have flexibility in setting terms and conditions of assistance.
- assistance.

Housing Assistance

1. Eligibility is open to higher incomes, and not limited to those with children.
2. Assistance is open-ended.
3. No work is required.
4. States and communities have little flexibility to alter terms of

Background

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

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

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

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

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

Options

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

those who break the rules.

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

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

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

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

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

Next Steps

These could include:

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

- collecting State welfare reform plans and legislation and describing major variations;
- estimating the effects of a sample of (or selected) States' TANF reforms on HUD's housing assistance costs and tenant mix under current rules;
- developing a range of policy options for family assisted housing to realign it with welfare reform; and
- estimating the effects on costs and tenant mix of those policy options as they interact with welfare reform.

WR - housing
and
housing - vouchers



Cynthia A. Rice

11/24/97 07:01:46 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Re: Pls examine re: housing vouchers and welfare to work

Bruce -- I, of course, like our proposal better than Barry's, but I should note that under our proposal, public housing authorities could propose to give vouchers to any type of welfare recipient. These recipients would not necessarily already be living in public housing, nor would they necessarily be a targetted, hard-to-serve population.

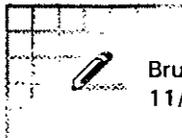
Here's why (housing folks -- please correct me if I'm wrong):

Historically, federal law required that families with "urgent housing needs" -- defined as those that pay more than half their income in rent, live in substandard housing, were homeless, or have been involuntarily displaced from their housing -- be given preference for a substantial share of housing subsidies. Thus, historically, they were a pretty need group.

However, the HUD appropriations bills for FY 1996, 1997, and 1998 suspended these preference requirements, so now public housing authorities can target as they see fit, so long as a family's income is less than 50 percent of the area median and the 30 percent of their income they pay in rent under the voucher does not exceed the area fair market rent. The new House and Senate bills, per the Center on Budget, permanently abolish the old preference system and substitute a much less targetted definition.

Thus, compared to other welfare recipients, the welfare recipients who would get housing assistance under our proposal would be "a pretty targeted crowd" only to the extent that a) the public housing authorities rationally chose them and/or b) we selected such proposals during the competitive process. However, the welfare recipients getting vouchers would be a targetted group compared to other families receiving vouchers.

Bruce N. Reed



Bruce N. Reed
11/24/97 06:11:36 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc: Elena Kagan/OPD/EOP
Subject: Re: Pls examine re: housing vouchers and welfare to work

I just don't think Barry's approach makes any sense here. The vouchers should be flexible -- recipients who get housing assistance are by definition a pretty targeted crowd. Your alternative looks pretty good. (Note: I still don't understand housing policy.)

Message Copied To:

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