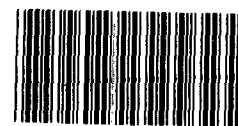


April 1993

PUBLIC AND  
ASSISTED HOUSING

Some Progress Made in  
Implementing HUD's  
Family Self-Sufficiency  
Program



148887

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**Resources, Community, and  
Economic Development Division**

B-251451

April 8, 1993

The Honorable Donald W. Riegle, Jr.  
Chairman  
The Honorable Alfonse M. D'Amato  
Ranking Minority Member  
Committee on Banking,  
Housing, and Urban Affairs  
United States Senate

The Honorable Henry B. Gonzalez  
Chairman  
The Honorable Jim Leach  
Ranking Minority Member  
Committee on Banking,  
Finance and Urban Affairs  
House of Representatives

The National Affordable Housing Act requires that we report on the progress made by the Department of Housing and Urban Development (HUD) in implementing its Family Self-Sufficiency (FSS) program. The act established the FSS program in November 1990 to promote the development of strategies to coordinate federal public housing, Indian housing, and section 8 rental housing assistance with public and private supportive services in order to enable lower-income families to achieve economic independence and self-sufficiency.<sup>1</sup> The FSS program, according to HUD, empowers residents of federally assisted housing to become self-sufficient and may help them become home owners by linking housing assistance with supportive services, such as education and job training.

To meet the act's requirements, this report discusses (1) the program's status, (2) actions by HUD to coordinate its efforts with other federal agencies that will fund the supportive services needed for the FSS program, and (3) actions by HUD to determine how much to reimburse local housing agencies for costs of operating their FSS programs.

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<sup>1</sup>Local government agencies, called public housing agencies, and Indian housing authorities own and operate public and Indian rental housing units. In addition, these local housing agencies provide housing subsidy payments to owners of private rental housing on behalf of lower-income families under the section 8 certificate and voucher programs.

The Housing and Community Development Act of 1992 (P.L. 102-550) made certain changes to the FSS program, including making the program optional for Indian housing authorities.

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## Results in Brief

Established in November 1990, the FSS program is in the early stages of implementation. From May through September 1992, HUD announced that it would award housing assistance funds to more than 600 public housing agencies (PHA) and Indian housing authorities (IHA), which will allow about 29,000 families to participate in the FSS program. Under its program guidelines, HUD will allow PHAs and IHAs up to 12 months after they are notified of their awards to begin their FSS programs. HUD officials told us that significant FSS program activity, including selecting FSS families and providing supportive services, is not likely to occur before 1994.

The FSS program's success depends heavily on whether supportive services, such as education and job training, will be available for FSS participants. Since the act does not authorize additional funds for these supportive services, PHAs and IHAs will need to forge close working relationships with state and local agencies and private supportive service providers to best ensure that these services are available to FSS participants. To help achieve this goal, HUD has been coordinating with key federal agencies, such as the Departments of Labor and Health and Human Services, that provide funding for services needed by FSS participants. However, HUD's coordination initiatives are in their early stages, and it is too early to determine what effect the initiatives will have.

The FSS program imposes many new duties on PHAs and IHAs, such as arranging for supportive services that will be supplied by others and monitoring the progress of FSS program participants. HUD has provided funds for the costs of some of the new duties that PHAs and IHAs will have to assume to operate their public and Indian housing FSS programs. However, HUD does not expect to provide similar funding for PHAs' and IHAs' costs in operating their section 8 FSS programs until PHAs and IHAs gain additional program experience. Some PHAs, IHAs, and housing interest groups have raised concerns that housing agencies may not be able to operate effective section 8 FSS programs without adequate funding to cover the costs of these FSS duties.

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## Background

HUD is the federal agency responsible for administering the FSS program. Day-to-day operation of the program is carried out by PHAs and IHAs. Housing assistance for the FSS program can be provided through HUD's public housing or Indian housing programs or through its section 8 certificate and voucher programs. Over 3,400 PHAs and IHAs own and operate housing for about 1.4 million families under the public and Indian housing programs. In the section 8 certificate and voucher programs, over

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2,000 PHAS and IHAS provide subsidy payments to owners of private rental housing on behalf of about 1.4 million lower-income families.

Initially, PHAS and IHAS that wanted to operate FSS programs could compete for fiscal year 1991 and 1992 housing assistance funds reserved for the FSS program (called incentive awards by the act). Beginning in fiscal year 1993, the act requires that each PHA that receives funds for new public housing units, or for additional section 8 certificates or vouchers, must operate an FSS program unless exempted by HUD. The program must serve at least as many families as the number of new certificates, vouchers, public housing, or Indian housing units funded each year. HUD officials expect that the majority of the FSS participants will be in the section 8 program since, in recent years, most new housing assistance has been in the section 8 certificate and voucher programs.

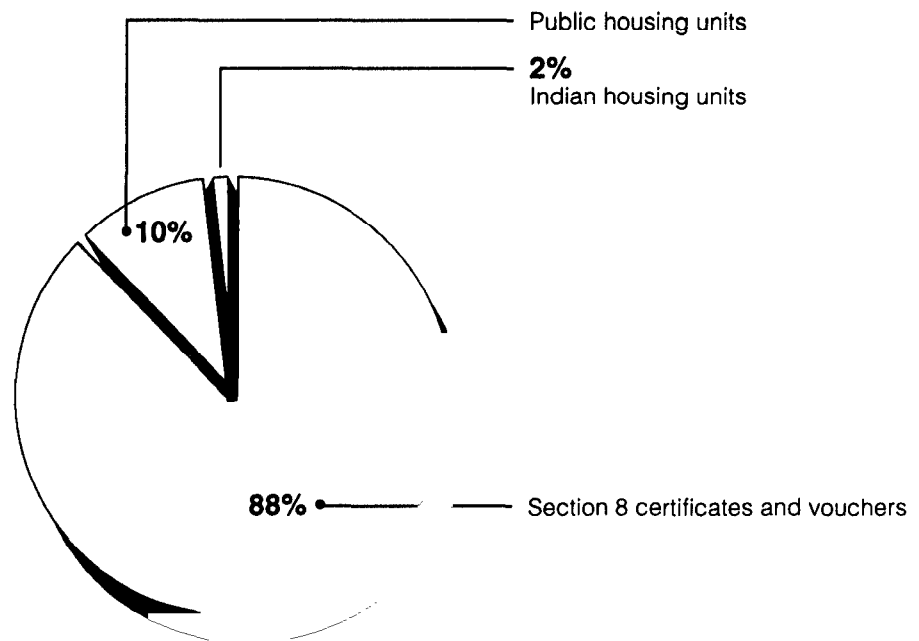
Families' participation in the FSS program is voluntary. In addition to receiving housing assistance, participating families are to receive supportive services—such as education, job training, child care, and transportation—that they need to become self-sufficient. However, the act does not authorize additional funds to provide supportive services such as those listed above. Instead, PHAS and IHAS must rely on the public and private resources in their communities to serve participating families. (See app. I.)

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## FSS Program Is in Its Formative Stages

Almost 90 percent of the additional public housing, Indian housing, and section 8 certificates and vouchers that HUD has announced it will provide using fiscal years 1991-92 funds will go toward section 8 certificates and vouchers (see fig. 1). In this respect, during May to July 1992, HUD selected 577 PHAS and IHAS to receive about 26,100 section 8 certificates and vouchers. Also, from May to September 1992, HUD selected 115 PHAS and IHAS to provide about 3,600 new public and Indian housing units. After PHAS and IHAS are notified of this additional housing assistance, HUD's program guidelines give them 12 months to begin operating their FSS programs. HUD officials told us that significant FSS program activity, including selecting FSS families and providing supportive services, is not likely to occur before 1994.

**Figure 1: Most Fiscal Year 1991-92 FSS Program Awards Are for Section 8 Certificates and Vouchers**



Source: HUD.

The number of families to be assisted under FSS awards announced to date is small in relation to the 2.8 million families assisted through the public and Indian housing and section 8 certificates and voucher programs. The FSS program will grow to the extent that the Congress provides funds for new public and Indian housing units and for additional section 8 certificates and vouchers.

Starting in fiscal year 1993, the FSS program becomes mandatory for all PHAS receiving new public housing and section 8 assistance, unless they are exempted by HUD. HUD officials do not expect to announce which PHAS will receive this assistance until April 1993 at the earliest.

In implementing the program, HUD has held education and training sessions for PHAS and IHAS. To implement the 1990 act, HUD issued program guidelines on September 30, 1991. HUD expects to issue an interim rule and a notice of final rulemaking reflecting changes made by the 1992

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amendments early in calendar year 1993. The new interim rule will replace the current program guidelines and will remain in effect until the final rules become effective. Consistent with the act, these final rules will become effective 1 year after they are published in the Federal Register. (See app. II.)

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## HUD Is Coordinating Its Self-Sufficiency Efforts With Other Federal Agencies

A key factor in the FSS program's success will be how well federal, state, and local government programs, as well as private providers of supportive services, can work together to meet the needs of FSS program participants. Since the act does not authorize funds for services, such as education, job training, child care, and counseling, PHAS and IHAS will have to rely on other sources for these services.

To foster a close working relationship with other federal agencies to promote self-sufficiency for lower-income families, HUD has been working with a number of agencies, including the Departments of Health and Human Services, Labor, Education, and Agriculture. Efforts by these agencies include commitments to coordinate their self-sufficiency efforts. In addition, several agencies have agreed to participate in joint self-sufficiency projects. However, it is too early to determine what effect these coordination efforts at the federal level will have on local initiatives to implement the FSS program.

It may be difficult for PHAS and IHAS to obtain these services for FSS participants, in part, because of increased public assistance case loads and budget constraints that local and state governments face. For example, social service case loads have grown significantly. According to the American Public Welfare Association, the number of families receiving Aid to Families with Dependent Children—many of which require the same supportive services needed by FSS families—increased by 28 percent from July 1989 to June 1992. Fifteen states had increases greater than 40 percent. According to the National Governors' Association, a number of states face growing projected budget deficits that may make providing these services more difficult. (See app. III.)

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## HUD Has Taken a First Step in Providing Funds for PHAs and IHAs to Operate Their FSS Programs

The FSS program requires that PHAs and IHAs perform new duties, such as arranging for supportive services that will be provided by others, selecting FSS participants, and monitoring participants' progress. Some PHAs, IHAs, and housing associations representing these agencies are concerned that without adequate funding, PHAs and IHAs may be unable to perform the duties necessary for operating effective FSS programs.<sup>2</sup> For example, the housing associations are concerned that PHAs and IHAs operating section 8 FSS programs may not have the funds needed to hire full-time service coordinators—a position the affordable housing act recognizes as a reasonable cost of the FSS program. Instead, the PHAs and IHAs may have to rely on existing staff who may not have the time or the capability to adequately perform FSS program responsibilities.

Determining the appropriate compensation for the PHAs and IHAs operating FSS programs will be difficult for various reasons, including the (1) lack of comprehensive cost data on PHAs' and IHAs' costs to operate FSS programs since the program is still in its early stages; (2) differences in the way PHAs and IHAs may carry out FSS program responsibilities, which affect the amount of funding needed; and (3) differences in funding public/Indian housing and section 8 housing assistance programs.

For the public and Indian housing FSS programs, HUD will provide PHAs and IHAs with additional operating subsidies to pay for certain costs associated with operating these programs. Operating subsidies, provided by HUD through a regulatory formula, are designed to make up the difference between reasonable costs of operating public and Indian housing and the income—primarily in the form of rent—that PHAs and IHAs receive. In fiscal year 1993, HUD has available up to \$25.9 million in additional operating subsidies for PHAs and IHAs operating their public and Indian housing FSS programs, primarily for the cost of hiring service coordinators.

For the most part for the section 8 FSS program, HUD does not plan to provide additional funds for PHAs' and IHAs' costs in operating their FSS programs until these housing agencies gain more experience with their programs. PHAs and IHAs that operate section 8 programs do not receive

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<sup>2</sup>PHAs' concerns about (1) the availability of supportive services from local public and private entities and (2) funds needed to cover the costs of operating their programs are also discussed in our April 1, 1992, report entitled *Public and Assisted Housing: Linking Housing and Supportive Services to Promote Self-Sufficiency* (GAO/RCED-92-142BR).



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operating subsidies. Instead, they receive administrative fees designed to cover the costs of operating their section 8 programs.<sup>3</sup>

HUD will require PHAS to report periodically on the costs of operating the FSS program and to provide detailed estimates of the costs required to operate a more effective program. HUD indicated that these cost data will be valuable as the agency evaluates an appropriate adjustment to its current section 8 administrative fee to include the costs of operating FSS programs. For the present, HUD will allow PHAS and IHAS to use FSS costs as justification for receiving the maximum section 8 preliminary fee of \$275 per family.<sup>4</sup> The preliminary fee is a one-time reimbursement for each additional section 8 certificate or voucher that a PHA or IHA receives and is a small portion of the overall administrative fee. Housing agencies must document the expenses incurred to receive reimbursement. (See app. IV.)

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## Agency Comments and Our Evaluation

We requested written comments from HUD, but none were provided. However, we did obtain the comments of the Directors of HUD's Rental Assistance Division and its Office of Budget on a draft of this report. The officials were in general agreement with the draft report's contents. The officials offered several technical and clarifying suggestions, which we incorporated where appropriate.

The Director of the Rental Assistance Division said that she hoped that our final report on the FSS program—statutorily required to be issued by November 28, 1995—would address the costs of administering an FSS program. In our April 1, 1992, report, we recommended that HUD require PHAS (1) to report the costs of operating the FSS program and (2) to provide detailed estimates of the costs of operating a more effective program. HUD agreed to implement this recommendation but does not expect to be able to obtain these cost data until late 1994. Our ability to determine PHAS' additional costs of operating section 8 FSS programs depends on the quality and timeliness of HUD's actions to implement our recommendation.

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<sup>3</sup>The National Affordable Housing Act did not set a deadline for when HUD was required to revise its section 8 administrative fee to include costs of operating the FSS program. However, the act did require HUD to include, in its annual budget requests to the Congress, estimates of costs to operate public housing FSS programs.

<sup>4</sup>The act authorizes a preliminary fee of up to \$300, subject to appropriations. HUD has not requested and the Congress has not provided appropriations to support the higher preliminary fee.

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## Scope and Methodology

To determine HUD's responsibilities for the FSS program, we reviewed the legislative authority for the FSS program and related legislative documents. To determine the extent to which HUD has implemented the program, we reviewed HUD's program guidance; examined HUD records; and interviewed officials at HUD, the Department of Health and Human Services, the Department of Labor, the Department of the Interior, and the Internal Revenue Service. We also interviewed members of national organizations representing PHAS and IHAS and state and local governments, including the National Association of Housing and Redevelopment Officials, the Council of Large Public Housing Authorities, the National American Indian Housing Council, the National Governors' Association, the National Association of Counties, and the American Public Welfare Association.

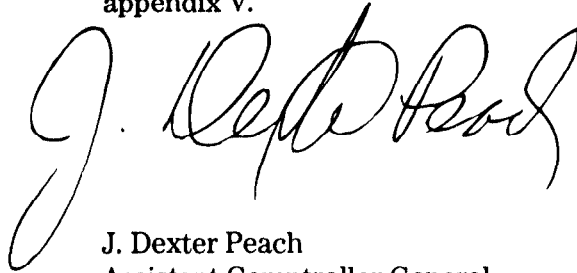
We also reviewed the results of HUD's FSS incentive awards competition to determine the number of PHAS and IHAS that will operate FSS programs before the inception of the mandatory program in fiscal year 1993. In addition, we reviewed HUD's Region II (covering New York and New Jersey) files to determine the status of the FSS programs operated in that area and interviewed officials at several PHAS in New York and New Jersey to determine their progress in implementing the program. Our review was conducted between April and November 1992 in accordance with generally accepted auditing standards.

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We are sending copies of this report to congressional committees and subcommittees interested in housing and human resource matters; the Secretary of Housing and Urban Development; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request.

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This report was prepared under the direction of Judy A. England-Joseph, Director, Housing and Community Development Issues, who can be reached at (202) 512-7631. Major contributors to this report are listed in appendix V.

A handwritten signature in black ink, appearing to read "J. Dexter Peach". The signature is written in a cursive, flowing style with a large initial "J".

J. Dexter Peach  
Assistant Comptroller General

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Abbreviations

FSS	Family Self-Sufficiency
GAO	General Accounting Office
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
JOBS	Job Opportunities and Basic Skills Training Program
IHA	Indian housing authority
JTPA	Job Training and Partnership Act
PHA	public housing agency
SBA	Small Business Administration
UMTA	Urban Mass Transit Administration

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# Background

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The Family Self-Sufficiency (FSS) program was established by the National Affordable Housing Act (P.L. 101-625, Nov. 28, 1990) and was amended in October 1992 by the Housing and Community Development Act of 1992 (P.L. 102-550). The program's purpose is to promote the development of local strategies to coordinate federal housing assistance with public and private resources in order to enable lower-income families to achieve economic independence and self-sufficiency.

The Department of Housing and Urban Development (HUD) is the federal agency responsible for administering the program. Day-to-day operation of the program is carried out by public housing agencies (PHAs) and Indian housing authorities (IHAs). Housing assistance for the FSS program can be provided through HUD's public housing or Indian housing programs or through its section 8 certificate and voucher programs. Over 3,400 PHAs and IHAs own and operate housing for about 1.4 million families under the public and Indian housing programs. In the section 8 certificate and voucher programs, over 2,000 PHAs and IHAs provide housing subsidy payments to owners of private rental housing on behalf of about 1.4 million lower-income families.

In addition to receiving housing assistance, FSS families may, under the act, receive supportive services, such as job training, education, and child care, to help them become self-sufficient. The act does not authorize additional funds for these supportive services. Instead, PHAs and IHAs must rely on the resources and programs in their communities to serve participating families adequately.

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## Key FSS Program Provisions

Major provisions of the FSS program, as amended by the 1992 act, are as follows:

Coordinating committee: Each participating PHA and IHA is required to establish a program coordinating committee to operate its FSS program, including developing an action plan and securing commitments from public and private resource providers that will deliver supportive services to program participants.

Action plan: Each participating PHA and IHA—in consultation with others, including the coordinating committee—is required to develop an action plan, which HUD must approve. Among other things, the plan should describe the (1) characteristics and needs of the families expected to participate; (2) services, activities, and resources to be provided;

(3) incentives to be offered to families to encourage their participation in the program; and (4) a timetable for implementation.

Services envisioned: Supportive services for participating families may include remedial education and education to complete high school; job training; child care; transportation to receive services; training in household and money management and parenting skills; and other services. Two major federal sources of supportive services for FSS participants will be the Department of Health and Human Services' (HHS) Job Opportunities and Basic Skills Training (JOBS) program and programs funded under the Department of Labor's (DOL) Job Training Partnership Act (JTPA).<sup>1</sup>

Participation and selection process: Families' participation is voluntary. The act does not specify how participants are to be selected. HUD's program guidelines, published in September 1991, allow PHAS and IHAS to use a variety of methods, including selecting participants from among (1) those currently being assisted by PHA or IHA, (2) persons on a waiting list to receive assistance, or (3) both.

Contract of participation: PHAS and IHAS and the families participating in the FSS program enter into contracts that set out (1) the resources and supportive services to be made available to participating families and (2) the responsibilities of the PHAS, IHAS, and the families. The contract must contain interim and final goals against which participants' progress can be measured. The contract may be for as long as 5 years and may be extended for 2 additional years. The head of each family is required to seek suitable employment during the term of the contract.

Incentives for participation: PHAS and IHAS must establish plans that offer incentives to encourage families' participation in the FSS program. One required incentive is an escrow savings account for each participating family. For families earning less than 50 percent of the area's median income, any increase in income that the family would normally pay as rent (assisted families generally pay 30 percent of their income for rent) goes into the escrow savings account. The contribution to the escrow account is phased out as the family's income reaches 80 percent of the area's median income.

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<sup>1</sup>At the local level, the JOBS program is administered by the state agency responsible for the local Aid to Families with Dependent Children program. The JTPA program is highly decentralized, with over 600 local programs providing employment and training services to program participants.

A family may receive its escrow savings (1) after it ceases to receive income assistance under federal or state welfare programs, (2) upon successful completion of its obligations under the contract of participation, and (3) under other circumstances that HUD determines are warranted. In addition, PHAS may choose to distribute portions of a family's escrow savings upon completion of specific interim goals as specified in the family's contract of participation.

The authorizing legislation allows PHAS and IHAS to design other incentives. The legislation does not provide any examples or restrictions regarding those incentives.

Termination from the program: PHAS and IHAS may terminate section 8 assistance if they find, through an administrative grievance procedure, that a family has failed to comply with the requirements of its contract of participation without good cause. The act does not contain a provision for terminating public housing or Indian housing assistance for these FSS program participants.

Reimbursement for program costs: For the public housing program, the act requires HUD to adjust its operating subsidies to PHAS to cover their reasonable administrative costs in operating the FSS program—including the cost of hiring a full-time service coordinator. Operating subsidies are provided by HUD through a regulatory formula designed to make up the difference between reasonable costs of operating public and Indian housing and the income—primarily in the form of rent—that PHAS and IHAS receive. For fiscal year 1993, appropriations for operating subsidy would permit the payment of \$25.9 million to PHAS and IHAS to cover the additional administrative costs of operating their public and Indian housing FSS programs.

The act also requires HUD to revise the administrative fee it pays PHAS and IHAS so that it reflects the costs incurred in operating an FSS program through the section 8 certificate and voucher programs. PHAS and IHAS currently receive an ongoing annual fee for operating their section 8 programs. This fee is currently set at 8.2 percent of the fair market rent for a two-bedroom apartment within the PHA's or IHA's jurisdiction for new allocations of certificates and vouchers, subject to appropriations. PHAS and IHAS may also receive a one-time reimbursement—up to \$275—for each additional section 8 certificate or voucher they receive.<sup>2</sup> PHAS and IHAS

<sup>2</sup>The act authorizes a preliminary fee of up to \$300, subject to appropriations. HUD has not requested and the Congress has not provided appropriations to support the higher preliminary fee.



are also eligible to receive a \$45 hard-to-house fee for families with three or more children. HUD is planning to collect cost data from PHAS and IHAS that operate section 8 FSS programs to determine the appropriate revision to the administrative fee. (See app. IV for additional discussion of this topic.)

Reporting requirements: PHAS and IHAS must report annually to HUD on their FSS programs' (1) activities, (2) effectiveness in helping families achieve economic independence and self-sufficiency, and (3) effectiveness in coordinating the community's resources to assist families. Also, PHAS and IHAS may include in these reports recommendations for legislative or administrative changes aimed at improving the FSS program. The act requires HUD to report annually to the Congress on the program's effectiveness. However, the act is silent on specific indicators of program effectiveness. HUD officials, in early 1993, plan to provide PHAS and IHAS with guidance on what program characteristics should be collected and included in the annual reports. HUD officials also plan to provide guidance on data that PHAS and IHAS should collect to facilitate future evaluations of the program.

The size of the FSS program is dictated by the additional housing assistance that PHAS and IHAS receive. For fiscal years 1991 and 1992, in accordance with the act, PHAS and IHAS wanting to operate FSS programs competed for additional housing assistance. Starting in fiscal year 1993, every PHA receiving funds for new public housing units, or for additional section 8 certificates or vouchers, must operate an FSS program unless exempted by HUD. Each year, the program size must serve at least the number of new public housing units and section 8 certificates or vouchers funded. For example, if a PHA receives funding for 25 additional certificates in 1993 and 40 certificates in 1994, it must operate an FSS program for 65 families by the end of 1994. Under certain conditions—when, for example, supportive services are not available in an area—HUD may allow PHAS and IHAS to operate smaller programs or no program at all. The 1992 act made the FSS program optional for IHAS.

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## HUD's Actions to Inform PHAs and IHAs About the FSS Program

To implement the 1990 act, HUD issued program guidelines on September 30, 1991. HUD expects to issue final rulemaking reflecting changes made in the 1992 amendments early in calendar year 1993. Consistent with the act, these final rules will become effective 1 year after they are published in the Federal Register. In addition to its published guidelines, HUD issued FSS guidance in May 1992 in the form of "questions

and answers." In early 1993, HUD intends to issue a guidebook to assist PHAS and IHAS in designing and operating their FSS programs.

HUD has also provided assistance to PHAS and IHAS through seminars and training sessions. These efforts introduced housing agencies and the housing community to the FSS program, including a description of program provisions and an overview of sources of supportive services. Seminars and training sessions were conducted in various locations between November 1991 and October 1992. Some seminars and training sessions were conducted solely by HUD, while others were conducted in conjunction with other organizations, such as the National Association of Housing and Redevelopment Officials.

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## **Previous Self-Sufficiency Demonstrations by HUD**

The FSS program is similar to two of HUD's earlier self-sufficiency demonstrations. Under the Project Self-Sufficiency demonstration in 1984 and 1985, HUD gave 155 PHAS about 10,000 section 8 certificates to encourage communities to coordinate local resources to provide a comprehensive package of services to assist families in becoming self-sufficient. In its 1989 and 1990 Operation Bootstrap self-sufficiency demonstration, HUD awarded almost 12,000 certificates and vouchers to 322 PHAS for the same purpose. The FSS program differs from these demonstrations in that it provides for, among other things, escrow savings accounts and other incentives, and it authorizes HUD to reimburse the PHAS for the costs of operating their programs.

Although no rigorous evaluation was conducted, HUD has gathered statistics regarding the Project Self-Sufficiency demonstration. In 1988, HUD reported that 42 percent of 9,928 Project Self-Sufficiency participants from 134 communities had "completed the program." HUD defined "completed" as when participants either obtained full-time employment or enrolled in a 2- or 4-year college degree program. In September 1991, HUD contracted with Abt Associates, Inc., to study how Operation Bootstrap was carried out in 61 communities. The final report of this study should be completed in the fall of 1993.

# The FSS Program Is in Its Initial Stages

The FSS program is in its early stages of implementation. In 1992, HUD held five incentive award competitions to provide additional funds for public housing, Indian housing, and section 8 certificates and vouchers to PHAS and IHAS that wanted to establish FSS programs before the program became mandatory in fiscal year 1993. From these competitions, more than 600 PHAS and IHAS have made commitments to establish FSS programs that are expected to serve almost 30,000 families. HUD expects to announce the funding availability for fiscal year 1993 mandatory FSS programs by April 1993.

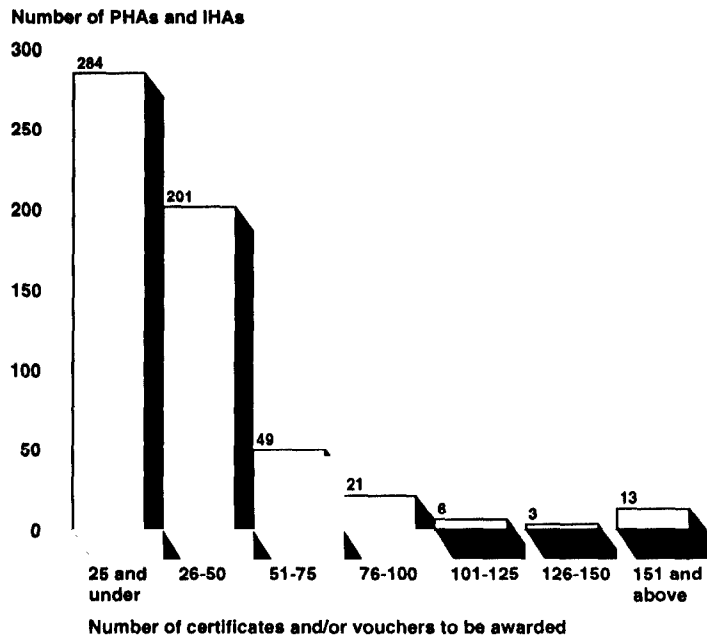
HUD's September 1991 FSS program guidelines allow PHAS and IHAS up to 12 months to establish their programs after they receive notification that HUD has approved their award of housing assistance funds. The guidelines also allow that full service delivery to the total number of families required to be served need not occur within these 12 months. HUD officials told us that significant FSS program activity, including selecting FSS families and providing supportive services, is not likely to occur before 1994.

## Section 8 Incentive Award Results

HUD held a single incentive award competition for fiscal year 1991 and 1992 section 8 funds. In mid-1992, HUD notified 574 PHAS and 3 IHAS that they would receive additional section 8 housing assistance in order to establish their FSS programs.<sup>1</sup> As a result, HUD will provide over \$900 million in housing subsidies for 5 years for about 13,200 section 8 certificates and about 12,900 vouchers. On average, PHAS were awarded 45 certificates and/or vouchers. The smallest award was 3 units; the largest award was 1,635 units. About the same number of PHAS and IHAS were awarded 25 units or less as the ones that were awarded more than 25 units (see fig. II.1).

<sup>1</sup>The limited availability of privately owned rental housing on or near Indian reservations or other tribal areas limits IHAS' ability to use section 8 assistance.

Figure II.1: Results of Section 8 FSS Program Competition



Source: HUD.

## Public Housing Incentive Award Results

HUD held two incentive award competitions for public housing development assistance, with one using fiscal year 1991 funds and the other using fiscal year 1992 funds. In May and June 1992, HUD notified 50 PHAs that they would receive \$66.8 million in fiscal year 1991 housing development assistance to establish FSS programs. In September 1992, HUD notified 67 PHAs that they would receive about \$180 million of fiscal year 1992 public housing development assistance to establish FSS programs.

The results of the two competitions comprise 3,060 public housing units. The sizes of public housing FSS programs range from 4 to 487 units, with an average size of 31 units.

## Indian Housing Incentive Award Results

As with the public housing program, HUD held two incentive award competitions for Indian housing assistance. In May and June 1992, HUD notified 10 IHAs that they would receive about \$22 million in fiscal year 1991 Indian housing development assistance to be used to establish FSS programs. In late September 1992, HUD notified nine IHAs that they would

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**Appendix II**  
**The FSS Program Is in Its Initial Stages**

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receive about \$22 million of fiscal year 1992 Indian housing development assistance. The two Indian housing award competitions represent a total of 544 units.

# HUD Has Undertaken Several Initiatives to Coordinate Its Self-Sufficiency Efforts With Other Federal Agencies

The FSS program is beginning at a time when fiscally strapped state and local governments are attempting to serve an increasing number of families needing supportive services. Obtaining service commitments for FSS participants in this environment requires close working relationships among federal agencies, PHAS or IHAS, state and local government agencies, and private providers of supportive services. Recognizing the importance of such coordination—a factor emphasized in prior self-sufficiency demonstrations—HUD has begun cooperative efforts with other federal agencies to help residents of assisted housing achieve self-sufficiency.

## Demand for Supportive Services Is Growing but States' Financial Conditions Have Worsened

The number of families receiving Aid to Families with Dependent Children—many of which require significant supportive services—increased by about 28 percent from July 1989 to June 1992, according to the American Public Welfare Association. All but 6 states saw at least a 10-percent increase in their caseloads, with 28 states experiencing an increase greater than 25 percent, including 6 states with a 50-percent or greater increase.

At the same time, states face growing projected budget deficits. According to the National Governors' Association, estimated deficits for fiscal year 1992 totaled \$7 billion. For fiscal year 1993, the deficits are expected to increase to nearly \$12 billion. In March 1992, the executive director of the National Governors' Association commented on the effect of these deficits:

While the early stages of this economic downturn were met in most states by budget cuts designed to address short-term imbalances, the current emphasis is more heavily focused on long-term strategies, including, to a large extent, eliminating and reorganizing programs. These have been particularly tough choices, a zero-sum game pitting the highest priorities against each other. In the classic paradox of government spending, it is during difficult times that the demand for State and Federal programs grow, and yet our ability to finance initiatives diminishes.

It is in this environment that the FSS program begins.

## **HUD Has Recognized the Importance of Coordinating Self-Sufficiency Efforts**

HUD's efforts to coordinate its self-sufficiency efforts began prior to the creation of the FSS program. From 1984 through 1990 HUD's self-sufficiency demonstration programs (Project Self-Sufficiency and Operation Bootstrap) have encouraged coordination between PHAS operating section 8 programs and local supportive service providers. Since 1990, HUD worked with other federal agencies to promote self-sufficiency among all recipients of assisted housing, with emphasis placed on those residing in public housing.

HUD has entered into working relationships with seven federal agencies—the Departments of Health and Human Services (HHS), Labor, Transportation, Agriculture, Justice, and Education, and the Small Business Administration—to promote self-sufficiency for families in assisted housing. These initiatives are directed at the agencies (1) becoming familiar with each others programs and funding sources, (2) funding demonstration projects that promote self-sufficiency and test strategies for achieving self-sufficiency, and (3) identifying and eliminating regulatory barriers to achieving self-sufficiency. Although these initiatives are not specific to the FSS program, the FSS program could benefit from the improved working relationships and commitments to coordinate that have been established among the federal agencies.

HUD's efforts to coordinate were documented in memorandums of understanding. Key memorandums of understanding were entered into by the Secretaries of HUD and HHS and by the Secretaries of HUD and Labor. The purpose of both memorandums is to establish a continuing relationship and to develop and implement joint initiatives to help homeless and low-income families move toward independent living and economic independence. According to HUD:

Coordination with [HHS'] Job Opportunities and Basic Skills training program and [Labor's] Job Training Partnership Act program will be especially important in arranging the delivery of services that participating [FSS] families will need to climb a ladder of opportunity out of poverty and into self-sufficiency.

The JOBS program helps needy families receiving Aid for Families with Dependent Children obtain assistance—including education, training, and child care—they need to become self-sufficient. JTPA provides job training and related assistance to individuals who are economically disadvantaged or face significant employment barriers.

**Appendix III  
 HUD Has Undertaken Several Initiatives to  
 Coordinate Its Self-Sufficiency Efforts With  
 Other Federal Agencies**

In implementing these two key agreements, two joint information memorandums were issued, one by HUD and HHS in October 1990 and the other by HUD and Labor in May 1992. These memorandums encourage coordination between local administrators of housing programs and local administrators of HHS and Labor programs. The agencies do this by providing their constituencies with overviews of each agency's programs and providing examples of ways that programs and resources can be linked to accomplish similar goals.

Four projects have also been undertaken—two with HHS, one with Labor, and another with Agriculture (see table III.I). Projects such as these are useful in that (1) they provide incentives for localities to develop and test creative strategies—including seeking waivers from existing programs' regulations—that could give assisted households a greater chance at reducing their dependency on public assistance and (2) they provide other localities with examples of successful and unsuccessful methods of promoting self-sufficiency.

**Table III.1: Projects That Coordinate HUD Resources With Those of Other Agencies**

<b>Project</b>	<b>Agencies Involved</b>	<b>Purpose</b>
Economic Empowerment Demonstration	HUD and HHS	To test strategies for moving public housing residents into the "economic mainstream of employment, business, and home ownership" by combining JOBS services and housing assistance.
Head Start Public and Indian Housing Child Care Demonstration	HUD and HHS	To provide full-day child care facilities within or near a PHA or IHA housing development.
Job Training for the Homeless Demonstration	HUD and Labor	To link job training and housing to help homeless families and individuals move toward independent living and economic self-sufficiency.
Three-way partnership with Kraft General Foods	HUD and Agriculture (with Kraft General Foods)	To deliver consumer education, nutrition, and family development programs to residents in eight public housing developments.

Source: HUD.

HUD has participated in specific self-sufficiency initiatives, with the Departments of Education, Transportation, and SBA.<sup>1</sup> For example, Transportation's Entrepreneurial Services Program encourages private

<sup>1</sup>HUD's Office of Resident Initiatives is also working with the Department of Justice in coordinating Operation Weed and Seed, a multiagency approach to combat violent crime, drug-use, and gang activity in high crime neighborhoods.



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**Appendix III  
HUD Has Undertaken Several Initiatives to  
Coordinate Its Self-Sufficiency Efforts With  
Other Federal Agencies**

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entrepreneurs to identify and initiate affordable public transit services to local communities. Recognizing this as a potential source of funds to help housing assistance recipients start their own businesses, HUD and Transportation are exploring options to focus some of these resources specifically to HUD's clientele.

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**Too Early to Assess  
the Effect of HUD's  
Coordination  
Initiatives**

The effect of HUD's coordination initiatives will not become apparent until significant numbers of FSS participants need to be served through federal programs or programs funded by state and local entities. As previously discussed, this may not occur for some time. In addition, projects like the HUD/HHS Economic Empowerment Demonstration are in the early stages of implementation. At this time, no conclusions can be drawn on how these demonstrations affect relations at the federal, state, or local levels.

However, HUD's interagency cooperative efforts are positive, initial steps which may facilitate the abilities of PHAS and IHAS to obtain the supportive services they need for their FSS participants. For example, HUD Region II (New York and New Jersey) officials have signed agreements pledging cooperation with two other regional federal agencies. Similarly, HUD Region V (midwest states) officials used the HUD/HHS, HUD/Labor, and HUD/Transportation agreements as a starting point from which to form cooperative relations with respective state agencies in implementing the FSS program.

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# HUD's Actions to Provide Funds for the Costs of Operating FSS Programs

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The FSS program requires PHAS and IHAS to perform many new duties. Some PHAS and IHAS and housing associations have raised concerns that without adequate funding, PHAS and IHAS may be unable to perform the duties necessary to operate effective FSS programs. However, determining the appropriate level of funding is difficult. HUD, in response to the act's requirements, has taken some action to address this issue.

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## PHAs and IHAs Must Carry Out Many New Duties

The FSS program requires PHAS and IHAS to perform many new duties. These include (1) establishing program coordinating committees; (2) preparing action plans; (3) obtaining needed supportive services; (4) selecting participants; (5) developing and monitoring each family's contract of participation; (6) accounting for program incentives, including the escrow saving accounts; and (7) reporting annually to HUD.

Some PHAS and IHAS, as well as officials of two major housing associations—the National Association of Housing and Redevelopment Officials and the Council of Large Public Housing Authorities—said that without adequate funding, PHAS and IHAS may not be able to afford the expenses of operating effective programs. For example, PHAS and IHAS may not have funds to hire needed full-time service coordinators. Instead, they may have to rely on existing staff who may not have the time or the capability to adequately perform the FSS program responsibilities.

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## Determining Adequate Funding Levels Is Difficult

Determining the appropriate funding level for PHAS and IHAS operating FSS programs will be difficult for various reasons. First, cost data on many of the FSS duties is not available since the program is in the early stages of implementation. Second, PHAS and IHAS will carry out the FSS program differently. Third, differences between the overall public/Indian housing and section 8 housing assistance programs will affect HUD's approach in funding the respective FSS programs.

As discussed in appendix II, the FSS program is in the early stages of implementation. HUD officials indicated that many PHAS and IHAS planning to operate FSS programs have little or no experience regarding the actual costs of operating their FSS programs. Without adequate accounting of the FSS program costs incurred by PHAS and IHAS, adjustments to HUD's funding levels could be premature.

The costs of operating an FSS program will vary between PHAS and IHAS. Local conditions—such as the availability of nonhousing agency

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**Appendix IV  
HUD's Actions to Provide Funds for the  
Costs of Operating FSS Programs**

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staff—may affect the program's costs. For example, one PHA may be able to obtain staff from other local entities to monitor individual participants' progress at little or no cost. However, another PHA may be unable to obtain such in-kind services and must, therefore, hire additional staff or forego this important task.

The FSS program applies to both public housing, Indian housing, and section 8 housing assistance, and in principle, many program provisions are virtually the same. However, there are differences in the way HUD funds the cost of operating the non-FSS parts of these programs. For example, under public and Indian housing, HUD provides operating subsidies to PHAS and IHAS. Operating subsidies are determined through a regulatory formula designed to make up the difference between reasonable costs of operating public and Indian housing and the income—primarily in the form of rent—that PHAS and IHAS receive.

PHAS and IHAS operating section 8 programs do not receive operating subsidies but instead receive an administrative fee. The administrative fee is designed to cover the costs of operating a section 8 program—not including the actual subsidies paid to private landlords. HUD officials indicated that some PHAS have excess funds from HUD's administrative fee which, under existing regulations, they may use to offset FSS program costs. Other PHAS may not have excess administrative fees.

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**HUD's Actions to  
Address the Cost of  
Operating FSS  
Programs**

In response to the act's requirements, HUD is providing PHAS and IHAS with additional operating subsidies to pay for certain estimated costs associated with operating public and Indian housing FSS programs. HUD has not provided similar funding for the section 8 FSS program. However, HUD has agreed, in response to a recommendation contained in our April 1, 1992, report, to require PHAS to report periodically on the additional costs of operating the section 8 FSS program and to provide detailed estimates of the costs needed to operate a more effective program.<sup>1</sup> In addition, HUD will allow PHAS and IHAS to use FSS costs as justification for receiving the maximum section 8 preliminary fee (see app. I). Housing agencies must document the expenses incurred to receive reimbursement.

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**Public and Indian Housing  
FSS Programs**

For public and Indian housing FSS programs, the act requires HUD to adjust PHAS' and IHAS' operating subsidies to cover their costs of carrying out an

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<sup>1</sup>See Public and Assisted Housing: Linking Housing and Supportive Services to Promote Self-Sufficiency (GAO/RCED-92-142BR, Apr. 1, 1992).

FSS program. This includes the costs of employing a full-time service coordinator. The act required HUD to include, in its annual budget requests to the Congress, estimates of these costs. HUD officials said that the estimate for fiscal year 1993 was not based on actual costs but rather was an estimate derived from (1) the estimated average annual salary of a full-time service coordinator budgeted at about \$33,000 per position and (2) the estimated portion of the rent lost when a public or Indian housing unit is used for office space rather than for housing purposes. (HUD officials indicated that they estimated that one apartment per PHA would be needed to serve as the service coordinator's office.) As a result, HUD has available \$25.9 million in operating subsidies to PHAs and IHAs for their fiscal year 1993 FSS program costs.

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## Section 8 FSS Programs

The act requires HUD to revise the section 8 administrative fee, taking into consideration our recommendation of the change needed to cover the additional FSS program costs. The recommended change to the administrative fee was to appear in our April 1, 1992, report to the Congress. However, at that time, no PHAs or IHAs were operating FSS programs. Consequently, we were unable to determine the additional costs of operating a section 8 FSS program. Therefore, we recommended that HUD require PHAs to report the costs of operating the FSS program and to provide detailed estimates of the costs of operating a more effective program. The reported costs could then be used as a basis for HUD's budgeting of additional FSS operating costs.

In its July 23, 1992, response to our recommendation, HUD agreed to require PHAs to (1) report periodically on the costs of operating their FSS programs and (2) provide detailed estimates of the costs to operate a more effective program. HUD's response also stated that these cost data will be valuable as the agency evaluates appropriate adjustments to its current administrative fee. However, HUD officials indicated that the Department will not be able to collect meaningful cost data until PHAs gain experience in operating their FSS programs. These officials added that they do not expect that such experience will be obtained before late 1994 and only then will they be able to begin to revise the administrative fee.

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# Related GAO Products

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Housing and Community Development Issues (GAO/OCG-93-22TR, Dec. 1992).

Integrating Human Services: Linking At-Risk Families With Services More Successful Than System Reform Efforts (GAO/HRD-92-108, Sept. 24, 1992).

Welfare to Work: States Begin JOBS, but Fiscal and Other Problems May Impede Their Progress (GAO/HRD-91-106, Sept. 27, 1991).

HUD's Family Self-Sufficiency (GAO/RCED-92-248R, July 31, 1992).

Public and Assisted Housing: Linking Housing and Supportive Services to Promote Self-Sufficiency (GAO/RCED-92-142BR, Apr. 1, 1992).

Housing and Community Development Products (GAO/RCED-92-111, Mar. 1992).

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