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TANF REAUTHORIZATION AND FEDERAL HOUSING POLICY

HEARING

BEFORE THE

SUBCOMMITTEE ON HOUSING AND TRANSPORTATION

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON

THE HOUSING PROBLEMS OF FAMILIES CURRENTLY ON TANF AND THOSE LEAVING TANF FOR EMPLOYMENT, AND PROPOSALS THAT SHOULD BE CONSIDERED TO INCREASE THE EFFECTIVENESS OF FEDERAL HOUSING ASSISTANCE AS A TOOL FOR HELPING MOVE PEOPLE TO EMPLOYMENT

MAY 1, 2002

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TANF REAUTHORIZATION AND FEDERAL HOUSING POLICY

WEDNESDAY, MAY 1, 2002

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON HOUSING AND TRANSPORTATION,
Washington, DC.

The Subcommittee met at 2:30 p.m., in room SD–538 of the Dirksen Senate Office Building, Senator Jack Reed (Chairman of the Subcommittee) presiding.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. Let me call the hearing to order, and welcome all of our witnesses and everyone who is here this afternoon. This is a hearing by the Housing and Transportation Subcommittee on the issue of TANF Reauthorization and Federal Housing Policy. This Subcommittee is very concerned about the housing affordability crisis facing many regions of our country. Statistics show a growing gap between income and housing costs in almost every State. It is not surprising that this affordable housing crisis is affecting low-income families the most severely. According to the National Housing Conference, the number of working families in the United States with critical housing needs grew from 3 million to 3.7 million between 1997 and 1999. About eight out of 10 families pay more than half of their income for housing.

Nowhere in this country does the minimum wage work of one person come close to paying the rent according to the most recent National Low Income Housing Coalition report.

Not surprisingly, housing is a real problem both for families receiving Temporary Assistance to Needy Families, TANF, benefits, and those who have moved from Welfare to Work. In only three States—Alaska, West Virginia, and Wisconsin—do families receive TANF benefits high enough to obtain modest housing with less than their entire TANF grant. High housing costs often leave families with insufficient income for basic necessities or expenses, such as funding for child care, work, clothing, transportation, and many other things.

We also know that families who pay too much of their income for housing, or live in severely inadequate or overcrowded housing, move more frequently. Such moves interrupt work schedules, jeopardize employment, and adversely affect the educational progress of children. A lack of affordable housing can also prevent families from making moves to areas with greater employment opportunities or safer neighborhoods or better commutes.

Affordable housing is clearly important and worthy of support. I believe that we need to enable States to better respond to critical housing needs of working families. It would seem self-evident that if one goes to work every day and collects a regular paycheck that this should be enough to secure a reasonable place to live and take care of one's family.

It is my hope that today's hearing will allow us to explore how Federal housing policy can be used to help strengthen our Nation's welfare policy and better support families moving from Welfare to Work.

Today, we will hear from two panels of witnesses. The first panel will consist of my colleague, Jon S. Corzine, U.S. Senator from New Jersey. On our second panel we will hear from Mr. Michael O'Keefe, Commissioner of the Minnesota Department of Human Services; Ms. Barbara Sard, Director of Housing Policy, Center on Budget and Policy Priorities; and Mr. Robert Rector, Senior Research Fellow of The Heritage Foundation. Each of our witnesses have been asked to discuss the interconnections between Federal housing policy and welfare policy, what can be done to encourage States to consider housing needs and TANF planning and implementation, and any recommendations for increasing the effectiveness of Federal housing programs as a tool for helping people move from Welfare to Work.

Before we begin, I would also like to thank each of you for your written testimony, which has been shared with all of the Members of the Senate Banking Committee, and I would ask that you keep your oral comments to within a reasonable amount of time.

Thank you.

When my colleague and good friend, the Ranking Member, Senator Allard arrives we will ask him to make his opening comments. But Senator Corzine, we are delighted that you are here. You are a Member of the Senate Banking Committee. We welcome you to the Subcommittee.

STATEMENT OF SENATOR JON S. CORZINE

Senator CORZINE. Thank you, Mr. Chairman. I hope that wasn't an admonition that I was going to enter a filibuster here. I must say that if I just said ditto to what you had in your opening statement, I really would embrace most of those themes. I appreciate this opportunity. I think this is a very important topic for us to be addressing as we go through this effort on TANF reauthorization, Welfare to Work. Providing access to affordable housing I think is a fundamental part, as you have expressed, of making sure low-income working families have a real shot at making that a reality, Welfare to Work, and it should be looked at in the context of reducing poverty, not just getting to work.

While welfare reform has succeeded in moving thousands of families off of welfare, it has condemned many to low-wage jobs that keep them trapped in poverty, and that is actually one of the concerns that I will be expressing in a bill that Senator Wellstone and I will be talking about later in another hearing.

Mr. Chairman, a lack of affordable housing is one of the main obstacles facing families trying to leave welfare, as you have suggested. Even for those families who do succeed, a lack of affordable

housing can mean a return to the welfare rolls. And for those who have reached State or Federal welfare time limits, it can sadly lead to homelessness.

Since 1997, welfare reform has encouraged 60 percent of New Jersey's welfare families to leave welfare for work. Despite that, these families are now earning wages that are two to three times the modest cash benefits of TANF, and that is a good thing. Families in New Jersey and across the country still struggle to afford housing. For example, in the year 2000, 44 percent of all renters in New Jersey were unable to afford the Fair Market Rent for a two-bedroom unit, which is just shy of $1,000. An individual working 40 hours a week and earning minimum wage in New Jersey earns about $824 a month. So, you see the juxtaposition of $1,000 rental requirement for a fair market for a two-bedroom, and $824 a month in earnings. That just doesn't work. And I think it raises the specter of where we have a real problem.

New Jersey is not alone. As you mentioned, they are one of nine States that actually works with TANF dollars to maintain efforts, but it just doesn't cut it for these low-income working families, and we are condemning them, I think, to a life of poverty.

New Jersey uses $2 million of its Federal TANF block grant to provide emergency housing assistance to working families with income up to 250 percent of Federal poverty level. However, because Federal law limits housing assistance to 4 months, the State is forced to stop its assistance after that, even if the family is still at risk of becoming homeless. And that is actually a reality in a lot of people's lives.

New Jersey has also embarked on several innovative low-income housing initiatives aimed at encouraging work and improving self-sufficiency. New Jersey Housing Assistance Program, for instance, provides temporary housing subsidies to eligible welfare recipients transitioning to work. Recipient families receive a housing subsidy that is reduced as their income increases. Savings from the reduced subsidy are placed in an escrow account the family may access to purchase a home, pay for educational expenses, or for emergency purposes.

Despite the fact that the New Jersey Housing Assistance Program encourages work and creates savings, I think the sad part is that this only works for 350 low-income families in New Jersey. New Jersey cannot use its Federal TANF fund to expand this program because the money is not there.

New Jersey has allocated $4 million of the block grant to help low-income working families utilize Section 8 housing vouchers. That is another positive initiative. These one-time funds can be used for security deposits and moving expenses. It can also be used for payments to landlords while repairs are being made to rental units to bring Section 8 standards to bear in some of the housing. This can make a modest difference and it is a helpful initiative that we support and certainly think we need to make sure our TANF funds are made available to expand these programs.

Next week, Senator Wellstone and I will be introducing comprehensive TANF reauthorization legislation that, in addition to increasing access to education, job training, child care, substance abuse, and mental health counseling, will give States tools to do a

better job to address the housing needs of low-income working families, many like the ones that we have in New Jersey, ones though that are inadequate because of inadequate funding.

Specifically, I think that the Wellstone–Corzine bill clarifies that States can use Federal TANF dollars to provide supplemental housing benefits, minor housing rehabilitation, and emergency housing assistance to families transitioning from Welfare to Work, without requiring them to remain on welfare in order to receive these benefits.

Our legislation also requires States to address housing needs in their State welfare plans. Under current law, Public Housing Agencies are required to enter into cooperation agreements with welfare agencies; however, there is no requirement that those agencies enter into these agreements. Wellstone–Corzine would require agencies to work with Public Housing Agencies to coordinate work-promoting services, implement earnings disregards, and improve employment outcomes for all public housing residents. Earnings disregards allow TANF recipients who receiving housing assistance to receive this assistance for up to 2 years, regardless of increases in income. These are the kinds of programs that encourage rather than penalize work.

The Wellstone–Corzine bill also creates a $50 million demonstration project to create supportive housing for TANF families with multiple barriers to work, including both mental and physical disabilities. Supportive housing which integrates employment services and rehabilitative services has succeeded in helping many homeless adults find employment and permanent housing. These programs hold similar promise for TANF families with significant barriers to work.

Mr. Chairman, as we reauthorize the TANF Program, we must recognize the role affordable housing plays in helping low-income families transition from Welfare to Work, become self-sufficient, and provide a stable, nurturing environment for families. I know you feel this way and I certainly urge my colleagues to join in the effort to ensure that working families have stable homes. We need to pack these kinds of initiatives into our welfare program.

Mr. Chairman and Members of the Committee, I look forward to working with you to make this a reality.

Senator REED. Thank you very much, Senator Corzine.

We also look forward to working with you with respect to your initiative along with Senator Wellstone. Thank you for your testimony today and both your knowledge and your concern about a very important issue.

Let me call forward the second panel, Mr. O'Keefe, Ms. Sard, and Mr. Rector. Again, welcome to the Committee.

Mr. Michael O'Keefe is Commissioner of Minnesota's Department of Human Services. It is Minnesota's largest Department with an annual budget of more than $6 billion and 6,700 employees. Prior to joining the Department of Human Services in 1999, Mr. O'Keefe served as Executive Vice President and Chief Executive Officer of the McKnight Foundation in Minneapolis.

Ms. Barbara Sard is the Director of Housing Policy at the Center on Budget and Policy Priorities in Washington, DC, where she has worked since 1997. Barbara Sard is a leading expert on tenant-

based rental assistance and issues concerning admissions to subsidize housing programs and the intersection of housing and welfare policy.

Mr. Robert Rector is a Senior Research Fellow at The Heritage Foundation where he focuses on a range of issues related to welfare reform.

Once again let me thank you for your written statements which are incorporated within the record and I would ask if you could maintain a 5-minute time limit on your oral testimony.

Mr. O'Keefe, would you begin please?

STATEMENT OF MICHAEL O'KEEFE, COMMISSIONER MINNESOTA DEPARTMENT OF HUMAN SERVICES

Mr. O'KEEFE. Thank you, Mr. Chairman and Members of the Committee. It is a pleasure to be here today. I have submitted my written remarks for the record. I would like to associate myself with your opening remarks and those of Senator Corzine regarding the crisis that we face and the need to address affordable housing as a part of our strategy to make welfare reform successful.

Minnesota is a national model for welfare reform and one reason we have been successful is because we have had the flexibility to be able to shape the program in ways that meet the needs of our citizens.

Over a 3-year period of time, 75 percent of families have left the program to go to work or engage in other activities. These are good jobs, more than $9 an hour. The average income of people leaving welfare in Minnesota is about 175 percent of poverty and we have been at the top or next to the top among all 50 States in salary levels, as well as persistence in that job for people off of welfare.

Minnesota has focused on self-sufficiency through work as the goal of its program not work as the ultimate goal.

The most dramatic finding from Minnesota's pilot program, which was one of the early pilots authorized by the Federal Government, were increased marriage rates by single parents. There was a dramatic increase in family stability, remaining married, on the part of two-parent families. There was a decrease in domestic violence, higher rates of school attendance among kids, higher performance among kids and, interestingly enough, for two-parent families increased homeownership.

Our program has been outstandingly successful against the goals the State has set for it. And frankly, the reasons are straightforward. Give a family basic financial stability and ensure that that stability can be relied upon, and that family will be stable.

How have we done this? We worked with individuals, preparing individualized work plans, strategies for moving people into work, and we have put in place a comprehensive set of supports, including child care, affordable housing, transportation, on-the-job support, pregnancy prevention, tax credits, et cetera. We have a total package and a comprehensive strategy for dealing with poverty.

We have been able to do this, in part, because the TANF money has been flexible. And that is what is critical to us in maintaining the success of this program.

Housing has been a challenge. You all are far more familiar with the issues. I would simply say that those are echoed in Minnesota

in terms of the number of families who cannot afford housing, recent leavers from welfare who cannot afford housing. We have addressed housing as part of our comprehensive strategy.

The governor created a Cabinet Task Force which I Chair, which includes six other departments, to create a strategy across job training, child care, economic development, housing. The Department of Corrections is even represented on that panel. And we have put together a comprehensive strategy drawing on both State and Federal TANF dollars.

I would like to mention some of the places where we have invested TANF dollars in the State of Minnesota. We put $54 million into a program that is called the Minnesota Families Affordable Rental Investment Fund, which provides incentives for the development of low- and moderate-income rental units. Funds are used to write down the monthly rental rates to a level of typically about $350 to $400 a month, to a level which welfare families can afford.

We have also expanded the supply of single-family housing by investing $20 million of the TANF reserve in the Habitat for Humanity Program in which, in combination with the free labor and the donated materials that are part of that program, will build roughly 5,000 homes, single-family homes. This is roughly $4,000 per home to greatly expand the supply of affordable housing.

We have also invested almost $6 million in transitional housing for families who have been homeless or have a very unstable housing history. We have also taken about $2.7 million of that TANF money and put it toward family homelessness prevention and assistance. We have created a modest $3 million supportive housing pilot in which we are testing a supportive housing model for our welfare families in which a variety of services are available in the housing setting.

Beyond this, using State dollars, we also have an emergency assistance program which is available to families once in a 12-month period to help with housing-related crises. We spend nearly $20 million a year on this assistance. This involves, for example, helping with late rent, helping with deposits, avoiding utility shutoffs and making critical repairs and so on. This program serves about 14,000 families per year.

For us to continue the success that Minnesota has had, we need more, not less flexibility in the use of TANF dollars. For example, we would like to be able to invest TANF in the production of additional rental housing for families. For your reauthorization of TANF, my message is very simple: Maintain the flexibility that we now have and give us additional flexibility with respect to housing.

Also, we need flexibility to change the definition of short-term assistance so we can provide housing support. Counting housing dollars as cash assistance and counting that assistance against the 60-month limit for a family flies in the face of reason, given the ongoing need for subsidized housing by many families. Removing that constraint would be a great help.

In addition, we would like to use a portion of the TANF block grant, let's say up to 10 percent, to do housing production. The simple shortage of affordable housing stock is a critical issue in our State. And it is a one-time investment so a very appropriate use of TANF. The ongoing operating costs of that housing can be borne

by other programs. As I indicated, we have used some of the TANF money with Habitat for Humanity to create more housing. We have had to do this, though, indirectly by substituting the TANF dollars for other TANF-eligible expenditures now covered by State money and then reallocating that State money in turn to housing programs. We have in essence refinanced Federal TANF dollars in order to give ourselves the capacity to implement our comprehensive strategies.

To summarize, our program has been extraordinarily successful because we have had the flexibility to tailor services to individual families and to offer a comprehensive package of supports. It is a misconception that welfare is a cash support program. It is a mix of many forms of support. I ask that you allow States such as Minnesota to continue with this kind of flexibility.

Thank you, Mr. Chairman and the Committee.

Senator REED. Thank you, Mr. O'Keefe.

Ms. Sard.

STATEMENT OF BARBARA SARD
DIRECTOR OF HOUSING POLICY
CENTER ON BUDGET AND POLICY PRIORITIES

Ms. SARD. Thank you for holding this very important hearing and thank you for inviting me to testify.

As you reviewed, evidence shows that most families that manage to get a job and leave welfare still do not earn enough to afford decent quality housing. In addition, most do not receive housing assistance. Nationally, only about 30 percent of families on welfare receive housing assistance, so the vast majority are left to make do on their wages.

Not surprisingly, as you reviewed, the combination of low earnings and scarce housing assistance results in housing problems. I will not belabor you with them again, but it is important to note that the housing problems among even employed welfare leavers appear to be getting worse.

One issue that housing policy needs to focus on much more in the future than it has in the past is the growing mismatch between where job growth is occurring and where affordable housing, public or private unsubsidized, tends to be located. My testimony includes data on the unfortunate nonperformance of the tax credit and the HOME programs in this area. Welfare policy similarly fails to pay attention to the fact that where people live can be a hindrance to their getting a job, and we have to pay more attention to that.

At the same time, recent evidence has shown that actually having housing subsidies, particularly mobile subsidies that help people overcome this job/housing mismatch, can lead to better results, can lead to more families getting off the welfare rolls and that when they get off they tend to stay off. As Mr. O'Keefe said, they tend to retain employment for longer. And I think most importantly for State welfare agencies, welfare interventions that States do initiate tend to be more effective. The impressive results that Mr. O'Keefe just related concerning the MFIP demonstration were shown to be almost entirely attributable to gains made by families with housing assistance. If you look separately at the families without housing assistance, you would have seen almost no change.

That is why it is so important to consider both the changes in TANF legislation that Senator Corzine reviewed and that are also contained in S. 2116 that was filed several weeks ago by Senator Kerry and also to consider some parallel changes in housing legislation. Mr. O'Keefe has already explained why it is so important to classify TANF funds used as supplemental housing benefits as non-assistance so that the time clock doesn't run.

I want to support his remarks. I also want to highlight for you the demonstration proposal that Senator Corzine mentioned. It is, in fact, very similar to the $3 million program that Mr. O'Keefe described that Minnesota is now implementing, with an important difference for national policy. It would be structured with an evaluation so that we would actually learn and be able to model future policy on the combination of housing and services that may work best, assuming it is shown to work in helping families with multiple barriers move to self-sufficiency.

There are a number of proposals to improve the housing programs that are contained in a draft bill that Senator Sarbanes has circulated, and there are also some additional proposals that I have included in my testimony. I want to highlight the proposal to give a 5-year authorization to Welfare to Work vouchers. Experience with the allocation of Welfare to Work vouchers in fiscal year 1999 when 50,000 vouchers were appropriated suggests that this type of targeted housing assistance can benefit families and provide positive incentives for interagency collaboration.

I think that the proposed legislation goes one better than the program in the past because it would reward those housing agencies that have either committed their own resources, their turnover vouchers, to a Welfare to Work use in collaboration with welfare agencies or are using State funds, like in Minnesota and in New Jersey, to provide housing assistance for families moving to Welfare to Work. It would create an incentive for States to make these decisions to put their resources into housing and for the PHA's to do the same while also creating an additional source of funding, assuming the appropriators agree to provide this essential housing assistance.

I think that it is an extremely important initiative and I also think it is exactly the type of incentive we need to do in contrast to the so-called super-waiver proposal that is contained in the Administration's welfare plan. That is a proposal that is not yet incorporated in the House legislation but the Administration has proposed including housing and homelessness programs in the super-waiver. Our information leads us to expect that it will be included and the proposal would make drastic changes in the balance between Congress and the Executive Branch potentially leading to State authority to overrule local decisionmaking, overriding resident participation requirements, undoing the carefully balanced laws and regulations that this Committee has set up for dealing with difficult decisions, like when to demolish public housing or when a waiver of targeting requirements could be made. So, we should not go there.

I have included in my testimony two proposals to promote family formation in the assisted housing programs. You may be surprised to hear that I happen to agree with Mr. Rector that this is a prob-

lem, that there are too few two-parent families in the assisted housing programs and new research shows that there are probably fewer two-parent families proportionately in these assisted housing programs among comparable poor families. That makes one think that the rules of the Federal housing programs may be contributing to this problem.

We actually have one quite similar proposal which is to create a rent incentive to have a second working parent in a household. I would suggest to you that my proposal is less expensive than Mr. Rector's. I think this is a record.

With that, I would like to conclude my testimony.

Thank you.

Senator REED. Thank you, Ms. Sard.

Mr. Rector.

STATEMENT OF ROBERT RECTOR
SENIOR RESEARCH FELLOW
THE HERITAGE FOUNDATION

Mr. RECTOR. Thank you very much for the opportunity to come here and testify today.

You may not be surprised that I see these issues in a somewhat different light. Let me outline what I regard as the central lessons from welfare reform and how they might apply to public housing.

In 1996, the Congress reformed the Aid to Families with Dependent Children Program and replaced it with a new program called Temporary Assistance to Needy Families. When we did that, there was a universal prediction from what might be called the left side of the political spectrum that this was a disastrous bill which would throw millions of additional children into poverty even in good economic times. The reality is that everything that was said about that Act and all the predictions that were made have been completely overturned by events, and the Act has been, in a totally unprecedented way, successful in reducing poverty. We might want to review why that was accomplished and what that might mean for housing programs.

The pre-reform Aid to Families with Dependent Children Program, the essential element of that program was that it gave aid unconditionally. If you were in need and you walked into the office, we gave you assistance, cash assistance. There was no requirement that the individual undertake any type of activity in order to get that aid.

The key to the 1996 reform was national requirements that said this aid will no longer be unconditional. We want to give people assistance but we are essentially going to require that when a recipient comes to get assistance, we will require, as a condition of receiving that aid, that they have to undertake some type of constructive activity leading toward self-sufficiency, whether it is supervised job search training or community service work. As a result of that change, you have seen absolutely dramatic response in human behavior.

The AFDC and TANF case load has dropped by 50 percent. The employment rate of single mothers, particularly the most disadvantaged single mothers, has increased by 50 to 100 percent. Absolutely unprecedented changes. Nothing like that has ever happened

in any kind of recorded data that we have. But more importantly, if you look at the chart which I have provided here, this is black child poverty. The percentage of black children that live in poverty from 1970 up to the present time, you can see on this chart that black child poverty from 1970 to about the mid-1990's actually went up slightly. It goes up and down a little bit with recessions, but the overall trend is either flat or rising slightly. All of a sudden, in the mid-1990's, something dramatic happens. The black child poverty rate, for the first time in U.S. history, drops by a third, and is now at the lowest point ever in U.S. recorded history, ever in history. I have a similar chart for poverty among single mothers, it looks exactly like this. So the least that we can conclude is that something rather positive seems to have happened there in the mid-1990's. The only thing unusual that happened there was welfare reform.

Changing aid from an unconditional aid system to one that basically brings out the better angels in people's natures says we want to aid you but we are going to require that you also take steps to aid yourself.

Now the problem that I see in assisted housing is that assisted housing is basically stuck in the mode that AFDC was in before reform. It is completely unreformed by these principles. Aid remains almost totally unconditional and the population receiving aid very closely resembles the pre-reform AFDC population. Half the households in assisted housing are families with children, and of those families with children, 87 percent are single-parent families. It looks an awful like old AFDC.

Moreover, if you look at the chart that I provided in my testimony, you can see that although there is slightly more employment in assisted housing than there was in the old AFDC program, still a third of families with children that are getting assisted housing perform no work at all, no employment during the course of a year, and half of them are working less than a thousand hours during the course of a year. Only about a quarter of them are working full time, full year. Clearly, if we are interested in raising these families' incomes above poverty or in increasing their ability to afford housing, one of the most important things we have to do is get the hours of work up because they are simply too low.

The type of reform we have in TANF has been dramatically successful in increasing the hours of work, and I think if you applied the same thing in housing, you would get similar results.

Again the key to TANF was requiring that able-bodied recipients consistently undertake constructive activities, job search training, or community service work as a condition for getting aid. This has been widely misunderstood. People think that we have insisted that people get private jobs and if they could not get a private sector job, we threw them off. No one did that in TANF. We said if you cannot find a private sector job, that is okay, but we want you to be engaged 30 or so, 40 or so hours a week in some type of activity. When you do that, the case load moves very rapidly off and into employment. This has been a huge success in TANF and there is no reason that we shouldn't apply the same principle into public housing.

The overwhelming importance of marriage to the well-being of children. Some 80 percent of long-term child poverty in the United States occurs in broken or never-married families. Seventy-five percent of total means-tested Aid to Families with Children goes to single-parent families, and children that are raised without a father in the home are multiply disadvantaged in terms of all sorts of outcome, virtually every outcome that we in this room would be concerned with. For example, a child raised without a father is three times more likely to end up in jail as an adult.

Unfortunately, the means-tested aid programs including housing programs profoundly discriminate against marriage. How do they do that? It is in the very nature of the means test itself. A means-tested program says if you have zero earnings in this household, we give you fairly high benefits. The more earnings you have, the more the benefit comes down. That is not just in housing, it is in food stamps, it is still in TANF, it is in the earned income tax credit. When you take these programs, and most beneficiaries get more than one program, what you have is a fairly profound set of financial messages that say, the best way to get a lot of welfare is to have little earnings in this household. And what is the best way to have little earnings in the household? It is certainly to not have an employed husband in the household. When you look at mothers that have children out of wedlock and look at the fathers of those children, 75 percent of those men are employed and their average earning is around $17,000 a year. What that means is that if the mother married that father, she would lose most of her public housing assistance or TANF assistance, her Medicaid assistance, and so forth. This is really not a very good incentive system.

What we should do is find a way to begin to adjust these policies so that that very severe bite against marriage is reduced. I think we can all conclude that the children would be better off if we did.

I think that what we have here, looking at welfare reform in 1996, is a fundamental change in the nature of which aid was given and that the principles that we have now put in place in TANF also belong in all the other programs that we use to assist families with children.

Thank you.

Senator REED. Thank you, Mr. Rector.

I am one who supported the Welfare Reform Act. Nice to hear you applaud President Clinton's bold initiative. Thank you very much, unexpected perhaps, thank you very much.

Mr. O'Keefe, you are actually responsible for implementing the TANF. It strikes me that one of the factors, in addition to requiring individuals to work, was the significant flexibility to the States, a significant increase in resources and child care and support as you have and for housing assistance, a whole array of services, that might be just as dispositive of the success of TANF. What is your view?

Mr. O'KEEFE. Certainly, Mr. Chairman. That is certainly our view as well. I don't need to rerun the 1996 debate about whether AFDC works or not. We had 20 years of understanding that it was not working well. What we need to do is celebrate the success of welfare reform. My message to you is we should not screw it up. Rather, we have to build on our success. It is the package of sup-

port that works. If you add up the total package of support for a very low-income family, it includes cash support, food stamps, Medicaid assistance, child care subsidies, housing subsidies, as well as the earned income tax credit; in Minnesota we have both Federal, as well as a State tax credit. Within the total package, the cash portion is not huge. Minnesota, for example, part of the child care subsidy is linked to the individual's participation in a work program, in a work training program, through their cooperation with MFIP, our welfare program. That combination in Minnesota seems to be doing the job. I do not understand the need to link all other elements with requirements that you do x,y,z, a,b,c if we are already doing the job with the package that has been assembled.

To us, it is the ability to assemble this package, to target the package and to include in it not only job training but also chemical dependency treatment, mental health treatment, whatever is an issue for the recipient. The goal is to package a set of services in a way that meets the needs of the individual and moves that individual off of welfare into a job, part-time or full-time, as that individual is capable. That, to our mind, is the core of the success.

Senator REED. Mr. O'Keefe, you have been looking at some of the results of your housing program, which in your testimony indicates that it has produced increases in steady employment. And you attribute that, I assume from your testimony, to the fact that you have stated that having access to a home, a rental unit, or even a house, over time, helps with the issue of employment. Can you comment on that?

Mr. O'KEEFE. Mr. Chairman, Ms. Sard helped me with that point when she noted that our evaluation of our pilot program, to which I referred on the marriage issue, also very powerfully suggested that a stable housing situation is a key to success.

Senator REED. Some of this is the classic chicken-and-egg, which comes first, a stable living arrangement, support, training, and a job, or a job and all those other things?

Let me ask you a question which is prompted by one of our hearings held in Minnesota. We were up there about 2 weeks ago, Senator Wellstone and I, and we had a witness, Emanuel Lane, who was a very impressive individual. He had served in the U.S. Marine Corps for 3 years, he works more than 40 hours a week, he drives a bus. He celebrated the birth of his fifth child, his first son, just a few days before we arrived, coincidentally, and he is living in a homeless shelter with his family for many of the reasons that Ms. Sard alluded to. Out in the country where they could live with their relatives, there were no jobs; where the jobs were, there was no housing. He was in a rental situation.

Here is someone who is certainly working, does not have a home of his own, and his family is being helped along, but again, it is the issue of what comes first. I do not know if you want to elaborate on that, but I was particularly impressed about Mr. Lane, since you would think that in a country like this, if you have served in the military and you have a family and you are married, and you are husband and wife together, you should at least be able to get a home. And he is getting about minimum wage.

I guess the other way to look at this problem is, if we simply took away all of the support systems, which are extensive, and just

asked and required people to work at minimum wage, do you think they would be able to find homes in Minnesota?

Mr. O'KEEFE. Mr. Chairman, they would not be able to find homes in our metropolitan area. As you suggested, in some rural communities, they would be able to, but the dilemma they would face there is that they wouldn't be able to find a job. So that is absolutely correct; you cannot put together a package of supports at a minimum wage.

Senator REED. Ms. Sard, in your work, you have been dealing with this whole issue of how to make TANF work better. I guess, just on the general point, your advice with respect to housing and the whole issue of the work requirement, or whatever, please?

Ms. SARD. I would like to address the points that Mr. Rector made about work requirements. My central message is that there are very few people in Federally-assisted housing who are neither working nor on TANF nor elderly or disabled. I used HUD data, and HUD data shows that there are only about 11 percent of HUD-assisted households in all three of the major rental assistance programs that fall outside of those categories.

You might say, oh, why do I say 11 percent and he says 30 percent? These are some of the differences, I think, in our numbers:

First is that Mr. Rector is using Current Population Survey numbers, not HUD numbers. My advisers, the data experts—I am no expert on the Current Population Survey, but I would suggest that there is probably a lot of inaccuracy in trying to project from Current Population Survey answers about "I am not working this month," to "I have not worked for an entire year." It certainly doesn't tell you what they are going to do the following year.

Second is that the 30 percent in Mr. Rector's chart includes households with children that are headed by an elderly or disabled person. I know that this is surprising and somewhat counterintuitive to many people, but about 10 percent of the families with children in HUD-assisted households have an elderly or disabled head of household, so we wouldn't expect those people to be working.

Third, many of these families—probably most—that aren't either elderly or disabled are already on TANF, and they are subject to TANF work requirements, and I think Mr. Rector said he is not trying to add different requirements than TANF. He was, I think, trying to target other people. Those are the same people.

Finally, some of these people are potentially the second parent in a HUD-assisted household, so one parent might be working, while the second parent is not.

Yes, there are some people in Federally-assisted housing that are probably not working as much as we would like to see them work, as they would probably like to see themselves work.

Is a work requirement the right answer? I think it is not the right answer, at least at this point in our knowledge. We know that many of these people have multiple disabilities—not formal disabilities—I should say barriers to work. The evidence we have from a few studies cited in my testimony is that HUD-assisted households tend to have more personal barriers to work than other welfare families.

That means that if you are going to help them work, it is going to cost money; it is going to take skill, and if you are going to re-

quire them to work 35 hours a week, it is going to cost a great deal for child care.

And you are going to be taking the scarce resources of housing programs to do that, unless you find some other money, or you are going to be taking the time of housing agency staff, and I think you would be undermining other housing program goals in very significant ways.

There are positive incentives that we could try instead. There is some interesting evidence in some recent studies by the Manpower Demonstration Research Corporation, that suggests that families in assisted housing feel that the rent increase they would experience is a significant disincentive to work, particularly to move from part-time to full-time work, which is part of the problem that Mr. Rector is underlining.

We could fund the earned income disregard for Section 8 families in order to help overcome that, and we could make sure that housing authorities implement the disregard for public housing tenants, which has already been enacted, but is, as evidence shows, not being implemented very well.

One of the provisions that Senator Corzine mentioned in his bill would help get welfare and housing agencies together to collaborate in the implementation of that requirement.

Senator REED. If you would allow me, I would like to ask one question of Mr. Rector. Mr. Rector, part of your testimony is the suggestion that perhaps, at least for the sake of encouraging more marriage, that we overlook means testing in terms of access to public housing. I guess Ms. Sard's comments, too, about the disregard for income, so that people do not have a disincentive to limit their hours of work or work part-time rather than full-time, that would, I presume, lead to a significant increase in cost to the Federal budget and to local housing authorities, et cetera.

Mr. RECTOR. It doesn't automatically, because this is not an entitlement program. But the general principle of what you are saying is, yes, correct. Therefore, I do not think you could do it just flat out across the board.

What I think you should do is probably experiment with it and see what effect it has. Really, you are right; in order to remove the marriage penalty that exists in the means-tested welfare system, you would effectively have to say that any mother can get married and she will get the same benefits, irrespective of the earnings of her husband.

Now, you have a neutral system. Well, boy, that is about $100 billion in that sentence right there, so you cannot just do that flat off. But I do think that we can look at and try to find ways to change at the margin or ways to change in the experiments, and see what results would occur.

And it is not just in housing; it is even worse in Medicaid. In Medicaid, as I said, half these mothers are actually cohabiting with the father at the time of birth. They are romantically involved; the guys have jobs, but Medicaid pays for 90 percent of those out-of-wedlock births, and if the guy marries the mother, most likely he does not have medical insurance. So, we have a very nice wedding present; they are going to lose the Medicaid, and we are going to hand them about a $6,000 bill.

We need to look and find the places where the system is most anti-marriage, and try to reduce those penalties there.

Senator REED. Thank you, Mr. Rector.

Let me now yield to Senator Corzine.

Senator CORZINE. Thank you, Mr. Chairman.

This has been very interesting testimony. One of the things that I thought I heard Mr. O'Keefe say is that you really had to substitute, gerrymander the books, essentially, to get housing benefits to your TANF recipients. You had to use monies from other areas of the State budget to fund the housing elements of your comprehensive program at the exclusion of using your welfare block grants or TANF block grants. Did I hear that right?

Mr. O'KEEFE. Senator Corzine, in Minnesota, we do not gerrymander the books.

Senator REED. We are from Rhode Island and New Jersey.

Senator CORZINE. You obviously do not understand New Jersey politics.

Mr. O'KEEFE. What is allowed is what is called supplantation, in which the Federal TANF dollars can be used to pay for eligible existing State services that are currently funded with State dollars. By refinancing those legitimate State services with TANF dollars, we can free up, for example, State child care monies. We can then, in turn, allocate those State dollars to housing, to our activity for which we could not use the TANF money directly. That is how we have managed this.

Other States have done this as well, some solely to relieve their budgets, and not put that freed-up money into a self-sufficiency strategy. We have kept it within our self-sufficiency strategy.

Senator CORZINE. Mr. Rector, do you accept the premise that housing is one of those issues that does work to get to the self-sufficiency objective of the 1996 welfare reform efforts?

Mr. RECTOR. No, I wouldn't. I would say that housing programs, as they are currently structured, work in the opposite way in the sense that they, like the AFDC, give a reward for nonworking, and that the aggregate effect of them is probably to reduce work effort, rather than increase it, just as that was the case with AFDC.

Senator CORZINE. So, you and Mr. O'Keefe have a different view about whether this is a part of the foundation that has led to the kinds of——

Mr. RECTOR. I would agree. I guess I disagree with him very strongly. In essence, when you look at, for example, never-married mothers, where employment has surged by 100 percent in the last 5 years, what was the change there? Was it in housing programs? Was it in food stamps? No.

The change was in the nature of the welfare program that most of those mothers were getting, where we said we want to aid you, but we are going to require that you engage in some kind of activity on a daily basis from here on in. The firmer you are with that principle, the more mothers get up and get into the labor force, which is ultimately very good for them economically.

Senator CORZINE. Would you feel the same way with regard to child support, Medicaid?

Mr. RECTOR. Child support is paid.

Senator CORZINE. Excuse me. Child care.

Mr. RECTOR. Most mothers using child care would be using the child care because they are engaged in some type of constructive activity. I do think that the next stage of welfare reform is essentially to take the principles that we have in TANF and apply them to very similar programs, of which I would say assisted housing is one and food stamps is another.

Medicaid is a much dicier question, because you are running a substantial risk that the family will not be on Medicaid then if you do that, and I do not think we should try that at this time. But vis-à-vis food stamps and public housing, all the objections that you would have to work requirements in those programs are the same ones that were raised against work requirements in AFDC, and they were wrong.

It is a challenge. I mean, I am clearly asking you to do something dramatically different in these programs, but the lessons that we have over in cash assistance show that when you are asking and demanding that the recipient make the best efforts themselves, they have a lot more to deliver that people imagine.

It is not enough to say that a lot of these people are working. If you work 100 hours a year, guess what? You are going to be very, very poor.

Part of the reform is not just to get people nominally working, but get the number of hours of work during the year up a lot. That is the best way out of poverty.

Senator CORZINE. Would either of the other witnesses want to comment on, particularly, the housing issue, since that is the focus of our efforts here today, and how that relates to whether one moves from not only welfare, but also to a self-sufficient stage of how an individual might operate in the economy.

Ms. SARD. Just a few points, thank you.

Contrary to Mr. Rector's assumption, the actual studies that we have show that families with housing assistance who leave welfare are employed at a higher rate and remain employed more steadily when they have housing assistance. So the evidence, I think is not conclusive; it is not absolutely definitive, but it is there, it is recent studies. He may not be familiar with them. I suggest that he look them over.

It is true that for families remaining on welfare, housing assistance can appear to be pulling them back and keeping them there. But when what social scientists call regression analyses are done that control for families' personal barriers to work, because their demographic characteristics show generally lower education, less work experience, et cetera, you neutralize the role that housing assistance is playing as a causal factor.

So, I do not think the evidence suggests at all that housing assistance is contributing to a problem. I think it shows that housing assistance is contributing to the solution, so you don't need to impose work requirements on housing programs.

Under the TANF block grant, there was the good fortune of an excellent economy, which, I would suggest, cannot be disentangled from work requirements, leaving a lot of extra money around to provide these additional supports that help families work.

Nobody is identifying a source of these additional supports to help the individuals work, who may not be working sufficiently in

the housing programs. There is also the HUD data I referred to earlier on the relatively few individuals not working who could be expected to work. Again, I do not know that we should try to make policy from Mr. Rector's data that I do not think is terribly reliable.

HUD's data show that for families that are working at all, 1 hour, their average annual earnings are above full-time minimum wage. The figures are about $11,000–$12,000 a year. That wasn't in my testimony, and I would be happy to submit that if the Committee would like.

Mr. O'KEEFE. Senator, just one brief comment. In Minnesota, we package the food stamps with the cash assistance, under a waiver we have from the Department. These supports are a package and we in effect deal with families across programs. The Chairman referred to this as one of those chicken-and-egg questions and it truly is. It is a question on which gentlemen and women can disagree. But it strikes me that if you actually spent some time working with welfare families, with a woman with a couple of children, that her ability to interview for a job, her ability to find, to be prepared, her ability to attend to her own education and training is tremendously undercut by the fact that she doesn't know where she and her children are sleeping every night. Without a whole lot of research, that strikes me as a fundamental.

The evidence from our pilot evaluations suggests that, indeed, for those families that have financial stability, which includes housing stability as part of that package, single parents have had increased marriage rates, two-parent families have stayed married at a much higher rate than the AFDC control group. Kids have done better in school, and so forth. It is obvious that if you stabilize a family unit then it is capable of taking care of itself and moving forward.

Senator REED. Thank you, Senator Corzine.

Just a few comments or questions. It seems to me listening to you particularly, Mr. O'Keefe, that you have been using TANF money which we all envisioned as welfare family support money to build houses, to subsidize rents, to do things that should properly be in housing programs. It seems to me we have to concentrate on TANF reauthorization but we also cannot lose sight of the fact that we are under funding traditional housing subsidy programs. Again, is that an accurate impression based on the Minnesota experience?

Mr. O'KEEFE. That is accurate. We have been able to use TANF money for a whole range of flexible, fill-in kinds of investments. For example, for a rural family, if they either do not possess a car or their car breaks down, they are stuck. The mother cannot get her children to child care, cannot get to the community college, cannot get to a job, and drops out of the program. We have used some of that money to give counties flexible money to create a loan fund, for example, to allow welfare families to purchase a car, obtain loan funds so when the car breaks down, they get some money, they are lent some money to repair the car and then they can get back on their feet.

So, yes, we have used flexibility to create a broad set of strategies toward self-sufficiency because it is self-sufficiency that we believe are the goal of the program.

There are quite inadequate housing resources available. You are absolutely right that we have a crisis with respect to affordable housing for welfare recipients, as well as for the working poor.

Senator REED. This follows from your comment. If you did not have to devote these resources to housing, there are many other issues that you could deal with in the context of bringing more people in for better education. You probably have a list of things you want to do that you think would be very helpful in getting people to work even, but you have to devote resources to housing. Is that accurate also?

Mr. O'KEEFE. Mr. Chairman, we are not a greedy State looking for more resources but we could free up those dollars, we could use additional investments in child care; we are very short on child care. Let me underline that the President's proposal to increase the work requirement is going to cause a concomitant increase in the need for child care, and there is no proposal to help increase those funds. That is another severe shortage.

Transportation, affordable housing, and child care are the weak links, in my mind, in welfare reform.

Senator REED. Ms. Sard, any comments?

Ms. SARD. I completely agree. That is why I wanted to emphasize I think the tangible thing in front of you that can possibly get done this year, as well as building toward others is for Congress to enact the authorization for Welfare to Work vouchers, so that structure is in place. And for the appropriators who hopefully will be funding some number of new vouchers, the Administration proposed 34,000 new vouchers in their budget. If about a third of those were set aside as Welfare to Work vouchers and the legislation—the Sarbanes bill—were enacted, you would see some additional housing resources and the change that allows TANF funds to be used for rental assistance more easily. You would see some more resources going for housing assistance. And you would see some more program cooperation happening at the local level between housing and welfare agencies.

Senator REED. Thank you.

Mr. Rector, your comments with respect to putting a work condition on specific to TANF, what relation in your mind does this have to increased resources for housing programs in general of more resources for public housing, more resources for subsidies, separating the two issues?

Mr. RECTOR. I do not think they separate. I would make a couple points here. One is that when we did the TANF reform, we were told by the Center of Budget and Policy Priorities and a lot of other people that it would cost a lot more money to do that, but the reality is that the reform itself generates so much earnings that it effectively pays for itself. So what has happened in TANF reform, for example, over the last 5 years is as the need for cash assistance has gone down, that has more than paid for all the day care that you need.

Similar things, although I wouldn't predict it would be exactly the same, you would expect a similar response within housing. If you put a work requirement forward, you are going to have higher earnings, rental payments will go up, that will generate some kind of surplus that can be used for ancillary services. That is essen-

tially what has happened within TANF and that is what would happen under the President's projected work requirements as well.

I cannot tell you exactly down to the decimal point, and it would be silly to make that prediction, but you have to generally recognize that that role is valid, if somewhat flexible. Also, I just want to say in terms of the gentleman from Minnesota, that he certainly has big plans for Federal tax dollars. I simply make the overall point here that as a Nation, we spend $430 billion on means-tested assistance for low-income people; that is cash, food, housing, and medical care. Of that assistance, 75 percent is Federally-funded. But the State contribution is almost totally limited to Medicaid. When you set Medicaid aside, this system of aiding poor people is 85 percent Federally-funded. So when I listened to his long laundry list of things he would like to do, I would just ask him whether he is going to Governor Ventura and ask him for a tax increase in Minnesota to pay for all those things. Or whether he simply wants you to pay for them from the Federal Government.

Senator REED. The last time I checked, we authorized him to spend all this money. We gave them and told him to do it because they are American citizens, as well as Minnesota citizens.

Ms. Sard, you have a comment.

Ms. SARD. If I may, I would like to respond to Mr. Rector's earlier remark. I think that his point about savings due to increased earnings is one of the many ways in which it is inaccurate to extrapolate from TANF to housing. Usually it is true that families have some increase in earnings, but stay in the housing programs. Then there would be some savings. But if you really succeed and the families make enough that they move out, which is what you hope will really happen, because we are only providing housing assistance to one out of four eligible families, then another family fills that slot. It is not like welfare where it is an entitlement. People work, the case load goes down.

We are not going to see, I hope, a reduction in the number of Federal housing units or vouchers. So if we succeed at this process, we, in fact, maintain our costs because we bring into the housing program a family that needs the rent subsidy, and which hopefully can use the rent subsidy to stabilize, increase their income and move on.

We are not going to get the subsidies, the savings internal to the program to pay the kind of costs that the support services are likely to entail that would be needed for these households.

Another point I should make, HUD's data indicate that the group that we should perhaps be the most concerned about—those households with zero income—which is about two-thirds of the 11 percent I mentioned, that they actually have the shortest stay in the assisted housing programs of any group of households. They are up and out on their own in a little over 2 years. I do not know why that happens. I do not know if those are people who are evicted, or what happens but we know they are not there for a long time.

So it is a question whether it is worth a whole lot of retooling of how housing programs operate to deal with a problem that is somewhat ephemeral on an individual level.

Senator REED. Thank you all very much. This has been a very interesting hearing. One hope I have is that it certainly made us

aware is an important part of TANF's reauthorization although it might not be a very explicit discrete article within the bill. Unless we think constructively and creatively about housing, we are not going to advance our goals of getting people off welfare into jobs and keeping them there.

We will keep the record open for 10 days. If there are additional questions for the witnesses, I would ask my colleagues to submit them before Monday, May 6, and the record will remain open for 10 days.

With that I thank the witnesses and the hearing is adjourned.

[Whereupon, at 4:20 p.m., the hearing was adjourned.]

[Prepared statements submitted for the record follow:]

PREPARED STATEMENT OF SENATOR JOHN F. KERRY

Mr Chairman, I want to take this opportunity to thank you for holding this important hearing on Temporary Assistance for Needy Families (TANF) reauthorization and Federal housing policy. You have been a leader in the Senate on housing issues, and I look forward to working with you on this critical issue. I very much appreciate the opportunity to discuss the Welfare Reform and Housing Act (S. 2116) that I introduced earlier this year. The bill contains measures for States to help improve access to adequate and affordable housing for families eligible for TANF benefits. I am very pleased that Senators Corzine and Wellstone have included provisions from my legislation in their overall TANF reauthorization bill and look forward to working with them to enact this legislation during the 107th Congress.

It is essential that low-income families struggling to make the transition from Welfare to Work have access to affordable, quality housing. Families with housing affordability problems are often forced to move frequently, which disrupts work schedules and jeopardizes employment. Many of the affordable housing options are located in areas that have limited employment opportunities and are located far from centers of job growth. Furthermore, high housing costs can rob low-wage workers of a majority of their income, leaving insufficient funds for child care, food, transportation, and other basic necessities.

Maintaining stable and affordable housing is critically important to holding down a job, yet an alarming number of low-income families do not have access to affordable housing. The data from Massachusetts is shocking: In order to afford a two-bedroom unit at the fair-market rent established by the Department of Housing and Urban Development (HUD), a minimum-wage worker would have to work 105 hours per week; in 1995, 2,900 poor families used private homeless shelters, while in 2000 the number grew to 43,000—with a majority of these families being low-wage workers who had once been on welfare. Lack of affordable housing is not a problem exclusive to Massachusetts. The Brookings Institution found that nearly three-fifths of poor renting families nationwide pay more than half of their income for rent or live in seriously substandard housing. Nationwide, there are only 39 affordable housing units available for rent for every 100 low-income families needing housing. And for the fourth year in a row, rents have increased faster than inflation. We must address the issue of affordable housing during reauthorization of the welfare law because many low-income families have hit this formidable roadblock on their path to employment.

Though access to affordable housing is often left out of the discussion of welfare reform, it is crucial that we address this issue during our reauthorization of the welfare reform law this year. The welfare reform legislation will not allocate considerable new funds to increase affordable housing opportunities; however, modifications to the TANF statute can be made to address the problem by other means. That is why I introduced the Welfare Reform and Housing Act. This legislation will address the housing issue in the context of welfare reform in six major ways:

First, the measure will make it simpler for States to use TANF funds to provide ongoing housing assistance. TANF-funded housing subsidies provided for more than 4 months would be considered "non-assistance" instead of "assistance." By considering these subsidies as non-assistance, States that want to implement housing assistance programs using TANF funds will not have to work within the constraints of current Health and Human Services rules surrounding assistance subsidies.

Second, the bill would encourage States to consider housing needs as a factor in TANF planning and implementation. My legislation would direct the Department of Health and Human Services to work with the Department of Housing and Urban Development to gather increased and improved data on the housing status of families receiving TANF and the location of places of employment in relation to families' housing. States will be required to consider the housing status of TANF recipients and former recipients in TANF planning.

Third, the legislation would allow States to determine what constitutes minor rehabilitation costs payable with TANF funds. It is now permissible to use TANF funds for minor rehabilitation but there is no guidance from HHS on what types or cost of repairs are allowable, making it difficult for States to determine the extent to which using TANF funds in this area is permissible. By allowing States to define what constitutes "minor rehabilitation," more States with similar needs will follow suit. A recent study of the health of current and former welfare recipients found that nonworking TANF recipients were nearly 50 percent more likely than working former recipients to have two or more problems with their housing conditions. Research has shown that poor housing conditions often can cause or exacerbate health problems.

Fourth, the bill would encourage cooperation among welfare agencies and agencies that administer Federal housing subsidies. By improving the dialogue between Public Housing Agencies and State welfare agencies, the two groups will be able to enter into agreements on how to promote the economic stability of public housing residents who are receiving or have received TANF benefits.

Fifth, the legislation would authorize HHS and HUD to conduct a joint demonstration to explore the effectiveness of a variety of service-enriched and supportive housing models for TANF families with multiple employment barriers, including homeless families.

Finally, the bill would clarify that legal immigrant victims of domestic violence eligible for TANF and other welfare-related benefits are also eligible for housing benefits. The proposal would ensure that abused immigrant women seeking protection under the 1994 Violence Against Women Act that are also eligible for other Federal benefit programs have access to Federal housing programs under Section 214 of the Housing and Community Development Act.

Recent proposals made by the Administration and some Members of Congress aim to increase work requirements for families receiving TANF funds. Therefore, it is important that we are committed to ensuring that low-income families have a fair chance at employment. We have made progress addressing many barriers to work for low-income families such as child care, job training, and transportation. But, in order to fully support families make the transition to work, we must address the shortage of adequate, affordable housing. The Welfare Reform and Housing Act brings housing into the welfare reform dialogue and aims to help ameliorate the housing problem so that low-income families leaving welfare have a chance to succeed in the workforce.

Mr. Chairman, I look forward to working with you, Senators Corzine and Wellstone, and the Members of the Senate Finance Committee to include this legislation in the TANF reauthorization bill that is expected later this year. Mr. Chairman, thank you again for the opportunity to testify at this hearing today.

PREPARED STATEMENT OF MICHAEL O'KEEFE

COMMISSIONER, MINNESOTA DEPARTMENT OF HUMAN SERVICES

MAY 1, 2002

Chairman Reed and Members of the Subcommittee, I am Michael O'Keefe, Commissioner of the Minnesota Department of Human Services. We oversee programs that address the health and welfare needs of Minnesotans, including the Temporary Assistance for Needy Families (TANF) Program. I also Chair the Self-Sufficiency Cabinet Task Force for Governor Ventura; this is the primary vehicle the Administration has used to develop strategies and policies aimed at helping low-income Minnesotans become self-sufficient, looking at job training, tax credits, child care, and affordable housing, as well as welfare.

My remarks today will be focused on how we in Minnesota see the relationship between welfare reform and housing, and the success we have had in working on these two issues together.

Minnesota is a National Model for Welfare Reform Because We Have Used the Flexibility in TANF to Build a Comprehensive Set of Supports that Help Working Families Escape Poverty

Minnesota has one of the most successful welfare reform efforts in the country. Our program, the Minnesota Family Investment Program (MFIP), is aimed not just at moving families off welfare, but moving them out of poverty. The evaluation of our welfare pilot program drew national attention for improvements in earnings, income, poverty, and child and family well-being. The Federal Government has twice cited Minnesota as a leader among the States in job retention and advancement.

We have carefully evaluated our efforts and tracked how families are faring under welfare reform in Minnesota. We measure our success not by case loads going down—which they have—but by people going to work and becoming self-sufficient. Some evidence of our success:

- GOING TO WORK: Over a 3-year period, three-quarters of families on welfare either left welfare or went to work.
- GETTING GOOD JOBS: Those families that left welfare for work were working 40 hours a week and earning over $9 an hour.
- GETTING OUT OF POVERTY: Working families off welfare have incomes 75 percent above the Federal poverty level.

- IMPROVING FAMILY AND CHILD WELL-BEING: The independent evaluation of the MFIP pilot found several important impacts on family and child well-being—A decrease in domestic violence; fewer behavioral problems among children; better school performance and engagement by children; increased marriage by single parents and a large increase in marital stability by two-parent families.

Our success is the result of well over a decade of planning, researching, and hard work by some very visionary and dedicated people in Minnesota. But our vision of welfare reform may have never come to fruition without the flexibility provided in the Federal welfare reform legislation in 1996. That law allowed us to take the program we had been piloting and expand it statewide, to put in place our idea of how to reform welfare in Minnesota.

Minnesota has used this flexibility to pursue our goal of moving families into work and out of poverty. We do this by working individually with each family to get them prepared for work, by focusing on moving people into jobs that will pay them a decent wage, and by providing a comprehensive set of supports for working families. We are particularly proud of the supports for working families we have put in place using the flexible TANF funds, including:

- Expanding tax credits for low-income working families.
- Expanding child care assistance.
- Funding innovative transportation initiatives, particularly subsidized loan programs to help working families buy cars.
- Funding for local areas to target public health nurse home visiting to teen parents and TANF participants who might benefit from this alternative intervention.
- Flexible funding for counties to use to meet the needs of the hardest to employ participants, including intensive case management efforts, projects focusing on participants with mental illness, and on comprehensive, multidisciplinary assessments.

Most germane to the topic of today's hearing, we have used the flexibility provided under TANF to invest in housing strategies to help families making the transition from Welfare to Work.

Housing is a Critically Important Need for Families Making the Transition from Welfare to Work

I Chair a cabinet-level Task Force on Self-Sufficiency for Governor Ventura, representing his strong commitment to helping all Minnesotans become self-sufficient. The purpose of this group is to ensure that we focus broadly on self-sufficiency for families, not narrowly on specific programs or services, and that we work across agencies and programs in considering all the many ways that Government impacts low-income families.

When we started our work in 1999, we decided to get out and talk to people in the field—the front-line workers who work directly with participants—to learn from them the issues and problems we should address. We found that lack of affordable housing was an issue brought up over and over again. Job counselors, staff in community agencies, wherever I would go and whoever I would listen to, would talk about how housing problems were impacting the families they were working with. Homeless families who could not look for work because they were in a full-time search for an apartment they could afford. Families who moved frequently or were doubled up with others. Parents who had gone to work but could not make ends meet because the cost of a decent apartment had skyrocketed. Suburban areas and communities in greater Minnesota that had good jobs available but no place to house the needed workers.

We surveyed families on welfare and asked about their housing situations. We found that many pay more than they can afford, move frequently, and some are concerned about the quality of their housing. Specifically:

- Over half (52 percent) paid more than 30 percent of their income for housing; 22 percent paid more than two-thirds.
- Over half (53 percent) moved at least once in the last year; 19 percent had moved multiple times.
- Twenty-two percent (22 percent) did not think their housing was suitable due to overcrowding or safety concerns.
- Thirty-six percent (36 percent) shared housing with others.

Subsidized housing can be a solution to these problems, but subsidies are in short supply. Only 40 percent of single-parent families on welfare in Minnesota have a housing subsidy, and only about a quarter of those who have left assistance have a subsidy. This is unfortunate, because we also learned from the evaluation of the

MFIP pilot that families living in subsidized housing had much stronger employment and earnings outcomes than families that lived in unsubsidized housing. This is an important finding because housing subsidy programs are generally considered to have disincentives to work built in to them: When you go to work your rent goes up. The evaluation results suggest some interaction of the economic incentives in MFIP and the housing programs—perhaps the MFIP work incentives offsetting the disincentive to work in housing programs—created the right incentive for these families. Perhaps more important, the researchers found that the families in subsidized housing moved less often, for example, were more stable in their housing. This stability—the confidence that they have a place to live that they can afford—may go a long way toward building the confidence needed to succeed in the workplace.

Minnesota Has Used the Flexibility in TANF to Address the Affordable Housing Crisis

We concluded, looking across the broad range of needs for low-income families, that housing was one of the most critical unmet needs. It also presented some of the biggest challenges for us in how to address the problem. First, housing has historically been the purview of the Federal Government. Over the last 20 years, the Federal Government's investment in the production of new housing is significantly less compared to 30 years ago. The historical Federal role leaves some State policymakers unwilling to take on the potentially costly solutions to this problem. Second, this is a multifaceted problem requiring multiple solutions. While more subsidies would certainly help, it doesn't solve every problem. Supply of low- and moderate-income housing is also a problem that needs a direct response, and homeless families and those families with multiple and complex barriers to employment also require more creative interventions.

Given our high priority on housing and our belief that the problem requires multiple solutions, we have used TANF funds for several key investments:

Rental Housing Production

We invested $54 million into the Minnesota Families Affordable Rental Investment Fund (MARIF) to provide incentives for the development of low- and moderate-income rental units. The MARIF Program is producing two types of housing: Supportive housing for families facing the greatest barriers to self-sufficiency and mixed-income housing near transit and other services in suburban communities experiencing job growth and in nonconcentrated neighborhoods in central cities. The MARIF funds are used to write down monthly rents to the lowest possible level, typically $350 to $400, affordable for families leaving welfare. In a number of projects, local housing agencies have assigned project-based Section 8 vouchers to the development, creating extremely affordable housing and enabling families to pay only 30 percent of their income for rent. In mixed-income projects, between 10 percent and 20 percent of the units are MARIF units. Three State agencies, the Housing Finance Agency, the Department of Human Services, and the Department of Economic Security work together to assist developers of MARIF projects in making connections with employment and training service providers, local social services agencies, county welfare offices, and other organizations that provide assistance to MFIP families. The strategy to invest in increasing rental housing makes sense given the one-time nature of the TANF reserve funds we had available; we were able to leverage these funds for the long-term benefit of low-income families in Minnesota.

Expanding Supply of Affordable Single-Family Homes

We invested $20 million of TANF reserve in Habitat for Humanity, to support—in combination with the volunteer work and donated materials that are the hallmark of Habitat for Humanity—the building of approximately 5,000 homes for current or recent MFIP families and families at risk of coming on welfare. Like the investment in rental supply, this strategy gives Minnesota a lasting benefit from a one-time investment.

Targeted Subsidies for Families Making the Transition from Welfare to Work

We invested an additional $250,000 of TANF in subsidies for families on welfare and making the effort to transition to work. This was provided through the Rental Assistance for Family Stability (RAFS) Program, which provides a subsidy of $250 a month for each family. RAFS was begun in the 1990's as a response to the growing concern about affordable housing for families trying to make the transition off of welfare.

Transitional Housing

We invested $5.8 million in transitional housing for families who have been homeless or have an unstable housing history. This funding provides up to 4 months of transitional housing and case management supports to help the family stabilize and move into permanent housing. State funds are regularly used to provide capital funding for transitional housing.

Family Homeless Prevention and Assistance Program (FHPAP)

We have used $2.7 million in TANF for homelessness prevention activities and services to homeless families. These services are delivered by community-based agencies and counties.

Supportive Housing Pilot

We are using $3 million in TANF to test a supportive housing model for MFIP families with multiple barriers to employment. The concept is to use a housing site as the focal point for integrating services for families. Two sites are testing this approach, one in St. Paul and the other in Mankato. The program is for families who are homeless and who have one of the following conditions: Mental health problems, chemical health problems, or HIV/AIDS.

In addition to these special investments, Minnesota makes emergency assistance available to low-income families once in 12 months to help with housing related crises. We spend nearly $20 million a year on emergency assistance. Payments are made to help families avoid evictions, pay first and last months rent, avoid utility shut-offs, make critical repairs, etc., for over 14,000 families a year.

Minnesota Needs More—Not Less—Flexibility in TANF and More Production of Rental Housing for Families with Children

The evidence is that Minnesota's welfare reform has been very successful. We want to keep it that way and make it even more successful. Minnesota's strategy with respect to housing and family self-sufficiency is consistent with the growing body of evidence that a family's success in moving out of poverty and sustaining employment may depend on stable, affordable housing. Building on our success in Minnesota requires help from the Federal Government in two areas: TANF reauthorization and housing programs.

For TANF reauthorization, my basic message is simple: Maintain and expand the State flexibility provided in the 1996 Federal law. This flexibility has been the key element of the success of welfare reform. The flexibility to use TANF funding for supports for low-income working families has resulted in a revolution in our national policy for low-income families. As I have said, it has helped Minnesota in our effort to create a comprehensive set of supports for working families, and particularly important in our efforts to address the affordable housing gap and how it impacts families making the transition to work.

There are three specific areas of TANF flexibility that relate to our work on housing issues:

- OVERALL FLEXIBILITY TO KEEP MINNESOTA'S ANTIPOVERTY PROGRAM ON TRACK: We are very concerned that proposals to dramatically increase the TANF work participation rates will force Minnesota to abandon our successful approach to reform. The proposal moving through the House of Representatives would require States to push most families into work very quickly, and require us to divert funding into work experience or subsidized work programs. This would dramatically change what we have done in Minnesota. Why does this matter in the context of housing issues? Because one of the best ways to address the affordable housing crunch is to help families increase their income so they can afford suitable housing for their family. As I said earlier, Minnesota has focused on moving families into good jobs and has demonstrated success at increasing income and decreasing poverty. We can see the results in housing for families. At a baseline measurement of families on MFIP, over half spent more than 30 percent of their income on housing. Two years later, only about one-third spent that much of their income on housing. This was not because more were getting subsidies or sharing housing; it was because families went to work and increased their income.
- FLEXIBILITY TO EXTEND THE DEFINITION SHORT-TERM ASSISTANCE TO PROVIDE HOUSING SUPPORTS THAT STABILIZE FAMILIES: TANF regulations make it difficult to provide ongoing housing support to working families. All housing supports that extend beyond 4 months are considered "assistance" under TANF regulations, even if the family is working and not receiving TANF cash benefits. The "assistance" label means the 60-month time limit clock runs on the family and that States must collect detailed information on every family every month. These rules act as a disincentive for States to use TANF funds for housing. TANF policy needs

to recognize that helping families stabilize their living situations often takes more than 4 months. States should have the flexibility to fund programs that seek to stabilize housing for families making the transition to work without being limited to 4 months.

- FLEXIBILITY TO USE A PORTION OF THE TANF BLOCK GRANT FOR HOUSING PRODUCTION: States should be allowed to use a portion of their TANF block grant—say up to 10 percent—on housing development. Current TANF law prohibits use of TANF funds for building of any sort. We believe that increasing the supply of low- and moderate-income housing is critical to the success of welfare reform, and States should have the option of using the flexible TANF funds to help in this effort.

Because of inflexible rules around "assistance" and the prohibition on housing development, Minnesota has had to indirectly fund some of its housing initiatives using TANF to supplant State funding in other areas. When we began to consider how to invest our TANF reserve, the Ventura Administration established a principle that we would supplant when the State funds were going to be redirected to additional services or supports for the TANF target population—low-income families.

If our recommendations above were taken we would not need to supplant to fund our housing initiatives. If that kind of flexibility is not granted, we would be concerned about proposals to restrict supplantation that did not take into account the differing ways States have used supplantation. I certainly understand and support those in Congress who have criticized States that have used TANF to fund areas unrelated to the purpose of TANF. However, I hope that in the effort to stop this kind of misuse of funds, you will consider leaving enough flexibility for States like Minnesota to continue to address critical housing needs using TANF funds.

As for Federal housing policy, there is renewed attention in Congress to the problems of housing families with very low and extremely low incomes. A number of bills have been introduced which, using different approaches, create a new rental production program for the lowest-income households.

In the face of a worsening housing problem in the 1990's, the State of Minnesota significantly increased its investment in affordable housing production and homeless prevention and assistance efforts. Congress too took a critical step to respond to the crisis when it increased the caps on housing bonds and credits in 2000.

However, the most difficult developments to fund are the ones serving the lowest-income families and individuals, whether they are supportive housing projects, mixed-income developments, or family tax credit projects. The scarcest and most critical resources are the subsidy funding needed to write down rents to affordable levels and the operating subsidy needed to serve households with incomes under $15,000. A new Federal rental production program for extremely low-income families is the single most important housing initiative Congress could take to support families moving from Welfare to Work.

Thank you, Mr. Chairman and Members, for the opportunity to bring Minnesota's views to this important topic today.

PREPARED STATEMENT OF BARBARA SARD

DIRECTOR OF HOUSING POLICY, CENTER ON BUDGET AND POLICY PRIORITIES

MAY 1, 2002

I appreciate the invitation to testify today. I am Barbara Sard, Director of Housing Policy for the Center on Budget and Policy Priorities. The Center is a nonprofit policy institute in Washington that specializes both in fiscal policy and in programs and policies affecting low- and moderate-income families.

Reauthorization of the Temporary Assistance to Needy Families (TANF) Program this year provides an important opportunity to focus on the role that housing strategies can play in strengthening welfare reform policy and supporting working families. Housing-related issues too often are ignored when TANF-related policies are discussed. Yet unstable or inadequate housing is frequently a significant barrier to employment, and the high cost of housing can impose a serious burden on low-income families struggling to transition from Welfare to Work. While the connection between affordable housing subsidies, housing location and employment has not been adequately studied, there is a growing body of research suggesting that welfare reform successes are greater among families with assisted housing than among

other low-income families.[1] These findings suggest both that welfare policy should include housing assistance as a strategy for success and that housing policy should better promote successful employment outcomes.

This testimony will cover the following areas:

- What we know about the housing problems of families that leave welfare.
- How the lack of affordable housing in areas with access to jobs compounds these problems.
- Effects of housing problems on children.
- Evidence that housing assistance and location can support welfare policy goals.
- Current policy proposals for housing strategies to strengthen welfare reform policy and support working families, including: S. 2116, which would make a number of modest housing-related changes in the TANF statute. Senator Sarbanes' draft "Housing Voucher Improvement Bill of 2002," which includes a number of changes in housing law to promote work. Appropriations issues. Whether work requirements on assisted housing residents would be helpful. Proposals to promote two-parent families in assisted housing. The Administration's "superwaiver" proposal.

Families Leaving Welfare for Work Still Experience Housing Problems

Housing affordability is a real problem for families currently receiving TANF benefits, as well as for families that have recently moved from Welfare to Work. In only three States are TANF benefits high enough for families to obtain modest housing with less than their entire TANF grant. (The three States are Alaska, West Virginia, and Wisconsin.) In every other State, modest rental housing costs—as reflected in HUD's Fair Market Rents—exceed the entire monthly TANF grant.

Most families that leave welfare for work do not earn enough to afford decent-quality housing and do not receive housing assistance. Studies indicate that the average total monthly income of households that previously received welfare benefits and have at least one working member is $1,261 (in 2002 dollars), which falls below the Federal poverty level for a family of three.[2] A family with this income would have to pay 58 percent of its total income to rent a two-bedroom unit at the Fair Market Rent in jurisdictions with rental costs at the national median.[3] In the 14 jurisdictions with Federally-financed studies on the earnings of recent welfare leavers, modest housing costs would consume 52 to 129 percent of estimated average monthly earnings.[4] (See Appendix A.) Housing subsidies can help families leaving welfare for work close the gap between what they earn and the cost of rent and other necessities.

Nationally, only about 30 percent of families receiving monthly income from the Temporary Assistance to Needy Families (TANF) Program also receive Federal housing assistance. This percentage varies across States from about 12 percent to 50 percent. (Federal housing assistance usually allows families to pay 30 percent of their income for rent and utilities, with the remaining cost paid by the Government subsidy.) Relatively few TANF families receive housing assistance because Federal housing programs serve only about one-quarter of eligible households and because few States invest significant resources in low-income housing programs.

Not surprisingly, the combination of low earnings and scarce housing assistance results in housing problems. Nearly three-fifths of working poor renters with chil-

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[1] For details on the research findings, including those discussed later in this testimony, see Barbara Sard and Margy Waller, *Housing Strategies to Strengthen Welfare Policy and Support Working Families,* Center on Budget and Policy Priorities and The Brookings Institution Center on Urban & Metropolitan Policy, April 12, 2002, available on the internet at: *http://www.cbpp.org/4-15-02hous.pdf.*

[2] The median total income of welfare-leaver households is based on 1999 data from the National Survey of American Families, adjusted for inflation to 2002, and includes earnings and benefits for all household members in households with at least one employed member. See Pamela Loprest, *How Are Families That Left Welfare Doing? A Comparison of Early and Recent Welfare Leavers,* Urban Institute, April 2001.

[3] The housing cost used in this calculation ($727 per month) is the estimated median fiscal year 2002 two-bedroom national Fair Market Rent (FMR), as calculated by the National Low Income Housing Coalition, *Out of Reach, 2001.* It is based on HUD's 2002 FMR's weighted by the number of renter households reported by the 2000 Census. The Fair Market Rent is the estimate issued annually by the Department of Housing and Urban Development of the cost of decent, modest housing in each area.

[4] These percentages are based on median wages of employed welfare leavers, derived from median quarterly earnings in the last quarter of the first year after leaving welfare, as reported in studies financed by the U.S. Department of Health and Human Services (found at *http://aspe.os.dhhs.gov/hsp/welf-ref-outcomes01/appb.htm*). These median earnings figures are adjusted for inflation to 2002, and compared with the 2002 State FMR's calculated as discussed in note 3 above. The calculations assume that families pay no more than 30 percent of income for rent and have no income other than the earnings of the welfare leaver.

dren who do not receive housing assistance face serious housing problems—that is, they pay more than 50 percent of their income for housing or live in seriously substandard housing, or both.[5] Among unsubsidized poor renter families with at least full-time, year-round minimum-wage earnings in 1999, some 36 percent spent more than half of their income on housing.

Housing Problems of Welfare Leavers Appear to be Getting Worse

There is some evidence that the housing problems of families leaving welfare are getting worse. An Urban Institute study found that families that left welfare between 1997 and 1999 were more likely to report an inability to pay a mortgage, rent, or utility bill than families leaving welfare between 1995 and 1997. Of the more recent group of welfare leavers, nearly 1 in 10 reported being forced to double up with others because of an inability to afford the cost of housing.[6]

One reason housing problems may be getting worse for welfare leavers is that the number of rental units affordable to poor families (defined as requiring the family to pay no more than 30 percent of its income for housing costs) has declined, from 85 units for every 100 poor families in 1987 to 75 units for every 100 such families in 1999.[7] The number of units that are both affordable to these households and available for them to rent is even lower: In 1999, there were only 39 such units for every 100 poor renters.[8] The situation likely has not improved much since 1999. In 2000, rents increased faster than inflation for the fourth consecutive year, and the recent brief recession is unlikely to have reduced rent levels significantly.

Private market forces are mostly responsible for the reduction in the number of affordable rental units, but Federal housing policy has contributed as well. Between 1995 and 1998, the number of households receiving Federal rent subsidies declined as a result of the demolition of public housing, the expiration of Federal subsidy contracts for more than 120,000 privately-owned units, and the lack of Federal funding for any new housing vouchers. While the Low Income Housing Tax Credit (LIHTC) and the HOME block grant—the two current Federal subsidies for the production and rehabilitation of rental housing—add more than 100,000 units of decent-quality rental housing per year, households with incomes below about 45 percent of the area median income generally cannot afford these units unless they have additional rental subsidies such as vouchers. (Note: In late 2000, Congress enacted a 40 percent increase in LIHTC funding.)

Congress did fund about 213,000 new housing vouchers for the 4 years from 1999–2002, including 50,000 vouchers for Welfare to Work rental housing assistance in 1999. The number of new vouchers being funded declined in fiscal year 2002, however, and is lower this year than the number funded in any year between 1983 and 1994.

Lack of Affordable Housing with Access to Jobs Compounds the Problem

Lack of housing subsidies or other assistance can prevent families from moving in some circumstances when doing so could improve their economic prospects. Such circumstances include moves to areas with greater employment opportunities, as well as moves to areas where parents feel safe enough to go to work and leave older children unattended or to return from work at night on public transportation. Studies of the Chicago, Cleveland, Detroit, Milwaukee, and Los Angeles metropolitan areas have found that welfare recipients who live closer to employment opportunities are more likely to be employed. Living in lower-poverty, less-disadvantaged neighborhoods also may improve the chances of being employed, due to better information about job opportunities or other factors.

A growing share of employment opportunities are located not in cities, where TANF recipients are increasingly concentrated, but in the suburbs. Between 1992 and 1997, job growth in the suburbs of the largest central cities was more than double that in the cities themselves. In about a quarter of the cities, the number of jobs

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[5] As used here, a family is characterized as "working poor" if it has annual earnings of at least $2,575 (equivalent to quarter-time year-round work at the minimum wage) and total income below the Federal poverty line.

[6] Loprest, n. 2 above.

[7] The term "poor households," as used here, actually refers to households considered to be "extremely low-income" as that term is defined in Federal housing programs. These are households with incomes at or below 30 percent of the area median income, as adjusted by HUD. This income level is roughly equivalent to the Federal poverty line. Nearly all TANF recipients and most leavers have incomes below this level.

[8] Nelson, Kathryn P., Office of Policy Development and Research, HUD, Testimony before the House Committee on Finance Services Subcommittee on Housing and Community Opportunity, May 3, 2001. Units were considered "available" if they were vacant and available for rent or occupied by poor families. Affordable units occupied by higher-income families were considered unavailable.

fell while the number of jobs in the surrounding suburbs increased. This decentralization of employment affects cities in all parts of the country, although about 20 percent of cities have bucked the trend. Cities with some of the most slowly declining TANF caseloads in the Nation—Los Angeles, Richmond, Hartford, and Washington, DC—actually lost jobs from 1992–1997. Unfortunately, a number of factors—including lack of affordable housing, discrimination, and inadequate public transportation—can make suburbs largely inaccessible to low-income families in central cities or rural areas.

Rental housing vacancy rates are lowest in the portions of metropolitan areas outside of the core central cities. In every region of the country in 1999, suburbs had lower vacancy rates for units with rents affordable to families with housing vouchers than cities or rural areas did. Not surprisingly, a recent study by Abt Associates found that the tighter the housing market, the lower the percentage of families that succeeded in renting housing with vouchers, and the longer the successful families took to find housing. In the fall of 2000, some 61 percent of the families that received vouchers in very tight housing markets succeeded in finding a unit to rent, compared to 80 percent in loose markets.[9]

Thus, there is a need for additional rental housing that is located in job-growth areas and is affordable to working poor families, or at least affordable to those fortunate enough to have housing vouchers. Yet, our current housing production programs are doing little to meet this need, in part due to Federal law and in part due to State and local decisionmaking. A substantial majority of units developed with Low Income Housing Tax Credits are built in central cities or rural areas and not in the metropolitan suburbs where most job growth is occurring and where half of the population now lives. An analysis of the location of family sized tax credit units in comparison with job opportunities in 12 metropolitan areas shows that tax credit units are poorly located in relation to centers of job growth. In addition, HOME-assisted rental units are more likely than Section 8 vouchers, but less likely than public housing units, to be located in high-poverty neighborhoods.[10]

Lack of Decent, Affordable Housing is Harmful to Families

There is no question that the demand for affordable housing far exceeds the supply and that much of the current stock of affordable housing is concentrated in areas at a distance from the centers of job growth. As a result, many families may face a Catch–22 situation. If they live in housing they can better afford, they may not be able to get or keep a job; but if they move closer to work, their housing costs may rise to the point where they have difficulties affording necessities, including work-related expenses.

In addition, families that pay too much of their income for housing or live in severely inadequate or overcrowded housing may have to move frequently. A recent study in Ohio found that 42 percent of families that had recently left welfare and paid more than half of their income for housing moved in the 6-month period after leaving welfare. (Some 38 percent of the recent welfare leavers in the study paid more than half their income for housing.) In contrast, roughly 8 percent of the general population moves in a 6-month period. Frequent moves may interrupt work schedules and jeopardize employment.

Lack of stable housing also can have other negative consequences:

Children may be affected adversely. A number of the studies demonstrate that frequent moves can undermine school performance, reduce skill development, and increase the risk of dropping out. Inadequate housing also has been linked to increased rates of asthma and respiratory disease, lead poisoning, and poor nutrition, which can retard a child's physical and intellectual development. Conversely, housing assistance that helps families move from high-poverty to low-poverty neighborhoods can have positive impacts on children. Some studies indicate it can contribute to improved educational outcomes, eventual increases in employment, and reduced involvement in violent crime as victim or perpetrator.

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[9] Finkle, Meryl and Larry Buron, *Study on Section 8 Voucher Success Rates,* U.S. Department of Housing and Urban Development, November 2001.

[10] The Urban Institute, *Expanding The Nation's Supply of Affordable Housing: An Evaluation of the HOME Investment Partnership Program,* U.S. Department of Housing and Urban Development, Office of Policy Development and Research, March 1999. Based on 1998, 40 percent of all public housing units, 22 percent of HOME-assisted rental units, 15 percent of project-based Section 8 units, and 9 percent of Section 8 certificate and vouchers were located in census tracts that were more than 40 percent poor according to the 1990 census. By comparison, 15 percent of all unassisted renters with incomes below the poverty line lived in such high-poverty areas. Jill Khadduri, Mark Shroder, and Barry Steffen, *Can Housing Assistance Support Welfare Reform,* Fannie Mae Foundation, forthcoming.

Health can be affected adversely. A recent study by the Manpower Demonstration Research Corporation indicated that poor housing conditions can cause or exacerbate welfare recipients' health problems. In addition, the Task Force on Community Preventive Services of the Centers for Disease Control recently recommended housing voucher programs as a public health strategy to improve household safety by enabling families to move to less violent neighborhoods.

Housing Assistance and Location Can Support Welfare Reform Goals

There is a growing, although not conclusive, body of evidence that housing assistance, particularly housing vouchers that enable families to choose where they live, can help families stay off welfare once they leave the rolls. A number of studies also suggest that housing assistance can help welfare recipients become and remain employed, often outweighing other potentially detrimental factors in families' lives. While under Federal housing programs, families' rents generally increase if their incomes rise, well-designed welfare programs can offset this financial disincentive to work by disregarding part or all of a family's increased earnings. This research suggests that as policymakers struggle to find the tools to improve job retention, they should give more attention to housing strategies.

HOUSING VOUCHERS MAY HELP FAMILIES LEAVE AND REMAIN OFF THE WELFARE ROLLS

Among families that left welfare in Cuyahoga County, Ohio (Cleveland) in 1996, households with housing voucher assistance were 16 percent less likely to return to the welfare rolls in the following year than families without housing assistance. Based on detailed analysis of actual residential and job locations, the researchers attributed this result to the fact that families with housing vouchers were more likely to be employed closer to their homes and to have shorter and more direct commutes; they also had access to more job openings than families without housing assistance or that lived in public or project-based Section 8 housing. In the Moving to Opportunity Demonstration in Baltimore, families that used vouchers to move to low-poverty areas were only one-third as likely to be receiving welfare 3 years later as families that remained in high-poverty areas. (Interim data from the other four sites in the Moving to Opportunity Demonstration have not replicated this finding.) Analysis of data from a program in Chicago found that families using vouchers to move to areas with a greater number of educated residents were about one-third less likely to receive welfare than similar families that used vouchers to move to areas with fewer educated residents.

FORMER WELFARE RECIPIENTS APPEAR MORE LIKELY TO SUCCEED IN THE WORKPLACE IF THEY HAVE HOUSING ASSISTANCE

This is an important issue, since only about 75 percent of welfare leavers are employed in the year after leaving welfare. Of a national sample of families that left welfare in 1997–1999 and were interviewed in 1999, leavers with housing assistance were significantly more likely to be working than their counterparts without housing assistance (68 percent compared with 58 percent).[11] Employment among recent welfare leavers in Massachusetts was higher among families with housing subsidies than among those without housing assistance, even though the former group had greater barriers to work. (They generally had been on welfare longer, had larger families, and were almost twice as likely to be minorities.) A study of welfare leavers in Los Angeles County found that families with housing assistance were more likely to be employed in each quarter in the first year after leaving welfare than families without housing assistance. Families with vouchers were somewhat more likely to remain employed than families with other kinds of housing assistance, as well as families that did not receive housing assistance. Families with vouchers that stayed off welfare also had higher average earnings.

One study that covered a period prior to the recent changes in the welfare system also found a substantially higher rate of employment among Chicago families that

[11] Zedlewski, Sheila Rafferty, *The Importance of Housing Benefits to Welfare Success,* The Brookings Institution Center on Urban & Metropolitan Policy and The Urban Institute, April 2002. The survey was limited to families with incomes below 200 percent of the Federal poverty level. The education and mental health status of leavers with housing assistance was lower, on average, than of leavers without housing assistance, but the differences were not significant. Comparing families with incomes below 100 percent of the poverty level, leavers with housing assistance faced significantly higher personal challenges to employment—such as low-education levels, poor mental or physical health, and lack of recent work experience—yet also were more likely to be employed than leavers without housing assistance (58 percent compared with 52 percent). The difference in employment levels, however, was not statistically significant for this lower-income group.

used vouchers to move to low-poverty suburbs than among Chicago families that used vouchers to move within the city. After 5 years, 64 percent of the families in the study that moved to the suburbs were working, compared with 51 percent of those using their vouchers to move within the city of Chicago. It is not yet clear whether these results will be replicated in other ongoing demonstrations.

WELFARE INTERVENTIONS ARE MORE EFFECTIVE WHEN COMBINED WITH HOUSING ASSISTANCE

An evaluation of the Minnesota Family Investment Program (MFIP), widely considered to be one of the country's most comprehensive welfare reform strategies, found the greatest positive impacts occurred among families that received housing assistance in addition to other welfare benefits and services. This study is significant because, taken as a whole, the gains it found—including reductions in poverty, increases in employment and earnings, and even increases in marriage—are among the strongest ever documented for a welfare reform undertaking in the United States. Most of MFIP's success was due to the substantial increases in employment and earnings it generated among families receiving housing assistance (primarily Section 8 vouchers); families without housing assistance had little or no gains.

Eligibility for full MFIP services (including generous financial incentives) boosted the employment rates of long-term welfare recipients living in public or subsidized housing by 18 percentage points. This was more than double the gain in employment rates for long-term welfare recipients not living in public or subsidized housing who were eligible for the same services and financial incentives. In fact, nearly all of the gain in earnings that MFIP produced occurred among families living in public or subsidized housing. Quarterly earnings increased an average of 25 percent among the families eligible for full MFIP services that lived in public or subsidized housing. Earnings increased only 2 percent, an amount that was not statistically significant, among families eligible for full MFIP services that did not live in public or subsidized housing.

In addition, the National Evaluation of Welfare to Work Strategies (a comparison of human capital development and quick labor market attachment programs in seven sites) found that families with housing assistance were more successful in sustaining employment than other recipients who received the same services but did not have housing assistance. Unlike the Minnesota demonstration, the different approaches to employment tested in these seven sites did not include additional financial incentives. While the better outcomes for families with housing assistance were not as significant as the MFIP results, the NEWWS demonstrations further substantiate that housing assistance may enhance the success of welfare interventions.

Current Policy Proposals for Housing Strategies to Strengthen Welfare Policies and Support Working Families

While TANF reauthorization legislation is not primarily about housing, there are a number of ways to modify the TANF statute to make it easier to address the housing needs of families with children and to encourage States to consider addressing housing-related barriers to work. It also is important to increase the work promoting services available to low-income families that receive housing assistance; many of these families face greater barriers to work than other families that receive TANF assistance. Helping these families make a successful transition to work furthers States' welfare reform goals while also advancing HUD's strategic objectives. (Families whose employment and earnings levels rise generally pay more for rent and are more likely to give up their Federal housing subsidies, making scarce resources available to other needy families.)

HOUSING-RELATED CHANGES IN THE TANF STATUTE

S. 2116, the Welfare Reform and Housing Act recently introduced by Senator Kerry, contains six provisions that would make modest but important changes in the TANF statute and (in one respect) in housing law. The bill would:

- *Make it simpler for States to use TANF funds to provide supplemental rental assistance by considering these housing subsidies "nonassistance."* Nine States and several counties in two additional States have committed Federal TANF and/or State maintenance-of-effort funds to provide housing subsidies principally to families moving from Welfare to Work.[12] Many of these jurisdictions were unable to

[12] Connecticut, Kentucky, Maryland, Michigan, Minnesota, New Jersey, North Carolina, Pennsylvania, Virginia, and the counties of Denver, Los Angeles, and San Mateo have committed TANF or State matching funds to provide housing assistance to low-income families for periods of 9 months or longer. See *The Increasing Use of TANF and State Matching Funds to Provide*

Continued

implement the types of housing programs they wanted—particularly the ongoing rental assistance to working-poor families—due to HHS rules that consider any TANF-funded housing subsidy that is not short-term as "assistance," even if families are working and not receiving TANF cash benefits. Any form of "assistance," including a TANF-funded housing subsidy provided for more than 4 months, counts against the family's Federal lifetime TANF time limit and also triggers various data-gathering and reporting requirements, as well as the obligation of families to assign their right to child support to the State. Thus, ongoing receipt of rental subsidies by a poor family that has worked its way off cash welfare benefits can threaten the family's ability to receive cash assistance at a future point if the family subsequently loses its job (perhaps in a recession) and falls on hard times. TANF-funded supplemental housing benefits for families not receiving cash welfare benefits should be categorized as "nonassistance" to facilitate States' use of TANF funds to serve working families. (At a minimum, States should have the option to categorize such benefits as "nonassistance.")

- *Allow States to determine what constitutes "minor rehabilitation" costs payable with TANF funds.* It is now permissible to use TANF funds for "minor rehabilitation" but there is no HHS guidance on what types or cost of repairs is allowable, making it difficult for States to determine the extent to which using TANF funds in this area is permissible. Several States have recently allocated TANF funds to rehabilitate rental housing for TANF-eligible families, focusing particularly on mitigating lead paint hazards in housing with children under six and on handicap accessibility. By allowing States to define what constitutes "minor rehabilitation," more States with similar needs are likely to follow suit. (An alternative approach would be to direct HHS and HUD to issue guidance on what constitutes "minor rehabilitation" and is a permissible use of TANF funds.)
- *Provide funds to HHS to conduct a joint HHS/HUD demonstration project for families with multiple barriers to work that combines housing assistance with services.* Such a project would explore the effectiveness of a variety of models for combining housing with services for TANF families that have multiple barriers to work, including homeless families. A portion of the funds could be used for non-custodial parents of children receiving TANF benefits, such as homeless fathers or those recently released from prison. Funds could be used to provide not only housing assistance, but also employment services designed to increase parents' earnings and help support their children. This is an important component of efforts to determine the most effective strategies for the hardest-to-serve families.
- *Clarify that legal immigrant victims of domestic violence eligible for TANF and other welfare-related benefits are also eligible for housing benefits.* This proposal would ensure that abused immigrant women seeking protection under the 1994 Violence Against Women Act (VAWA) that are eligible for other Federal benefit programs also have access to Federal housing programs.
- *Encourage States to consider housing needs in TANF planning and implementation, and improve data collection on families' housing status.* States would identify whether families' living arrangements (such as doubling up or homelessness), housing costs and housing locations pose barriers to work as part of an effort to address the primary housing-related problems experienced by TANF families. To assist States in planning and implementing policies that take into account families' housing situations, States need better data on the housing status of families receiving TANF than most States currently have, as well as on the location of places of employment in relation to families' housing. This proposal also would direct HHS to work with HUD to develop a procedure for interagency data matching or other uniform data collection protocol to determine the housing status of families receiving cash benefits.
- *Encourage cooperation among welfare agencies and agencies that administer Federal housing subsidies.* As a parallel to the current requirement in Section 12(d)(7) of the U.S. Housing Act (42 U.S.C. § 1437j(d)(7)) that Public Housing Agencies (PHA's) seek to enter into cooperation agreements with welfare agencies, this provision would direct States to cooperate, directly or through counties, with PHA's to promote the economic self-sufficiency of public housing residents and voucher program participants that currently or recently received TANF benefits. Some PHA's have reported that despite their attempts to collaborate with welfare agencies to improve services to families assisted by both agencies, welfare agencies often did not respond to their overtures. Efforts to spur more productive interagency collaboration could be helpful.

Housing Assistance to Families Moving from Welfare to Work and the *2001 Supplement,* available at: *http://www.cbpp.org/2-17-00hous.pdf and http://www.cbpp.org/12-3-01hous.htm.*

For States to take full advantage of any enhanced flexibility to address the housing needs of families moving from Welfare to Work, they will need to have sufficient resources. The Administration has proposed freezing funding for the TANF block grant over the next 5 years, and it has also suggested imposing stringent new work requirements that would force States to devote substantially more resources to costly workfare programs. If States' resources get consumed by the costs of running workfare programs on a greatly expanded scale, they have less left to provide work supports, including housing assistance, for low-income working families that are no longer receiving cash assistance and are struggling to get by on low wages. Congress should be sure to provide additional funding for TANF above a freeze level (as well as resources needed to meet any additional work requirements), if it expects States to continue innovating and providing a wide range of work supports to ensure that families succeed in moving from Welfare to Work and then stay employed and off welfare.

PROPOSALS TO REVISE HOUSING PROGRAMS TO SUPPORT WORKING FAMILIES

Senator Paul Sarbanes has circulated a draft bill entitled "The Housing Voucher Improvement Act of 2002" that contains several provisions designed to promote employment.[13] The bill includes the following work-related provisions.

- *Authorization of Welfare to Work Vouchers.* In the fiscal year 1999 VA–HUD Appropriations Act, Congress funded 50,000 Welfare to Work vouchers for current and recent TANF recipients for whom the lack of affordable housing or housing location is a barrier to work. The program has never been authorized and new vouchers have not been allocated beyond the initial 50,000. Experience with this program suggests that such targeted housing assistance can benefit families and provide positive incentives for interagency collaboration. In addition to facilitating appropriations for additional target end vouchers, the proposed program authorization would give preference to receive the new vouchers to PHA's that have committed their own resources to an interagency Welfare to Work Program or that are collaborating with welfare or workforce investment agencies in operating a State- or locally-funded program. As a result, this provision would encourage PHA's to allocate a portion of existing vouchers that become available through turnover to families leaving welfare for work and also would provide an incentive to States to allocate TANF or other funds for this purpose. In addition, the provision would strengthen requirements that PHA's, welfare and workforce investment agencies collaborate in program implementation.
- *Expansion of the Family Self-Sufficiency Program.* The Family Self-Sufficiency (FSS) Program is a HUD-administered employment and savings incentive program for low-income families that have housing vouchers or live in public housing. FSS promotes the goals of welfare reform, but fewer than 1.5 percent of the families that currently receive income from TANF and are potentially eligible for FSS are participating in the program. The number of public housing families enrolled in FSS is particularly low, only 7,000. In addition, families living in units with project-based Section 8 subsidies are not eligible for FSS. This proposal would clarify that HUD may provide funding for multiple FSS coordinators to PHA's with large public housing FSS programs (as HUD now does for PHA's with large voucher FSS programs), and amend the FSS statute to make families with project-based Section 8 subsidies eligible. Many nonprofit owners as well as some for-profit owners are interested in offering this asset-building program to their tenants. But since not every owner will choose to set up an FSS program, the statute would be amended to allow families in project-based Section 8 housing to participate in a local PHA's Section 8 FSS program, at the PHA's discretion. While these changes will have some cost, it should be modest.
- *Flexibility to Use Resident Opportunities and Self-Sufficiency (ROSS) Funds to Serve Section 8 Families.* ROSS is currently the single largest HUD competitive grant program to promote the self-sufficiency of HUD-assisted tenants. ROSS funds, however, may not be used to assist Section 8 families, despite the fact that more than twice as many families with children live in housing assisted under the tenant-based or project-based components of the Section 8 program as live in public housing. Until fiscal year 2001, grantees under ROSS and its predecessor, the Economic Development and Supportive Services (EDSS) Program, could choose to use up to one-fourth of their grant funds to serve Section 8 families. ROSS funds now are restricted to use only for public housing tenants and resi-

[13] As the title of the bill implies, the primary role of the draft bill is to increase voucher utilization and success rates and enhance the mobility potential of housing vouchers, through provisions not discussed in this testimony. Such measures also are likely to promote employment among families with children.

dents of housing assisted under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). HUD has restricted the use of these funds pursuant to Section 34 of the U.S. Housing Act, adopted as part of the Quality Housing and Work Responsibility Act of 1998. (EDSS never had statutory authorization.) Section 34 authorizes grants only to serve public housing tenants and residents of housing assisted under NAHASDA. It is not clear why Congress made this change, and it may have been simply an oversight. This proposal would amend Section 34 to allow ROSS grantees to serve Section 8 families.

- *A Requirement that States and Counties, in Planning Areas to Target for Housing Production Using Federal Housing Block Grant Funds, Consider Parents' Access to Employment and Consult with Social Service Agencies.* Housing opportunities close to areas of employment opportunities and public transportation are important to enhancing the prospects of low-income people to find and to retain employment. This provision would require that jurisdictions, in awarding Federal housing block grant funds for housing development, consider housing location in relation to employment opportunities for current and recent TANF recipients. In addition, the provision would require States and counties to solicit comments from agencies that administer TANF and workforce development programs to inform their housing planning, and to submit these agencies' comments and their responses along with their proposed Consolidated Plans to HUD.
- *Authority to Receive Earmarked Grants from Other Sources to Offset Rent Increases for Section 8 Families Due to Earnings and for Working Spouses or Parents that Join Tenant Households.* The 1998 housing law authorized a 2-year phased disregard of increases in earnings in calculating rents for families that have vouchers or live in units with project-based Section 8 subsidies and that previously were unemployed or recently received TANF benefits. No funds have been provided through the appropriations process for this purpose, however, so this earnings disregard for Section 8 recipients has not been implemented. Only public housing residents and disabled voucher tenants receive the benefit of the disregard in calculating their rent. Similarly, if a working adult joins a family, the family's rent is increased because all of the additional income is counted. Just as the lack of an earnings disregard for Section 8 families may be a disincentive to work, the lack of any disregard of the income of a reuniting parent or spouse may discourage family formation. This proposal would amend the U.S. Housing Act to allow PHA's and owners administering project-based Section 8 subsidies to receive other funds—including TANF funds—to provide an optional disregard for increases in earnings in calculating the rent of Section 8 families. It also would create an optional disregard of a household's increased earned income in calculating rent of public housing or Section 8 tenants when spouses or parents rejoin these households. PHA's and owners that received funds from TANF or other public or private entities to cover the costs of these disregards would be allowed to provide the disregards.

IMPLICATIONS FOR HUD APPROPRIATIONS

Realizing positive results from these work-related amendments to the housing statutes generally will require additional appropriations. More funding for vouchers will be needed. (Note: A portion of incremental vouchers could be earmarked for use as Welfare to Work vouchers; it may make sense to set aside about a third of new vouchers for this purpose, which would ensure that other new vouchers are available for PHA's to serve elderly, homeless, or disabled individuals on their waiting lists, as well as working families without prior history of welfare receipt.) In addition, Congress should increase the amounts allotted for FSS coordinators within the overall appropriations for the public housing operating subsidy and the Section 8 Certificate Fund, and make any necessary adjustment in the total amounts appropriated for each of these accounts in anticipation of additional families participating in the escrow savings feature of the FSS program. The appropriation for ROSS, which has generally been a set-aside within a larger account such as the Community Development Block Grant or the Public Housing Capital Fund, should be increased so services to public housing families are not reduced in order to serve Section 8 families. (In the last few years Congress has appropriated $55 million for ROSS.)

Finally, fiscal year 2003 VA–HUD Appropriations Act should fund the already-authorized earnings disregard for Section 8 families. Public housing residents who were previously unemployed or recently received TANF benefits do not face an immediate rent increase when they go to work and increase their income. For a 2-year period, their increase in earnings is disregarded when their rent obligation is calculated. (In the second year, half the earnings increase is disregarded.) Congress authorized this earnings disregard for families that have vouchers or live in units

with project-based Section 8 subsidies in QHWRA, but never funded it, despite the fact that 70 percent of families that receive both welfare and housing assistance are served by these housing programs rather than by public housing. The lack of an earnings disregard for these housing assistance recipients may weaken welfare reform efforts and also may diminish the impact of TANF-funded earnings disregards.[14]

Should Work Requirements Be Imposed on Families Living in Public or Section 8-Assisted Housing?

Some may argue that rather than authorizing and funding these improvements in Federal housing programs to promote work, Congress should simply impose work requirements on assisted tenants. For the reasons explained below, a proposal imposing work requirements on assisted tenants would create administrative burdens far out of proportion to the gain to be achieved, as there are few able-bodied heads of households receiving housing assistance who are not already working or subject to work requirements in another program such as TANF. Furthermore, if the goal is actually to promote work rather than to terminate housing assistance to vulnerable families and individuals—some of whom may then slip into homelessness—the proposal would be quite costly to implement and would be likely to interfere significantly with effective implementation of other housing program requirements and goals.

Based on HUD data from the fall of 2000, some 89 percent of the heads of households receiving HUD-funded housing assistance are either elderly, disabled, working or subject to work requirements under TANF. Many of the remaining 11 percent of HUD-assisted families with a nonelderly, nondisabled head of household who are neither working nor receiving TANF are likely to face severe barriers to work, such as poor physical and mental health, limited literacy or work experience, or a history of substance abuse or involvement in the criminal justice system. Overcoming these barriers will be neither easy nor cheap and will require comprehensive services skillfully delivered. Few housing agencies currently have the in-house expertise or existing partnerships with other service providers to help such individuals enter and remain in the workforce. To impose work requirements on such individuals without funding to provide the services they need would be ineffective. It also could cause many of them to become homeless. To require PHA's to divert already inadequate resources from housing maintenance, eligibility, and rent determination or other essential functions to enforce work requirements for this relatively small number of households would undermine the primary mission of the housing programs.

Imposing work requirements on housing assistance recipients is impractical for another reason as well. The majority of the small fraction of such households who report having no current income live either in private units rented with the help of a Section 8 voucher or in a development that receives a Section 8 project-based subsidy. It is unlikely that Congress would, or legally could, impose obligations on private owners with existing project-based Section 8 contracts to administer work requirements. While Congress could require owners to agree to administer work requirements as a condition of renewing their project-based Section 8 contracts, such a requirement would likely discourage many owners from continuing to administer Section 8 subsidies. Similarly, while Congress could impose the obligation to enforce work requirements on PHA's administering voucher programs, such requirements also would be likely to discourage owner participation. Assuming that work requirements would have to be enforced through reduction or termination of the housing subsidy, such requirements would put owners at risk of increased turnover in their units. Increased turnover imposes additional uncompensated maintenance and tenant selection costs and reduces rent payments while units are vacant. At a time when about 30 percent of households receiving new vouchers are unable to use them, imposing new Federal requirements that would further reduce owner participation in the voucher program would be counterproductive. This suggests that the current practice of imposing work requirements and the obligation to deliver work-related services through TANF and related programs, rather than expecting housing programs to take on this new role, is the appropriate course of action.

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[14] In a study of perceived barriers to work among public housing families, nearly half cited a rent increase as their major concern, more than were concerned about child care, safety, loss of other benefits or any other problem. Cynthia Miller and James A. Riccio, *Making Work Pay for Public Housing Residents: Financial-Incentive Designs at Six Jobs-Plus Demonstration Sites,* Manpower Demonstration Research Corporation, January 2002.

Family Formation Issues in the HUD-Assisted Housing Programs

Perhaps to a greater extent than is true of other poor families, families with children in HUD-assisted housing tend to have only one parent in the home. It would often be better for children to live with both parents. There are certain Federal admissions and rent policies that discourage two-parent families in Federally-assisted housing. The two policy changes recommended below could increase the proportion of children in assisted housing that live with both parents (or a parent and spouse) without substantially interfering with other housing policy objectives.

- *Reduce the Financial Disincentive to Having a Working Spouse or Parent Join a Family in Federally-Assisted Housing.* In Federal housing programs, rent is generally based on income. If a household's income increases, its rent increases as well. Tenants generally pay at least 30 percent of their "adjusted" income for rent. (Families in the voucher program may pay more.) There is no "adjustment" to income for an additional adult in a household; each adult's gross income is counted, with rare exceptions. Currently, PHA's are permitted to adopt policies that disregard income of public housing tenants in particular situations, but they do not receive Federal reimbursement for the costs of such optional disregard policies. No optional income disregards are permitted in the Section 8 programs.

  These rent policies create a financial disincentive to add a working parent or spouse to a tenant family. To reduce this financial disincentive, Federal law could require a PHA or owner to disregard some or all of the income of a newly admitted spouse or parent for a limited period of time in determining the family's rent. Alternatively, Federal law could make such a policy optional in the Section 8 program like it now is in the public housing program, and provide reimbursement to agencies for the additional costs. It is possible that over time such a policy would increase total household income and rent payments, and therefore would not require additional Federal funding.
- *Promote Sensible Policies on Exclusion of a Second Parent from Federal Housing.* To reduce the barriers to married and two-parent families in Federally-assisted housing programs, Federal law could be changed to alter how agencies review criminal history and subsequent behavior, in order to balance safety concerns with consideration of the best interests of the children. PHA's and private owners that administer HUD subsidies are allowed to screen out any applicants with a history of drug-related or violent criminal activity or other nonviolent criminal activity that would adversely affect other residents or employees, regardless of how long ago the criminal activity occurred or the applicant's subsequent behavior. Current Federal policy makes no distinction in screening policies based on marital or parental status. If a spouse or parent of the children was not part of the household when the family initially received housing assistance, due to incarceration or other reason, that spouse or parent is subject to the same screening process as a new applicant if he or she seeks to join the household. Given the substantial level of past involvement with the criminal justice system among the poor, particularly among African-American males, this pro-safety policy has a broad exclusionary effect. PHA's and private owners of HUD-assisted housing could be directed to consider subsequent behavior, participation in formal rehabilitation programs, and other evidence of mitigating circumstances before deciding whether to admit or deny admission to a spouse or parent of a current resident. (Such consideration is now permitted but not required.) If, after this more thorough screening process, a PHA or owner decides that a parent or spouse seeking to join a tenant household would be likely to pose a risk to other tenants or agency employees, it could and should deny admission. The minor amount of additional work entailed is appropriate to enable more children to live with two parents.

The Administration's "Superwaiver" Proposal is Not the Appropriate Response to the Need for Better Coordination Between Welfare and Housing Programs and May Reduce the Housing Resources Available to Families Moving from Welfare to Work

A final important issue concerning housing policy and welfare reform is raised by the "superwaiver" proposal in the Administration's welfare reauthorization plan. The "superwaiver" would constitute an unprecedented transfer of authority from Congress to the Executive Branch to establish funding priorities, set funding levels, and fix program parameters, and could diminish the housing resources available to families moving from Welfare to Work.

The Administration's "superwaiver" proposal would grant sweeping authority to the Executive Branch to waive, at a governor's request, most provisions of authorization and appropriations laws related to a range of low-income and other domestic

programs, including Federal housing and homeless programs.[15] Executive Branch officials could override nearly all provisions of law governing how these programs operate. They also could override Congressional appropriations decisions by redirecting funds that Congress appropriated for one or more of these programs to other covered programs, including programs in other Federal departments. Of particular relevance to housing programs, Executive Branch officials could move Federal funds and program control from the local agencies or elected officials in whom Congress has invested such authority to the governors.

The potential inclusion of low-income housing programs under the superwaiver poses a thorny set of issues, since States generally do not operate the principal housing programs. Inclusion of these programs in the superwaiver thus could enable a governor to seek to gain control over Federal housing resources currently directed to local public housing authorities and to alter the uses of these funds. A State might, for example, seek to sell off a public housing project located in what has become prime real estate and use the proceeds from the sale to launch or expand homeownership assistance programs geared more toward moderate- or middle-income constituencies.

Alternatively, a State could seek to take and redirect a portion of the resources used to support rental housing vouchers that are "turning over." ("Turn-over" vouchers are vouchers that become available when a current voucher-holder leaves the program. Currently, when a voucher becomes available, the public housing authority reissues the voucher to a poor family or individual who has been on the local waiting list for a voucher.) A State could seek to take control of a portion of the resources that become available when vouchers turn over and to transfer these resources to programs providing employment- or marriage-related services. The State might seek to use the transferred resources to substitute for State funds being provided for such services. Or the State could seek to use some of these Federal housing resources to substitute for State funds being used for homeownership or rental assistance programs or for community-based residential services for severely disabled people. Other types of waivers involving the housing programs might entail overriding Federal statutory requirements that target a substantial majority of housing vouchers on families with incomes below 30 percent of the area median income (which is roughly equivalent to the poverty line) and shifting more of the vouchers to families at higher-income levels.

A loss of public housing units, a reduction in the overall number of housing vouchers, or a shift in rental housing resources toward higher-income families would increase the shortage of affordable housing for families moving from Welfare to Work. In addition, the superwaiver proposal is not likely to be effective in accomplishing these modest goals, and threatens to disrupt the overall framework and local governance of housing programs and to diminish scarce housing resources available to poor families.

This kind of far-reaching authority is not what is needed to improve the housing situation of families transitioning from Welfare to Work. Rather, what is suggested here are more modest changes in the TANF statute and in housing programs that can be accomplished through the Federal legislative process. These include incentives such as authorization of a new Welfare to Work Housing Voucher Program that would encourage housing and welfare agencies to collaborate in comprehensive efforts to assist families to get jobs and remain employed, in order to qualify for additional targeted Federal housing resources. Housing, welfare, and workforce agencies also would be encouraged to consult with each other in better-coordinated planning efforts at the State and local levels.

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[15] Housing and homelessness programs are listed among the covered programs in the Administration's plan, but are not referenced in the versions of the superwaiver proposal included in comparison welfare reauthorization bills approved on April 18 by subcommittees of the House Ways and Means Committee and the House Education and the Workforce Committee. The programs included in the current House bills all fall under the jurisdictions of the two House subcommittees that have acted on the TANF reauthorization legislation. When the legislation moves to the House Rules Committee—where the Ways and Means Committee and the Education and the Workforce Committee bills will be combined and other changes can be made—programs *outside* the jurisdiction of these two committees are expected to be added.

Appendix A: Estimated Housing Affordability for Employed Welfare Leavers

States / Counties	Median Wages of Employed Welfare Leavers* Annual / Monthly	2002 FMR for 2 bedroom unit**	Amount Family Can Afford to Pay for Rent and Utilities***	Percent of Earnings Required to Obtain Housing at FMR
Arizona	$11,255 / $938	$712	$281	76%
Florida	$10,605 / $884	$694	$265	79%
Georgia	$11,044 / $920	$687	$276	75%
Illinois	$12,192 / $1,016	$776	$305	76%
Iowa	$10,600 / $883	$499	$265	56%
Massachusetts	$13,056 / $1,088	$1,033	$326	95%
Missouri	$11,805 / $984	$508	$295	52%
South Carolina	$9,630 / $803	$532	$241	66%
Washington	$11,192 / $933	$728	$280	78%
Wisconsin	$11,481 / $957	$585	$287	61%
D.C.	$17,911 / $1,493	$943	$448	63%
Cuyahoga, OH	$12,344 / $1,029	$726	$309	71%
Los Angeles , CA	$15,321 / $1,277	$823	$383	64%
San Mateo, CA	$16,189 / $1,349	$1,747	$405	129%

* Based on median wages of employed welfare leavers (with the exception of Arizona and Georgia, for which quarterly earnings are mean, median earnings would be somewhat lower), derived from annualized median earnings in last available quarter in first year after leaving welfare in ASPE-financed studies as found at http://aspe.os.dhhs.gov/hsp/welf-ref-outcomes01/appb.htm, inflated to 2002.

** FMR, or Fair Market Rent, is calculated annually by HUD using telephone surveys and American Housing Survey and Consumer Price Index data. It typically represents the 40th percentile rent paid by recent movers for a non-luxury unit with a specified number of bedrooms in a metropolitan area or non-metropolitan county. The 2002 State FMRs are a weighted average of the FMR areas within a state based on the number of renter households reported by the 2000 Census, as calculated by the National Low Income Housing Coalition, *Out of Reach 2001*. While the State FMRs as published are based on proposed FMRs, the above numbers are updated to reflect final FMRs.

***Based on federal standard that affordable housing costs no more than 30 percent of a family's income. Assumes families have no additional income.

PREPARED STATEMENT OF ROBERT RECTOR

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MAY 1, 2002

Introduction

Before I begin, let me first thank the Committee for the opportunity to speak before you today. While I serve as Senior Research Fellow on Welfare and Family Issues at The Heritage Foundation, I must stress that the views I express are entirely my own, and should not be construed as representing the position of The Heritage Foundation.

The traditional War on Poverty was launched in the mid-1960's. War on Poverty Programs (cash and food and housing) focused on providing material support and largely ignored the behavioral causes behind poverty. The welfare reform of 1996 recognized that this old style welfare system had failed. The reform changed the nature of cash aid: In the future welfare would continue to provide material support but it would also seek to transform behavior in a positive way.

To understand the lessons of welfare reform for assisted housing programs, six points are critical:

1. The pre-reform Aid to Families with Dependent Children (AFDC) Program gave aid permissively and unconditionally. Those in need of aid were given material support and little was required of them.
2. When the Temporary Assistance to Needy Families (TANF) Program replaced AFDC, aid became conditional: Recipients were required to undertake constructive activities leading to self-sufficiency as a condition of receiving assistance.
3. Because of this change, welfare reform has resulted in unprecedented drops in dependency and child poverty.
4. Public housing remains unreformed. Current housing programs are very similar to the old AFDC program. Some 87 percent of families with children receiving housing aid are single-parent families. Aid is given to able-bodied individuals unconditionally; there is no requirement that the recipient undertake constructive activities leading toward self-sufficiency and prosperity.
5. Requiring able-bodied recipients to work or undertake constructive activities has been the key to the success of the TANF Program. The same principle should be applied to housing programs.
6. Finally, marriage is critical to the well-being of children. Like all means-tested aid programs, assisted housing programs impose strong financial penalties on low-income parents who marry. This is a foolish policy: Such antimarriage penalties should be reduced.

Lessons from Welfare Reform

Nearly 6 years ago, President Bill Clinton signed legislation overhauling part of the Nation's welfare system. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104–193) replaced the failed social program known as Aid to Families with Dependent Children (AFDC) with a new program called Temporary Assistance to Needy Families (TANF). The reform legislation had three goals: (1) to reduce welfare dependence and increase employment; (2) to reduce child poverty; and (3) to reduce illegitimacy and strengthen marriage.

At the time of its enactment, advocacy groups passionately denounced the welfare reform legislation, predicting that it would result in substantial increases in poverty, hunger, and other social ills. Contrary to these alarming forecasts, welfare reform has been effective in meeting each of its goals.

- While critics of welfare reform unanimously predicted that the reform would throw at least one million additional children into poverty, in fact, 2.3 million fewer children live in poverty today than in 1996.
- Decreases in poverty have been greatest among black children. Black child poverty has declined by a third and is now at the lowest point in U.S. history.
- Poverty among single mothers has also been cut by a third and is now at the lowest point in U.S. history.
- The employment rate of single mothers has increased dramatically. The employment rate of never-married mothers is up nearly 50 percent. Employment among single mothers who are high school dropouts is up by two-thirds, while employment among young mothers (aged 18 to 24) has nearly doubled.
- Hunger among children has been almost cut in half. According to the U.S. Department of Agriculture (USDA), there are nearly 2 million fewer hungry children today than at the time welfare reform was enacted.

- Welfare caseloads have been cut nearly in half.
- The explosive growth of out-of-wedlock childbearing has come to a virtual halt. The share of children living in single-mother families has fallen, and the share living in married-couple families has increased, especially among black families.

Who Gets Credit: Welfare Reform or the Economy?

Some would argue that the positive effects noted above are the product of the robust economy during the 1990's, rather than the results of welfare reform. However, the evidence supporting an economic interpretation of these changes is not strong.

Historically, periods of economic growth have not resulted in lower-welfare caseloads. From 1950 to 1990, there were eight periods of economic expansion, yet none of these periods of growth led to a significant drop in AFDC caseload. Indeed, during two previous economic expansions (the late 1960's and the early 1970's), the welfare caseload *grew* substantially. Only during the expansion of the 1990's does the caseload drop appreciably. How was the period of expansion during the 1990's different from the eight prior expansions? Clearly, the answer is welfare reform.

Another way to disentangle the effects of welfare policies and economic factors on declining caseloads is to examine the differences in State performance. The rate of caseload decline varies enormously among the 50 States. If improving economic conditions were the main factor driving caseloads down, then the variation in State reduction rates should be linked to variation in State economic conditions. On the other hand, if welfare polices are the key factor behind falling dependence, then the differences in reduction rates should be linked to specific State welfare policies.

A Heritage Foundation paper, "The Determinants of Welfare Caseload Decline" examined the impact of economic factors and welfare policies on falling caseloads in the States.[1] This analysis showed that differences in State welfare reform policies were highly successful in explaining the rapid rates of caseload decline. By contrast, the relative vigor of State economies, as measured by unemployment rates, changes in unemployment, or State job growth, had no statistically significant effect on caseload decline.

A recent paper by Dr. June O'Neill, former Director of the Congressional Budget Office, reaches similar conclusions.[2] Dr. O'Neill examined changes in welfare caseload and employment from 1983 to 1999. Her analysis shows that in the period after the enactment of welfare reform, policy changes accounted for roughly three-quarters of the increase in employment and decrease in dependence. By contrast, economic conditions explained only about one-quarter of the changes in employment and dependence. Substantial employment increases, in turn, have led to large drops in child poverty.

The economic boom of the 1980's was long and sustained, but did not result in substantial or enduring declines in poverty among single mothers or black children. But since the mid-1990's there has been a sustained and unprecedented drop in the poverty rates for these two groups. Clearly, the difference has been welfare reform.

Overall, it is true that the health of the U.S. economy has been a positive background factor contributing to the changes in welfare dependence, employment, and poverty. It is very unlikely, for example, that dramatic drops in dependence and increases in employment would have occurred during a prolonged recession. However, it is also certain that good economic conditions alone would not have produced the striking changes that occurred in the late 1990's. It is only when welfare reform was coupled with a growing economy that these dramatic positive changes occurred.

Unfortunate Similarities Between Aid to Families with Dependent Children and Subsidized Housing

Prior to welfare reform, the old AFDC Program provided aid predominantly to single mothers with children. AFDC provided one way hand-outs: Recipients were not required to engage in any significant activities in order to receive aid. It was widely recognized that this system promoted idleness, single parenthood, and poverty. Consequently, the AFDC system was radically reformed and replaced with the new TANF Program. Under TANF, recipients would be required to engage in constructive activities aimed toward self-sufficiency as a condition of receiving aid. These activities could include: Supervised job search, training and community service work. As the new "constructive activity" requirement took effect, welfare caseloads plummeted, employment of single parent soared, and child poverty fell in an unprecedented manner.

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[1] Robert E. Rector and Sarah E. Youssef, "The Determinants of Welfare Caseload Decline," The Heritage Foundation, *Center for Data Analysis Report,* CDA99–04 May 11, 1999.

[2] June E. O'Neill and M. Anne Hill, "Gaining Ground? Measuring the Impact of Welfare Reform on Welfare and Work," *Manhattan Institute Civic Report,* No. 17, July 2001.

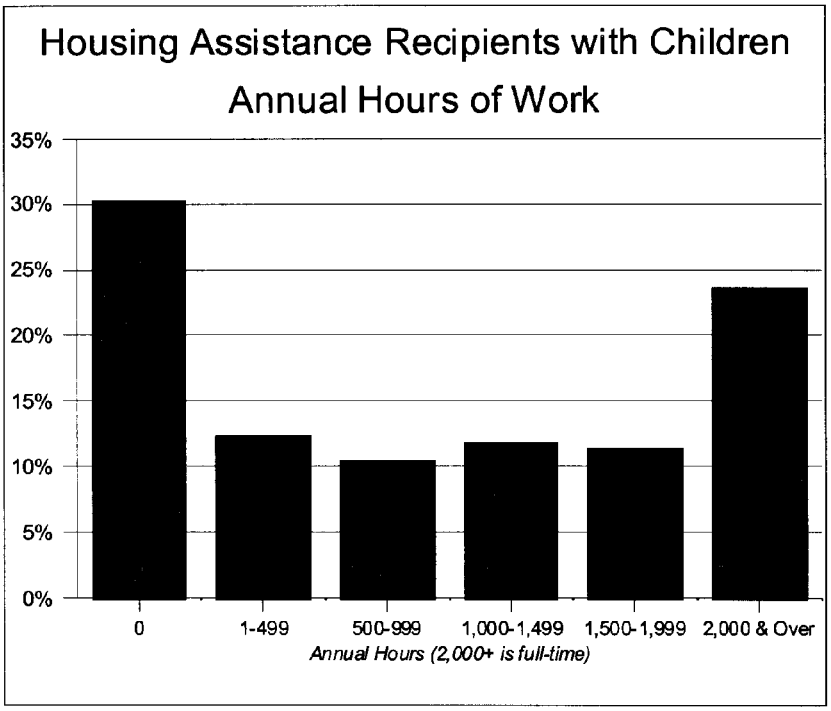
In many respects, current Government housing programs closely resemble the pre-reform Aid to Families with Dependent Children Program. Nearly half of the households in subsidized housing are families with children. Some 87 percent of the subsidized households with children are single-parent households. As with pre-reform AFDC system, aid is generally given as an unconditional, one-way handout; recipients are not required to engage constructive activities as a condition of receiving assistance.

Thus, current housing programs replicate most of the elements that led to failure in the pre-reform AFDC system. Housing programs are permissive rather than expectant and demanding. Housing gives a "hand out" rather than a "hand up". In order to help recipients to help themselves the highly successful principles of the TANF reform should now be applied to subsidized housing.

Applying Work or Activity Requirements to Housing Programs

The key to the success of welfare reform has been the establishment of work or activity requirements for TANF recipients. As recipients have worked more, their incomes have risen and more have escaped poverty.

The lessons from TANF are applicable to public housing. While parents in subsidized housing do maintain higher levels of employment than parents in the pre-reform AFDC system, these employment levels are still far lower than they should be. The Census Bureau's Current Population Survey for 2000 indicates that 30 percent of householders with children receiving housing aid did not work at all during the course of the year. Over half worked less than 1,000 hours during the year. Overall, only a quarter of parents worked full-time through the year (2,000 hours). An important element in reducing poverty and increasing family income must be to increase the amount of work performed in these families.



Applying the lessons from welfare reform, "work requirements" should be established in housing assistance programs. However, it is important to clarify here a common misunderstandings about work requirements in TANF. The TANF Program does not directly demand that recipients obtain formal employment in the private sector or government, and TANF does not penalize those who fail to obtain employment. Instead, the TANF Program encourages recipients to obtain employment; those recipients who claim they cannot find employment are required to undertake

other constructive activities: Supervised job search, training, or community service. Once a recipient obtains real employment the other required activities are proportionally reduced.

The impact of this system on employment is profound. Once recipients are required to be continuously active rather than idle, they have a strong incentive to obtain employment. The indirect result is a surge in actual employment and a drop in poverty.

This principle should now be incorporated into housing programs. As a general rule, able bodied, nonelderly recipients in public housing and project-based Section 8 housing should be required to work a substantial number of hours per week. Recipients who are unable or otherwise fail to maintain the required level of formal employment should be required to participate in job training, supervised job search, or community service work. Those who are employed for only a few hours each week should supplement their employment with participation in these other constructive activities. Participation in work activities under the Temporary Assistance to Needy Families (TANF) Program should be countable toward the housing work requirements and the TANF and housing work programs should be closely coordinated.

Specific Work Promotion Policies in Subsidized Housing

However, housing programs are often more decentralized than TANF. Also, it is not desirable to evict housing tenants every time a shortfall in an activity requirement occurs. These differences mean that the rule of "requiring employment or constructive activities" will need to be applied somewhat more flexibly in housing than is TANF. With this caveat in mind, the following requirements should be established for able-bodied, nonelderly recipients in Section 8 and public housing.

- In selecting new able-bodied, nonelderly heads of household for entry into the Section 8 and public housing programs, priority should be given to those with the best record of prior employment. Specifically, within those income ranges currently selected for participation in the housing programs, priority should be given to those able-bodied applicants that have the strongest record of prior employment. This rule would mean that housing programs, in general, would reward work. (The requirement would apply to able-bodied, nonelderly applicants only; disabled and elderly individuals should be exempt from this requirement and should not have their participation in housing programs reduced because the new work requirement.)
- Able-bodied nonelderly heads of household who reside in Section 8 and public housing should be required to engage in employment, supervised job search, training or community service work for a minimum of 35 hours per week. The various activities could be combined to meet the 35-hour requirement. Recipient who had been employed and then lost employment would be expected to immediately engage in supervised job search, training, or community service; this would create a strong impetus to regain employment as soon as possible.
- When undergoing annual recertification, residence by current tenants should not be automatically extended. Instead, able-bodied, nonelderly heads of household should be placed in a selection pool along with similar new applicants. Priority in selecting residents for the next year from within this pool should be given to those applicants with the best record of employment and/or other constructive activity. It is important to note that this system would not penalize those cannot find formal employment since they would be given credit for performing other constructive activity. The system would, however, send the very strong message that idleness would not be tolerated for able-bodied individuals within assisted housing.
- These requirements would result in an increase in employment among public housing and Section 8 tenants. This, in turn, would result in an increase in rents paid and decrease in costs to the Public Housing Authority. The PHA's could use the surplus funds generated by the increase in rents to pay for ancillary services such as day care.
- PHA's could contract with other organizations such as local TANF offices to help in the implementation of these work rules.
- These work rules should be implemented incrementally; the onset of implementation could be delayed until fiscal year 2004 when the current recession will have fully passed.

Subsidized Housing and Marriage

A second important goal of welfare reform is to increase healthy and stable marriages. Today, nearly one third of all American children are born outside marriage, one child every 35 seconds. The collapse of marriage is the principal cause of child

poverty and a host of other social ills. A child raised by a never-married mother is seven times more likely to live in poverty than a child raised by his biological parents in an intact marriage. And a child born and raised out-of-wedlock is 1700 percent more likely to become dependent on welfare than is a child raised by an intact married couple. Overall, nearly 80 percent of long-term child poverty occurs among children from never-married or broken families.

Children of never-married mothers are 24 to 78 percent more likely to suffer from emotional and behavioral problems when compared to children from two parent families. Children in single-parent homes are more likely to abuse drugs and more likely to end up in jail; they perform more poorly in reading, spelling, and math are more likely to repeat grades and eventually to dropout of school. Finally, children living with nonmarried mothers are up to 33 times more likely to suffer from serious physical child abuse than are children with a married mother and father.

The growth of single-parent families has an enormous impact on Government. Indeed, the modern welfare state, as it relates to children, has grown up largely as a support system for single parenthood. At present Federal and State governments spend some $150 billion per year in means-tested aid for single-parent families. In subsidized housing, some 87 percent of the aid to families with children goes to single-parent families.

But the collapse of marriage is not inevitable. In nearly half of all out-of-wedlock births, the mother is actually cohabiting with the father at the time of birth. In another 30 percent of cases the mother is romantically involved with the father although they do not live together. These nonmarried fathers, on the average, earn around $17,000 per year; very few have drug or alcohol problems or they are abusers. In most cases, the couples look favorably on marriage as an institution. Yet, in general, these couples will not enter into marriage and will not sustain their relationships.

How Welfare and Housing Programs Discriminate Against Marriage

In many respects, the failure of millions of low-income couples to enter and sustain marriages is a result of the barriers that the welfare system erects against marriage. Marriage has eroded and out-of-wedlock childbearing has soared, in part, because subsidized housing, Temporary Assistance to Needy Families (TANF), Food Stamps, Medicaid, and other means-tested welfare programs discriminate against and penalize marriage.

Penalties against marriage are inherent in the structure of all means-tested aid programs. In these programs, benefits are incrementally reduced as a recipient's earnings increase; this is generally termed the benefit reduction or marginal tax rate on earnings. (For example with a benefit reduction rate of 50 percent, a beneficiary might be given $5,000 in aid if annual earnings are zero, $2,500 in aid if earnings are $5,000, and no aid if earnings are $10,000.)

While it is widely recognized that this type of means-tested program discourages work, it is less commonly understood that means-tested aid also discourages marriage and rewards single parenthood. Subsidized housing and other means-tested welfare programs penalize marriage because a single mother will suffer a substantial reduction or even elimination of benefits whenever she marries an employed male. However, if the couple remains unmarried, the father's earnings will generally not be counted in determining the mother's welfare benefits and the value of those benefits will not be cut. As a result, low-income couples can maximize their combined income by remaining unmarried, but will suffer a serious income loss from marrying.

In the case of subsidized housing, the typical single mother receives a subsidy worth about $5,000 per year; if she marries (or cohabits with) a male with earnings, the value of the rent subsidy will be reduced. The more the male earns the greater the loss of housing aid. If the mother marries a male with earnings around $18,000 per year (a typical sum for unmarried fathers), the housing subsidy will be completely eliminated. Thus, in general, low-income couples can maximize their welfare income by remaining unmarried.

The antimarriage incentives implicit in subsidized housing programs are intensified by the fact that most recipients receive aid from more than one means-tested program. Each individual means-tested program (such as TANF, Food Stamps, Housing, or Medicaid) contains its own antimarriage incentives; these incentives are additive and become very severe when multiple programs operate together.

For example: The typical single mother on Temporary Assistance to Needy Families receives a combined welfare package of various means-tested aid benefits worth about $14,000 per year. Suppose this typical single mother receives welfare benefits worth $14,000 per year while the father of her children has a low-wage job paying $18,000 per year. If the mother and the father remain unmarried, they will have

a combined income of $32,000 ($14,000 from welfare and $18,000 from earnings.) However, if the couple marry and live together, the father's earnings will be counted against the mother's welfare eligibility. Overall, welfare benefits will be nearly eliminated and the couple's combined income will fall substantially.

The public is dismayed by the antimarriage bias of welfare programs. A 1999 Roper poll found that 56 percent of national adults found that "welfare programs that encourage single-parent families and teenage pregnancy" were a "very serious" problem. Another 27 percent found this a "somewhat serious" problem. Only 4 percent concluded that the problem was "not serious at all."

Public housing officials should recognize that the existing bias against marriage has extremely harmful long-term consequences for children and society. The penalties against marriage implicit in current housing programs should be substantially reduced. This could be accomplished by altering the treatment of husbands' earnings in determining rents and eligibility. Housing program rules for married couples with children could be altered so that the first $1,000 in a husband's earnings each month would be ignored or "disregarded" in determining the married couple's eligibility for subsidized housing, and the couple's monthly rent payment. Under this system, a single mother could marry without incurring an overwhelming cut in her housing subsidy.

Conclusion

It is widely recognized within both political parties that the 1996 welfare reform has been highly successful. But Government housing programs have not been reformed. These programs continue to operate in the same manner as the pre-reform Aid to Families with Dependent Children Program. In current housing programs, able-bodied individuals are given benefits, but are not required to work or to undertake activities aimed at self-sufficiency. This nondemanding and permissive system is harmful to recipients and to society.

Government housing programs should be restructured according to the current principles of welfare reform. First, able-bodied recipients should be required to be fully employed or to undertake activities leading to employment. Second, healthy marriage should be encouraged not penalized.