JEB HENSARLING, TX , CHAIRMAN

United States House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

M E M O R A N D U M

To: Members of the Committee on Financial Services

From: Financial Services Committee Majority Staff

Date: June 21, 2013

Subject: June 26, 2013, Housing and Insurance Subcommittee Hearing on "Evaluating How HUD's Moving-to-Work Program Benefits Public and Assisted Housing Residents"

On Wednesday, June 26, 2013, at 2:00 p.m. in Room 2128 of the Rayburn House Office Building, the Housing and Insurance Subcommittee will hold a hearing on "Evaluating How HUD's Moving-to-Work Program Benefits Public and Assisted Housing Residents." This hearing will assess the effectiveness of the Department of Housing and Urban Development's Moving-To-Work (MTW) program and whether the Program is meeting its statutory objectives. The hearing will also consider whether the MTW Program should be expanded and whether a more robust MTW program can better serve low- and moderate-income families and communities to achieve self-sufficiency.

This will be a one-panel hearing with the following witnesses:

- Mr. Daniel Nackerman, Executive Director, San Bernardino County Housing Authority
- Mr. Gene Reed, Executive Director, Abilene Housing Authority
- Mr. Mathew Scire, Director, Financial Markets and Community Investment, U.S. Government Accountability Office
- Mr. Larry Woods, Executive Director, Winston-Salem Housing Authority
- Mr. Gregory Russ, Executive Director, Cambridge Housing Authority

The Moving-to-Work Program

Established by the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 104-134), the Moving to Work program gives the Department of Housing and Urban Development (HUD) and local public housing authorities the discretion to test alternative policies for providing housing assistance. The MTW program has three statutory goals:

- To reduce cost and achieve greater cost-effectiveness in federal expenditures;

- To encourage the heads of households with children to participate in job training, educational programs, or other programs to become economically self-sufficient; and
- To increase housing choices for low-income families.

Traditionally, public housing authorities have been funded from three sources: public housing capital funds, public housing operating funds, and Section 8 funds. Public housing authorities are typically required to use the funds from each source for specific purposes. For example, public housing authorities may use public housing operating funds only for operations and management expenses.

By way of contrast, MTW public housing authorities do not receive special funding allocations. Instead, the MTW program grants public housing authorities greater flexibility in using funds from these sources for a wider variety of purposes. MTW public housing authorities may combine the money from the three sources and use them for a variety of HUD-approved activities.

Under the MTW program, up to 35 of more than 3,100 public housing authorities are permitted to commingle their public housing capital funds, public housing operating funds, and Section 8 funds.[1] By permitting public housing authorities to commingle these funds, the MTW program gives these public housing authorities the flexibility to allocate resources, develop partnerships, and identify and leverage existing resources within their communities. To implement such strategies, participating MTW public housing authorities may request waivers of certain provisions in the U.S. Housing Act of 1937, which is the primary authorizing legislation for public housing and Section 8 housing assistance.

The MTW program has met with mixed reviews. HUD's August 2010 report on the program highlighted several of the program's successes, which included a reduction in costs and an increase in the number of families that received assistance. By contrast, the U.S. Government Accountability Office (GAO) recommended that HUD improve its guidance to MTW authorities for reporting performance information and that HUD implement a process for assessing how MTW authorities comply with statutory requirements. (*See* GAO Report: "Moving To Work Demonstration: Opportunities Exist to Improve Information and Monitoring," GAO-12-490.)

Funding Sources for MTW Public Housing Authorities

Like other public housing authorities, MTW public housing authorities derive their funding from three sources: public housing capital funds, public housing operating funds, and Section 8 funds. Below is a brief background on these funding sources.

Public Housing Assistance

Created in the U.S. Housing Act of 1937, the low-rent public housing program was the first major federal rental housing assistance program. The program initially subsidized the construction, and later the ongoing operation and maintenance, of multifamily rental housing

[1] A map showing the location of the 35 MTW public housing authorities is available on HUD's Office of Public and Indian Housing website. The interactive map also provides information about each MTW public housing authority. The map is available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/mtw/mtwsites .

properties for low-income families. Federal funding comes from two main formula grants—the Public Housing Capital Fund and the Public Housing Operating Fund—which supplement rents collected by public housing authorities in order to help them meet the operation, maintenance, and capital improvement needs of public housing.

While public housing is a federally created and funded program, the properties are owned and managed at the local level by quasi-governmental public housing authorities under contract with the federal government. Given this unique federal-local relationship, the program is governed in part by federal rules and regulations and in part by policies set at the state and local level.

Families who live in public housing generally pay rent equal to 30 percent of their adjusted gross income. Today, there are roughly 1.2 million units under contract and receiving federal funding, down from over 1.4 million units at the program's peak, according to the Congressional Research Service.

Section 8 Rental Assistance

Established by Congress in the 1970s to assist low-income families, the Section 8 program provides housing assistance to over two million low-income families and individuals each year. Under the Section 8 Program, tenants pay approximately 30 percent of their income towards rent; the rest is paid by the federal government. The Section 8 program consists of two programs: one provides tenant-based rental assistance and the other provides project-based rental assistance.

Tenant-based rental assistance, commonly known as Section 8 vouchers, are portable subsidies that low-income families can use to pay part of their rent for private-market housing; because families can move yet still receive these vouchers, the subsidy is portable. By contrast, project-based rental assistance is a subsidy attached to a unit of privately-owned housing that houses low-income tenants; if the family moves, the subsidy remains with the unit of housing. The Section 8 program is administered by more than 3,100 local public housing authorities, which receive payments from HUD.

As shown in the table below, the Section 8 program has consumed an increasingly large part of HDU's budget over the past decade. In 2002, Section 8 accounted for 46 percent of HUD's annual budget; by 2011, that portion had climbed to 61 percent. For fiscal year 2013, Section 8 accounted for $26.81 billion, covering roughly 60 percent of HUD's total $44.60 billion budget.

Section 8 (tenant-based vouchers and project-based rental assistance) as a share of HUD appropriations, FY2002-FY2013 *Source: Congressional Research Service.*				
Year	**Overall HUD Appropriations**	**Section 8 Appropriations**	***Section 8 Share of HUD***	***All Other HUD Programs Share***
2002	$34.34 billion	$15.64 billion	*46 percent*	*54 percent*
2003	$36.09 billion	$17.11 billion	*47 percent*	*53 percent*
2004	$37.89 billion	$19.26 billion	*51 percent*	*49 percent*
2005	$37.01 billion	$20.06 billion	*54 percent*	*46 percent*
2006	$37.74 billion	$20.46 billion	*54 percent*	*46 percent*
2007	$38.78 billion	$21.90 billion	*56 percent*	*44 percent*
2008	$40.72 billion	$22.81 billion	*56 percent*	*44 percent*
2009	$42.07 billion	$23.33 billion	*55 percent*	*45 percent*
2010	$47.00 billion	$26.74 billion	*57 percent*	*43 percent*
2011	$45.28 billion	$27.64 billion	*61 percent*	*39 percent*
2012	$44.24 billion	$27.60 billion	*62 percent*	*38 percent*
2013	$44.60 billion	$26.81 billion	*60 percent*	*40 percent*

Section 8 is consuming a larger part of HUD's budget because more people are participating in the program and new participants have, on average, lower incomes than current participants. The subsidy provided by the federal government has increased for new section 8 participants, which has in turn has increased Section 8's share of HUD's budget. The increasing consumption of HUD resources by the Section 8 program has concerned both critics and advocates of the program. Unless Section 8 is reformed or the MTW Program is expanded to provide greater flexibility, many fear that Section 8 will either drain significant resources from other HUD programs or require Congress to appropriate significant new funding to sustain the program.