

**Tulare County's  
Moving to Work  
Demonstration**

**Case Study Update**

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# Tulare County's Moving to Work Program

## Case Study Update

### Introduction

The Housing Authority of Tulare County (HATC) has participated in HUD's Moving to Work (MTW) demonstration since April 1999. HATC's MTW program is designed to increase self-sufficiency and simplify program administration by eliminating income-based rents and limiting housing assistance to five years. HATC began enrolling households in its MTW program in May 1999. As of September 2001, over 1,600 households, about half of HATC's clients, had participated in the program.

This report supplements a detailed case study on HATC's MTW program written in September 2000. The paper updates the findings of the earlier case study and provides new information on income and employment changes among program participants as of September 2001.

### Overview of Program Design

HATC's MTW program is intended to foster self-sufficiency and to simplify program administration through two basic features:

- Flat rents in public housing (and a corresponding fixed subsidy in the Housing Choice Voucher Program);
- Assistance is terminated when household income reaches 120 percent of median or after five years, whichever comes first.

All new admissions are enrolled in the MTW program except elderly and disabled households, who are exempt. In addition, existing public housing and voucher program participants are given the option to convert to MTW at the time of their annual recertification.

In the public housing program, MTW participants pay a fixed monthly rent according to unit size. There is no utility allowance. HATC has attempted to set the MTW rents at a level that is attractive to program participants while covering the agency's operating costs and reserves. (HATC does not receive Performance Funding System operating subsidies in its public housing program.) HATC has increased the MTW public housing rents once since the start of the program in response to higher utility costs. The current MTW rents for public housing, as shown in Table 1, range from 36 percent of the Fair Market Rent (FMR) for a five-bedroom unit to 53 percent of the Fair Market Rent for a one-bedroom unit.

**Table 1****MTW Public Housing Rents by Unit Size as Compared to the Fair Market Rent**

Unit Size	MTW Public Housing	Fair Market Rent (FMR)	MTW Rent as a Percent of FMR
1 Bedroom	\$220	\$416	53%
2 Bedrooms	\$245	\$542	45%
3 Bedrooms	\$300	\$756	40%
4 Bedrooms	\$330	\$863	38%
5 Bedrooms	\$355	\$992	36%

MTW voucher participants receive a fixed monthly subsidy and pay the difference between this fixed subsidy and the contract rent for their unit. MTW voucher participants receive no utility allowance. In addition, MTW voucher participants are not subject to the 40 percent cap on the family's rent contribution to the rent on newly executed leases. HATC increased the level of subsidy in the MTW voucher program in March 2001 in response to a tightening of the local rental market. The current MTW voucher subsidy levels, shown in Table 2, range from 48 percent of HATC's voucher payment standard (VPS) for a one-bedroom unit to 62 percent of the VPS for a five-bedroom unit.

**Table 2****MTW Voucher Subsidies by Unit Size as Compared to the Voucher Payment Standard (VPS)**

Unit Size	MTW Subsidy	VPS	MTW Subsidy as a % of VPS
0 Bedrooms	\$215	\$430	50%
1 Bedroom	\$220	\$458	48%
2 Bedrooms	\$320	\$596	54%
3 Bedrooms	\$500	\$832	60%
4 Bedrooms	\$570	\$949	60%
5 Bedrooms	\$675	\$1,091	62%

Under HATC's MTW program, there are no escrow accounts of the type offered in the Family Self Sufficiency Program (FSS). Participants are expected to manage their own savings. HATC does not offer supportive services in-house. However, HATC's eligibility clerks frequently provide referrals to social service agencies at intake or annual recertification, and are available to assist participants with referrals at other times of the year as well.

From the perspective of HATC's leadership, the principal benefits of the agency's MTW approach are that it: encourages resident employment and income growth; removes the incentive for income underreporting; is straightforward and easy for participants to understand; promotes administrative simplicity; and is fair. The program also suits the strong work ethic and conservative political climate of the region.

## Program Implementation

HATC began enrolling participants in the MTW program in May 1999, shortly after signing its MTW agreement with HUD. Table 3 shows the breakdown of total program participation as of October 2001.<sup>1</sup> Note that HATC's voucher allocation includes 400 Welfare to Work (WtW) vouchers that HATC currently administers under regular HCVP rules (i.e., providing an income-based subsidy). HATC is anxious to convert these vouchers to MTW; however, HUD has not yet approved the merger of this increment into MTW. HATC also offers a Flat Rent option in its regular public housing program (as required under QHWRA) that is separate from MTW. The rents in this program are different from those in the MTW public housing program. In addition, the Flat Rent option has no time limit on assistance.

**Table 3**

### MTW Participation to Date, September 2001

	Public Housing	
	<i>Number</i>	<i>Percent</i>
Moving to Work	377	48%
Income-Based	324	41%
HUD Flat Rent	81	10%
<b>Total</b>	<b>782</b>	<b>100%</b>
	HCVP	
	<i>Number</i>	<i>Percent</i>
Moving to Work	1,253	43%
Income-Based HCVP	1,271	43%
Income-Based Welfare to Work	417	14%
<b>Total</b>	<b>2,941</b>	<b>100%</b>

As shown in Table 4, 52 percent of participants in the MTW public housing program and 60 percent of participants in the MTW voucher program were families that came off HATC's waiting lists and were admitted to the programs under MTW rules. The remaining families were already participating in HATC's income-based public housing and voucher programs and chose to convert to MTW at the time of annual recertification. As part of the recertification process, HATC's eligibility clerks explain the MTW program and show families what their portion of the rent would be under both the conventional income-based and MTW programs. Those families that opt for MTW generally decide that given their incomes and employment possibilities, the flat rent approach is more beneficial than the income-based system, despite the five-year time limit on assistance.

HATC has reserved up to 400 MTW "slots" for referrals from Tulare County Health and Human Service Agency's CalWORKS Division (HHS) and from Community Services and Employment Training, Inc. (CSET), a community-based organization specializing in workforce development. As of October 2001, 29 CSET referrals and 259 HHS referrals had become MTW participants. These referrals are included in the count of households admitted directly to the program in Table 4.

<sup>1</sup> This table and all subsequent tables are based on a client database provided by HATC in October 2001.

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**Table 4****Breakdown of MTW Household by Method of Joining Program**

	<b>Public Housing MTW</b>	<b>Section 8 MTW</b>
Converted to the Program from Income-Based	48% (180)	40% (506)
Admitted Directly to the Program	52% (197)	60% (747)
<b>Total</b>	<b>100% (377)</b>	<b>100% (1,253)</b>

Overall, the implementation of HATC's MTW program has gone smoothly. After over two years of operation, HATC's leadership and staff continue to support the program and see the flat rent approach as superior to traditional income-based rents. HATC's senior staff are enthusiastic about the program based on its perceived fairness and simplicity as well as the potential for administrative streamlining. The intake clerks also continue to support and promote the program. They believe that MTW benefits residents by allowing them to keep extra income earned (i.e., there is no penalty for going to work or having an additional family member work) and motivates them to become self-sufficient (as a result of the five-year time limit). The intake clerks also report that many landlords prefer MTW to the regular voucher program both because they view the tenants as more deserving (as a result of their participation in a self-sufficiency effort) and because there are fewer Housing Assistance Payment (HAP) adjustments and other administrative concerns.

HATC's partners are also satisfied with the program and continue to be supportive of the concept of time-limited assistance. It is clear that partner agencies appreciate the allocation of "slots" for agency referrals (50 for CSET and 300 for HHS), which allow clients with housing needs to move ahead of the regular waiting list and receive housing assistance more quickly.

Given that Tulare's MTW program has been in operation just over two years, the five-year time limit on assistance remains largely theoretical at this point. Staff of the housing authority (at all levels) recognize that some clients may not take the time limit seriously or may face difficulty when the limit kicks in; nevertheless, they are confident most tenants will manage well and believe that the motivation provided by the time limit is beneficial. Staff also believe that although HATC does not offer supportive services in house, these services are readily available to MTW participants through local community-based organizations. HATC's intake clerks discuss the MTW time limit with their clients regularly and will work with families to identify what kinds of supportive services they may need (and how to access these services) in order to attain self-sufficiency within five years. MTW participants also sign a form each year at the time of recertification that reminds them how much time they have left on the program and provides contact information for local service providers.

Tulare has a hardship policy in place and a committee to review hardship requests. After the program had been in operation for about a year, HATC's senior staff asked the hardship committee whether they felt that the agency should consider doing away with the five-year time limit. The hardship committee emphatically affirmed their support for the time limit, arguing that the time limit is an essential part of HATC's program. As of September 2001, only two residents had requested a hardship hearing. One dropped the request; the other was granted a three-month rent reduction to assist with a temporary drop in income.

## Program Outcomes

The two main goals of HATC's MTW program are to increase self-sufficiency and to simplify program administration. Thus far, the program has shown positive results with respect to increasing the income and employment of public housing and HCVP participants. The goal of administrative simplicity, however, has not yet been realized, although the program has significantly improved morale among HATC staff.

### Self-Sufficiency of Program Participants

Overall, HATC has found that in the two years since the MTW program was implemented, MTW participants have generally experienced faster income growth than their income-based counterparts (excluding elderly and disabled households). In a recent internal analysis, HATC found that MTW families had experienced stronger income growth over the two-year period in both the public housing and voucher programs. For this analysis, HATC compared the combined incomes of each group of program participants in May 1, 1999 and April 30, 2001. Table 5 presents the results of this analysis. The table shows that MTW voucher participants experienced the highest income growth, followed by MTW public housing participants, and participants in HATC's non-MTW Flat Rent option. Income growth in the income-based public housing and HCVP programs lagged behind, with conventional public housing participants experiencing an overall decline in income over this period.

**Table 5**

#### Income Comparison, MTW and non-MTW Families, May 1, 1999 – April 30, 2001

	Beginning Income	Ending Income	Change
<b>Public Housing</b>			
Income-Based Public Housing	\$1,595,496	\$1,571,974	- 1%
Flat Rent Option in Public Housing	\$652,104	\$721,038	+ 11%
MTW Public Housing	\$3,660,202	\$4,393,792	+ 20%
<b>HCVP</b>			
Income-Based HCVP	\$4,913,891	\$5,362,872	+ 9%
MTW HCVP	\$10,603,331	\$13,028,880	+ 23%

In the absence of an experimental research design, it is not possible to know how much of the observed difference in income growth is attributable to MTW's flat rent/time limited approach and how much may have been driven by the self-selection of upwardly mobile families into the MTW program.<sup>2</sup> However, HATC's Welfare to Work voucher program (WtW), which operates under conventional income-based rules, provides a possible comparison group. Families enrolled into HATC's WtW voucher program were not given the option of enrolling under MTW rules or converting to MTW after a year on the program. As such, their income and employment growth under income-based regulations is an appropriate comparison to that of families admitted to the MTW program directly from the

<sup>2</sup> As shown in Table 4 above, 42 percent of current MTW participants were existing public housing or HCVP participants who volunteered to convert to the MTW program.

waiting list (i.e., excluding those existing voucher program participants who chose to convert to MTW).

HATC began enrolling families into its WtW voucher program in early 2000. As of October 2001, 417 families had participated in WtW program; however, only a fraction of these families had been on the program long enough to have had an annual recertification. HATC's client database contains income and employment information on 120 WtW families that as of October 2001 had been in the voucher program for at least one year. This group can be compared to the 294 MTW voucher participants admitted to the program under MTW rules (i.e., who were not able to choose the income-based option) and for whom employment and income data are available over the same length of time.

Table 6 compares the growth in income and the share of income made up by wages for these two groups. The table suggests that on average, MTW voucher families experienced much greater income growth between 2000 and 2001 than WtW families (i.e., those receiving an income-based subsidy). Among the MTW participants, the income growth appears to be driven by an increase in the proportion of families for whom wages make up over 90 percent of their income and a decrease in the proportion of families with no wage income. Among the WtW participants, the growth in income is driven by an overall growth in employment.

It is noteworthy that the MTW participants started out at a higher income and employment level than their WtW counterparts, as there may be systematic differences between the two groups that affect their income and employment opportunities. We know this to be true for some participants, because at the start of the WtW lease up process in early 2000, HATC's partners referred families with incomes above 30 percent of the area median income to the MTW program and families with incomes at or below 30 percent of the area median income to the WtW program. Later in the year, however, HATC began enrolling *all* new families into WtW in an effort to get the vouchers leased up.

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**Table 6****Income and Employment of MTW and WtW Voucher Families, 2000-2001**

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	2000	2001	Change <sup>a</sup>
<b>MTW Participants (n=294)</b>			
Average Annual Household Income	\$12,505	\$17,678	73%
Wage Income / Total Income			
No income from wages	40%	32%	
1 to 50 percent of income from wages	12%	9%	
51 to 90 percent of income from wages	32%	30%	
Over 90 percent of income from wages	16%	29%	
Total	100%	100%	
<b>WTW Participants (n=120)</b>			
Average Annual Household Income	\$10,759	\$14,761	59%
Wage Income / Total Income			
No income from wages	62%	44%	
1 to 50 percent of income from wages	11%	14%	
51 to 90 percent of income from wages	21%	31%	
Over 90 percent of income from wages	6%	11%	
Total	100%	100%	

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<sup>a</sup> Note: this is the average of the percentage change in income of each individual participant.

In addition to the presumed incentives for increased employment and earnings provided by MTW's flat rent system and five-year time limit on assistance, it is possible that the higher starting incomes and income growth observed among MTW participants is due to more accurate reporting of income. Under an income-based system, families have an incentive to underreport their earnings to maintain their level of subsidy. By contrast, under a flat rent system (in which the level housing subsidy is based on household size rather than income), families have less incentive to conceal their earnings.

Without more extensive study, it is not easy to assess the extent to which the higher earnings of MTW participants may be attributable to more accurate reporting. However, we examined a random sample of files of MTW and income-based HCVP participants whose income had grown by at least 10 percent between 2000 and 2001 in order to begin to identify the reasons for the income growth. For each of the files sampled, we noted the growth in income and the primary reason for that growth. We examined the files of 33 MTW voucher families and 33 income-based (but not necessarily WtW) voucher families. Table 7 presents the results of this analysis.

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**Table 7****Primary Reason for Increased Earnings Among a Sample of MTW and Income-Based Voucher Families, 2000-2001**

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	<b>MTW</b>	<b>Income-Based</b>
Household head obtained new employment	42%	30%
Household head increased earnings at existing employment	18%	33%
Other member obtained new employment	9%	3%
Other member increased earnings at existing employment	6%	0%
New member joined household with income from employment	12%	6%
Household increased its public assistance income	12%	27%
Total	100%	100%
Number of participant files sampled	33	33
Average percent increase in income among files sampled	102%	46%

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Keeping in mind the very small sample size, the analysis suggests that for both MTW and income-based HCVP participants, the main reason for the growth in income was an increase in the income of the household head. For the MTW participants, however, this increase was more often the result of the household head obtaining new employment than increasing earnings at the current place of employment. In addition, in comparison to the income-based participants, a greater proportion of the MTW participants in the sample showed income growth as a result of an existing household member reporting new sources income.

It is possible that the higher proportion of new sources of income being reported (either by the household head or other household members) reflects income that might not have been reported under the income-based system (e.g., a working child or second job held by the household head). However, the flat rent system may also be providing an incentive for the household as a whole to increase its income, either by taking on new employment or by adding new members with wage income to the household (in most cases through marriage). This limited analysis of the reasons behind income growth among MTW and income-based HCVP participants is therefore inconclusive.

In September 2001, during the course of a site visit to Tulare County, we attempted to hold a focus group with program participants. However, because the visit coincided with September 11, we were unable to hold the focus groups as planned. It would be very useful to hold focus groups or conduct a telephone survey to understand how participants view the MTW program – what they see as its main advantages and drawbacks, and what they think about the five-year time limit on assistance.

**Administrative Simplicity**

Thus far, HATC's MTW program has not resulted in lower administrative costs for the agency. HATC's leadership acknowledges that this will not be possible as long as the agency is required to run six public housing and voucher programs in parallel: conventional income based public housing; the flat rent option in public housing; MTW public housing; conventional income-based vouchers; WtW vouchers; and MTW vouchers. Much of the

burden of running the separate programs falls on the eligibility clerks, who have to be able to explain and conduct briefings on each program. In addition, HATC's reporting burden to HUD is higher than it would be if the agency were running fewer programs. Finally, in the absence of submissions to HUD's Multifamily Tenant Characteristics System (MTCS), HATC has been conducting a number of internal analyses (such as that presented in Table 5 above) to evaluate MTW's effect on key outcomes such as tenant income, employment, and rent burden.

Although HATC has not realized cost savings overall as a result of MTW, the agency has identified several administrative efficiencies resulting from the MTW program. First, MTW's flat rent system has eliminated the need for interim income verifications. MTW participants' incomes are verified upon entry to the program and on an annual basis thereafter, and HATC's eligibility clerks suggest that the recertification process is "like night and day" compared to income-based participants because MTW participants are so much more forthcoming about their earnings. Second, HATC's public housing managers find that the flat rent approach makes their job much easier because it cuts down on tenant complaints over public housing rents. Program participants understand that everyone is paying the same rent according to bedroom size and they see the flat rents as a bargain (although the rents are set high enough to cover HATC's operating costs and reserve). Finally, HATC's accounting department suggests that the MTW approach of flat rents and fixed subsidies is a more efficient tool for planning and budgeting because it eliminates one of the principal causes of variation in the level of subsidy to be provided, that is, participant income.

## **Program Outlook**

Now in its third year of operation, HATC's MTW program has had several successes. Approximately 1,600 households have participated in the program since 1999, almost 700 of which volunteered to convert to MTW from HATC's income-based public housing and voucher programs. On average, MTW participants appear to have experienced greater growth in employment and income than their income-based counterparts. More detailed research, however, would be needed to prove this point conclusively. HATC's client database will allow for more systematic tracking of income growth among MTW and non-MTW participants over time. However, in the absence of an experimental design, it will never be possible to isolate fully the effects on employment and income of the flat rent and time limited approach.

While the program has not enabled HATC to reduce its overall administrative costs, the agency has evidence of the potential cost savings that would result if the agency were able to convert all of its non-elderly, non-disabled clients to MTW. Support for the program among HATC's leadership, staff, community partners, and program partners remains strong, even as the first families to join the program approach the five-year time limit on assistance. Indeed, the biggest concern for HATC's staff and partners is not the time limit on housing assistance for program participants, but the five-year time limit on the MTW demonstration as a whole. HATC wants to continue offering its MTW program and has requested a five-year extension to its MTW agreement. Another concern is HATC's inability (at this time) to allow WtW voucher families to convert to the MTW program. Many of these families expressed a preference for the MTW program, and based on initial information from HUD that

conversion would be possible after the first year, HATC promised them that they would be allowed to make the switch.

A critical point for this program will come when families reach the five-year limit on assistance. For the first families enrolled into MTW, this should occur in June 2004. This will be the first test of whether families have had sufficient time and access to supportive services to increase their incomes to the point that they can remain housed without further assistance. Prior to this date, it may be informative to conduct further analyses on the income histories of MTW participants to determine whether there may be subgroups of participants with a greater or lesser likelihood of reaching self-sufficiency within the five-year period.