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July 15, 2011

Ms. Colette Pollard
Departmental Reports Management Officer
QDAM
Department of Housing and Urban Development
451 7th Street, SW., Room 4160
Washington, DC 20410-5000

Re: Revisions to MTW Reporting and Planning Process, *OMB Control Number* 2577-0216,
Form HUD 50900

Dear Ms. Pollard:

These comments are submitted by the Center on Budget and Policy Priorities. The Center is a non-partisan research organization and policy institute that conducts research and analysis on a range of government policies and programs affecting low- and moderate-income families and individuals.

HUD's proposed changes to the Moving to Work (MTW) planning and reporting process would gather some additional information that would make it easier to determine the MTW agencies' effectiveness in meeting the goals and requirements of the MTW statute. Nonetheless, the clarity and usefulness of the information to be collected are inadequate in a number of areas, and should be improved.

These comments focus on recommendations to enhance reporting of data related to the requirements in the MTW statute that agencies serve substantially the same number and mix of families as they would have had they not combined voucher and public housing funds, and that 75 percent of families assisted have very low incomes. These requirements have applied to agencies throughout the history of the MTW demonstration, but HUD has not required agencies to provide data showing that they complied or even fully explained how agencies should determine compliance. Unfortunately, HUD's proposal would do little to rectify this situation. It is critical that HUD take advantage of this revision to finally implement these key statutory requirements, by requiring agencies to demonstrate their compliance in a consistent, transparent manner.

In addition to enabling HUD and agencies to meet the requirements of the statute, meaningful compliance with these requirements likely would result in tens of thousands of additional families receiving assistance, and could also target more assistance on families lower on the income scale. These changes would benefit many needy families and contribute significantly to the Administration's goal of ending homelessness, as well as HUD's high priority performance goal of providing rental assistance to a substantial number of additional families.

Number of Families Assisted

The proposed changes would increase the amount of data reported on the number of families assisted outside of the regular public housing and voucher programs. As written, however, the changes are unlikely to gather adequate data to consistently determine compliance with the statutory requirement to serve substantially the same number of families or to meaningfully compare numbers of families assisted among MTW agencies or between MTW and non-MTW agencies.

The requirements and instructions are vague enough that they would allow agencies to arrive at very different numbers of families served based on the same data. They would also favor policies that scatter MTW resources across large numbers of families, since they would not differentiate between families assisted by these policies and those receiving substantial assistance comparable to regular public housing and voucher subsidies. As a result, HUD's proposal could provide an incentive for agencies to adopt policies that scatter resources, by making it far easier for them to comply with the statutory requirement to assist substantially the same number of families. The proposal would also be unfair to agencies that use their funds primarily for the regular voucher and public housing programs or that interpret the reporting instructions conservatively.

Language on page 3 of HUD's proposed form 50900 offers a particular problematic example. The language instructs agencies to count as families assisted "low-income housing tax credit families if MTW funds were used for development costs" which appears to mean that if even one dollar of MTW funds was used in constructing a development, residents could be counted as assisted families indefinitely. This policy would give agencies extremely broad license to evade the requirement to serve substantially the same number of families. In the extreme, an agency that had provided small amounts of MTW funds to a large number of LIHTC developments in previous years could have little or no obligation to provide monthly rental assistance to families in the current year. It is essential that HUD rectify this policy if data on families assisted and the substantially the same requirement are to have any meaning.

HUD should strengthen the collection of data on number of families assisted by adding the following six points to its instructions and report template.

- **Consistent time periods.** Neither the current MTW report template nor the proposed changes indicate what period should be covered by data on the number of families assisted. Many agencies currently report point-in-time data for the end of the agency fiscal year, while others report average leasing for the full fiscal year. HUD should explicitly require that agencies use average full-year data, which gives a more complete picture of the level of assistance provided and prevents data from being distorted by anomalous trends in a single month.
- **Separate reporting for each non-traditional program.** Non-traditional programs may vary widely in the amount and nature of assistance they provide. Agencies should be required to report the number of families assisted separately for each such program.
- **Proration when MTW and other funds are mixed.** Some MTW agencies use MTW funds to supplement on-going funding from state or local programs or from separate federal programs. For example, Cambridge has provided supplemental funds to support the Massachusetts Rental Voucher Program. Such assistance should count

toward the number of families an agency serves, but it should not be equivalent to a voucher or public housing unit funded entirely with MTW funds. The fairest approach would be to prorate the number of families based on the share of funding provided by MTW funds. For example, four units where 25 percent of funding is provided through MTW could be counted as equivalent to one fully MTW-funded unit. Agencies should be required to report these prorations separately for each program.

- **Exclusion of families funded only through prior year funds.** HUD's instruction to PHAs to include families living in developments that only received assistance in prior years seems inconsistent with the statutory requirement that agencies *continue* to assist substantially the same number of families. It is difficult to see how a family could be counted as assisted for purposes of this requirement if neither the family nor the development receives any funds through MTW in the reporting period.
- **Limitation to families receiving meaningful housing assistance.** Even when properties do receive ongoing MTW funds, residents should be counted only if the MTW subsidies actually result in lower housing costs for the families. Families paying rents at or above the market rate -- which could be estimated readily using HUD's Small Area Fair Market Rents -- should not be counted. (HUD's proposal limits one type of non-traditional assistance to units with below-market rents, but it is not clear how broadly applicable this limitation is intended to be.) Similarly, agencies should be instructed to exclude residents of developments that charge the maximum rent permitted under the LIHTC program (or the same rent to "MTW" families as to others in tax credit units).
- **Clear exclusion of families receiving only non-housing assistance from determination of compliance with statutory requirements.** HUD's proposal requires agencies to report data on the number of families that receive only services and gives them the option of reporting numbers of families that "transitioned to self-sufficiency." Such data are potentially useful (and would be more useful if they were broken down by the types of services families received). But HUD should make clear that only families currently receiving *housing* assistance should be included in determining compliance with statutory requirements regarding number, demographic mix, and income of assisted families.

Demographic and Income Data on Families Assisted

Under HUD's proposal, agencies would not be required to report any data on demographic characteristics or incomes of families assisted. As a result, it would be impossible to know how agencies determined that they complied with the statutory requirements that they assist a comparable mix of families to what they would have assisted had funds not been combined, that all families assisted had incomes below 80 percent of the local median income, or that 75 percent of families assisted had incomes below 50 percent of area median income. The lack of data also further undermines efforts to assess agency policies.

HUD should require agencies to report data on demographic characteristics and income relative to the local area median separately for the public housing and voucher program and for each non-traditional housing assistance program. It should also make clear that since the requirements regarding number of families, demographic mix, and income all cover the full set of families assisted by the agency, the pool of families included in determining compliance with these

requirements must be identical. If an agency does not have demographic or income data about a family *and* include that data in its demographic and income reporting, it should not be permitted to count the family toward its total number of families assisted.

Calculations of How Many Families Would Have Been Assisted Had Funds Not Been Combined

To permit consistent determination of whether agencies complied with the requirement to assist substantially the same number of families as would have been assisted had funds not been combined, it will also be necessary for HUD to establish criteria for estimating the number of families that agencies would have assisted had funds not been combined. For the voucher program, this could be calculated by assuming the agency would have used 95 percent of its budget authority (the current minimum budget utilization performance standard for non-MTW agencies under SEMAP¹) and dividing that amount by the agency's average per-voucher cost. For public housing, HUD could use the total number of units for which the agency received operating funds, multiplied by a reasonable occupancy rate. The combined figure could then be compared to the number of families actually assisted (calculated as described above) to determine if the amounts are substantially the same. It is essential that HUD establish a clear policy applicable to all participating agencies to implement this statutory directive.

Definition of “Substantially the Same”

Finally, HUD should establish an objective definition of how large a divergence in the number or mix of families assisted would constitute a violation of the “substantially the same” requirement. In the case of the number of families, it would seem reasonable to consider an agency in violation if it assists fewer than 95 percent as many families as it would have had funds not been combined. For the mix of families, a variation of more than five percentage points in the share of families assisted accounted for by a particular type of families compared to the share assisted before MTW was implemented could be considered a violation.

Thank you for considering these comments.

Sincerely,

Will Fischer
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Center on Budget and Policy Priorities

Cc: Jonathan Harwitz, HUD
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¹ Of the 20 points available under the SEMAP lease-up indicator, PHAs that use 98 percent or more of their budget authority or authorized vouchers get the full 20 points, and those that use 95 – 97 percent get 15 points. No points are accorded to PHAs that use less than 95 percent of their authorized vouchers or budget authority. 24 C.F.R. §985.3(n).