CALIFORNIA BUDGET PROJECT

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Housing Matters for CalWORKs Families

INTRODUCTION

The path toward self-sufficiency for most welfare recipients involves finding and keeping a job and working toward increasing the family's income. The stakes for welfare recipients are higher than they were in the past, as federal and state governments have established limits on the number of months that adults may receive cash assistance. The stakes are also higher for state and local governments since the federal government no longer provides ongoing aid to families remaining in need of assistance after exhausting their time limits. Under the new welfare funding structure, many state and local governments have developed innovative approaches for helping families move toward self-sufficiency.

The high cost of housing creates a formidable burden for many families moving from welfare to work. Paradoxically, the booming economy that has led to strong job growth is partially responsible for exceptionally high housing costs and tight rental markets. Meanwhile, low income families in communities with lower housing costs (such as in rural counties) often have fewer job opportunities.[1] Housing subsidies and vouchers, especially if connected to transportation and other services, can help CalWORKs recipients, welfare leavers, and other low income families become more self-sufficient.

Federal regulations allow both Temporary Assistance for Needy Families (TANF) federal block grant funds and the state's "maintenance of effort" (MOE) spending to be used for housing assistance. California has taken advantage of this provision with the Families Moving to Work program enacted in 1999, and several counties have established housing assistance programs on a limited basis. This *Update* explores ways to expand the use of federal TANF and state CalWORKs funds to provide housing assistance to families making the transition from welfare to work.

HOUSING COSTS ARE A BURDEN FOR CALWORKS RECIPIENTS AND OTHER LOW-WAGE WORKERS

While the tight housing market means that many Californians face high rents and housing prices, welfare recipients with typical earnings have particular difficulty affording current rents. A mother with two children receiving CalWORKs assistance and working 32 hours per week at $8.00 per hour brings in a gross monthly income, including the cash grant, of $1,293 ($1,263 in low-cost areas).[2] The typical rent for a two bedroom apartment in one of California's higher-cost counties can reach as high as $2,000, much higher than this family's income (Table 1).[3] CalWORKs families like this one are eligible for additional support, such as Medi-Cal, child care subsidies, the earned income tax credit, and food stamps. However, without housing assistance, CalWORKs participants and other low-wage workers might not earn enough to achieve financial self-sufficiency. According to state data, only 10 percent of CalWORKs families receive housing assistance.[4] In California, a state with some of the highest housing costs in the nation, housing assistance can be an essential support for families working for low wages, particularly as they shift off cash assistance.

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Table 1: Two Bedroom Apartment out of Reach for CalWORKs Participants and Low-Wage Workers					
County	**1 BR Fair Market Rent***	**2 BR Fair Market Rent***	**2 BR rent as % of full-time min. wage income****	**2 BR rent as % of part-time work plus CalWORKs*****	**2 BR rent as % of CalWORKs only**
Alameda/Contra Costa	$734	$921	92%	71%	147%
Glenn	$375	$483	48%	38%	81%
Los Angeles	$605	$766	77%	59%	122%
San Francisco	$1,616	$2,043	205%	158%	326%
San Mateo	$1,077	$1,362	137%	105%	218%

*Published Fair Market Rents (FMRs), as determined by the federal Department of Housing and Urban Development. FMRs represent the 40th percentile of rents.
**$5.75 per hour, 40 hours per week, 52 weeks per year.
***$8.00 per hour, 32 hours per week, 52 weeks per year.

Low-wage workers and CalWORKs recipients who experience difficulty affording housing may be forced to move often, share housing with friends and relatives, or spend time in a homeless shelter. While sharing housing may be an effective strategy to cope with high rents, the arrangements are often temporary and can lead to extreme overcrowding. Frequent moves can contribute to family instability and cause children to change schools often. Children who move frequently are more likely to be low achievers, repeat grades, and exhibit behavioral problems.[5] High housing costs may also force families to forgo other necessities, such as food and medical care.

Welfare Families Receiving Housing Assistance Work More Hours, Earn More

Evidence from recent analyses suggests that welfare families receiving housing assistance are likely to work more hours and have higher earnings than those who do not receive a subsidy. A study of welfare recipients in Alameda, Los Angeles, San Bernardino, and San Joaquin Counties found that residents receiving Section 8 assistance worked substantially more hours than those renting in the private market and those residing in public housing.[6] Unlike public housing units, the portable nature of a Section 8 voucher gives a participant the ability to move closer to his or her workplace if a rental unit that accepts a certificate can be found. The study results suggest that the ability of a low-wage worker to move into housing that is accessible to his or her work may improve employment opportunities.[7]

Research also indicates that welfare recipients who receive housing assistance fare better in welfare-to-work programs with regard to employment and earnings. Transitional housing assistance can provide individuals who have substance abuse, mental health, or domestic violence barriers the supportive services and stability they need to obtain and retain employment and move toward self-sufficiency. Observers point to at least three reasons why housing assistance may lead to increased employment and earnings:

1. Affordable housing may help stabilize the lives of low income families, improving their ability to retain jobs.
2. Reduced housing costs can increase resources available for other work-related expenses, such as child care, work clothing, and transportation.
3. Portable housing subsidies allow families to move to areas with improved job opportunities.[8]

What Types of Housing Assistance do Counties Offer CalWORKs Families?

Federal regulations permit states and localities to use a variety of funds (including federal TANF dollars, state and county MOE dollars, and county general funds) to provide housing assistance to CalWORKs and post-CalWORKs families. Currently only a few California counties offer such programs, but several other counties have expressed interest in doing so.[9] The types of assistance range from limited-term rent subsidies and subsidized transitional housing with on-site services, to funds for security deposits, moving expenses, and eviction prevention.

San Mateo County Program Addresses High Housing Costs for Low-Wage Workers

The Human Investment Project's Self-Sufficiency Program offers assistance to San Mateo families as they move toward self-sufficiency through the Housing Opportunities Program (HOP). HOP allows tenants who meet certain criteria to pay below market rents for a fixed period as they develop skills and work experience in an effort to advance career goals. Eligible participants must be current or recent CalWORKs recipients or have income that is below 50 percent of median income.[10] Participants also must maintain full-time employment; be at least 75 percent finished with job skills education; and have clearly defined career goals, including a sense of what salary they can expect in the future and advancement possibilities in their field.

HOP is funded primarily with CalWORKs and other county funds, yet also uses private foundation and city funds. The program subsidizes 60 percent of a participant's rent during the first six months in the program, and 30 percent for the following six months, in a housing unit of the participant's choosing. Participants meet monthly with a case manager and are offered life skills workshops on topics such as family budget planning, parenting, improving credit records, conflict resolution, stress reduction, and job interviewing.

Between January 1997 and January 2000, HOP assisted 98 families, including 108 adults and 191 children. As of early 2000, 59 families have graduated from the program, and 30 additional families are expected to graduate, which would yield a 91 percent success rate. While no family had earnings above 50 percent of the median income upon entering the program, 28 percent of participants now have earnings above the 50 percent level.

Monterey County's Pueblo Del Mar Provides Housing and Supportive Services

Monterey County's Pueblo Del Mar, situated at the former Fort Ord military base, represents an example of client-focused collaboration between public agencies and the private sector. Using federal, state, and private resources, Pueblo Del Mar provides transitional housing and an array of services to CalWORKs recipients and homeless low income families recovering from substance abuse. Residents, all of whom have completed a substance abuse program and have a welfare-to-work plan in place, have access to child care and parenting classes, 12-step groups, counseling, training and education, and recreational activities. Nonprofit organizations provide the child care and on-site drug and alcohol counseling services. A police officer from the City of Marina lives on site, and the city assists with recreational activities for youth residents of Pueblo Del Mar.

Pueblo Del Mar houses 41 families, including 45 adults and 75 children. Thirty of the families currently receive CalWORKs grants. At present, 43 percent of the residents are employed, 24 percent are in training, and 33 percent are participating in a job search activity. Of the residents, 14 percent have been reunited with children who were in foster care. Residents may stay for up to two years, paying 30 percent of their income toward rent up to a maximum amount, similar to the federal Section 8 program. For CalWORKs families, the rent is deducted from the grant check. Upon entry into the program, residents are encouraged to sign up for the Section 8 waiting list and are given preference for receiving a Section 8 voucher when leaving Pueblo Del Mar.

San Francisco Will Provide Rental Subsidies

San Francisco will implement a rental subsidy program in July 2000 for CalWORKs families in which the parent is working or advancing in a training program. Applicants would be expected to demonstrate acute housing needs and prospects for self-sufficiency in order to gain entry into this three-year program, which provides a rental subsidy that declines over time. Program participants must be CalWORKs recipients when entering the program but can continue receiving the housing subsidy after leaving CalWORKs cash assistance.

Though the rent that the family pays increases as the subsidy decreases each year, the city will deposit the additional rent into an Individual Development Account (IDA). Federal law allows recipients to maintain IDAs with no effect on their eligibility for or level of assistance from welfare. Recipients can access IDA funds for certain purposes, such as education, down payments on a home, and business start-up expenses. The program will be funded with both county general fund and CalWORKs dollars.

Los Angeles County Includes Housing Assistance in Long-Term Self-Sufficiency Plan

Noting the importance of residential stability for family economic stability, Los Angeles County's Board of Supervisors recently approved three housing programs designed to provide financial assistance to CalWORKs families. Transitional Support for Homeless CalWORKs Families aims to assist 1,000 previously homeless families per year with rental subsidies that will last for a maximum of two years. A family will pay 40 percent of the rent during their first year in the program, rising to 50 percent of the rent during the second year. Nonprofit organizations that operate transitional housing for families will provide counseling and help families find housing. Participants must be working a minimum of 20 hours per week and leaving a publicly funded transitional shelter in order to enter the program. It is yet to be decided whether families will be allowed to continue in the program after leaving CalWORKs.

Los Angeles County also approved a program providing up to $1,500 to help CalWORKs families relocate closer to employment, child care, or public transportation. CalWORKs recipients and former recipients who have left assistance in the last 12 months due to employment are eligible for the payment if they have obtained a job or received an offer of employment and need to move closer to work, transportation, or child care. Participants may use the subsidy for moving expenses such as truck rental, utility deposits, and security deposits. Finally, an eviction prevention program will help CalWORKs families avoid losing their housing by providing a one-time payment of up to $1,500 toward overdue rent.

How can Housing Support for CalWORKs Families and Post-CalWORKs Families be Funded?

What are the Rules Governing TANF Expenditures?

Federal law specifically allows states to spend federal TANF funds in "any manner reasonably calculated" to accomplish any of the four statutory purposes of TANF, which are to:

1. Provide assistance to needy families so that the children may be cared for in their homes or in the

homes of relatives;
2. End the dependency of needy parents on government benefits by promoting job preparation, work, and marriage;
3. Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. Encourage the formation and maintenance of two-parent families.

Housing assistance clearly supports the first purpose and may contribute to TANF's other goals.

Last spring, the federal Department of Health and Human Services (DHHS) issued a final definition of "assistance" for the purposes of TANF.[11] The definition of "assistance" is important because it determines whether recipients of program benefits and services are subject to key TANF requirements, including time limits, work requirements, data collection and reporting, and child support assignment. Families who receive some type of "assistance" are subject to these requirements.

Ongoing housing assistance funded with TANF dollars counts as "assistance." Thus, any family receiving a monthly housing subsidy that is funded with federal TANF dollars would be subject to the five-year federal lifetime limits on assistance and work participation requirements. It would be advisable to use TANF funds for housing support programs directed at families who are already receiving cash assistance through TANF since they are already subject to the TANF requirements. However, short-term, nonrecurring benefits lasting less than four months, such as provision of one-time eviction prevention funds, do not count as "assistance" and would not subject a family to federal TANF requirements.

What are the Rules Governing Maintenance of Effort Expenditures?

State and county maintenance of effort (MOE) funds must be spent on families who both are "needy," according to the state's TANF plan, and include a child living with a parent or caretaker relative (or pregnant woman). Programs or services funded entirely with MOE funds do not count against a family's federal five-year lifetime aid limit. Thus, an MOE-funded housing subsidy for families who are not receiving TANF-funded cash assistance means the support will not count against the federal time limits or subject the family to other TANF-related requirements. Thus, states should use MOE, rather than TANF, funds for housing programs that target populations not already receiving "assistance."

New Definition of "Needy" Expands Eligible Population

Federal law generally requires that both TANF and MOE funds be spent on what the state defines as "needy" families. However, states can use different definitions of "needy" for distinct services and activities. For example, a state may use a narrow definition of "needy" for the purposes of cash aid and use more expansive definitions for the receipt of supportive services.

Previously, California defined "needy" families narrowly as those eligible to receive CalWORKs assistance. However, the state recently modified California's definition of "needy," expanding the number of families eligible to receive services funded with TANF dollars.[12] This will allow counties to assist "working poor" families even if they are not receiving CalWORKs grants.

TANF Funds Have Other Restrictions

Other restrictions should be considered before selecting a funding mechanism for a CalWORKs housing program. TANF funds that are carried over into a subsequent year must be spent on "assistance," as defined in the final TANF regulations. TANF funds cannot be used for construction or acquisition of housing, except when the funds are used to assist a TANF-eligible family to become (or remain) a homeowner. TANF funds can be used for forgivable loans to reduce mortgage payments or for contributions to Individual Development Accounts (IDAs) that are then used for down payments. On the other hand, construction of multifamily rental housing or substantial rehabilitation or acquisition of an apartment building would not qualify as an allowable TANF expenditure.

Issues for Consideration

Short-Term Assistance May Not be Enough

Although California has a relatively generous "earned income disregard" compared to other states, recipients lose eligibility for cash aid before their earnings are high enough to be able to support their families.[13] A California mother with two children in a high-cost area loses all cash benefits when her gross earnings reach about $1,477 per month.[14] In many counties, including San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, and Orange, a family with this income would pay 60 percent or more of its income toward the Fair Market Rent for a two bedroom apartment.[15] This leaves little money for the many other expenses incurred by a working family.

A study looking at welfare leavers in San Mateo County shows that, among those who left CalWORKs in 1998 and had earnings, median earnings were about $1,000 to $1,167 per month in the first few quarters after leaving assistance.[16] Adding to family financial pressure, as earnings rise, most families must cope with reductions in benefits such as cash assistance and food stamps.

A compilation of state studies shows that more than half of those who leave welfare were employed or had work earnings.[17] A recent survey of former CalWORKs recipients indicates that just under half (48 percent) left welfare due to work or increased earnings.[18] However, research is limited regarding the longer term employment outcomes of former welfare recipients; the studies that are available suggest that welfare leavers may continue to need supportive services long after leaving cash assistance.

Subsidies Needed Most in Areas with High Housing Costs and Greater Job Growth

Welfare recipients who successfully find jobs may not be able to afford housing near their jobs because the areas in California with the greatest job growth and lowest unemployment are also those with the highest housing costs. Ironically, federal housing assistance may be most difficult to access in some of California's highest cost areas that have experienced the greatest job growth. High housing costs make government intervention expensive; the government typically must pay more, for example, to provide housing assistance to a family in Silicon Valley than for a family of similar size in the Central Valley.

Federal Commitment to Housing Assistance in California is Insufficient

Of the ten largest states, California received the second lowest level of federal housing assistance in 1999 for each person below the federal poverty level.[19] While the federal government spent a national average of $286 on housing assistance for each person in poverty, California received only $171 per person in poverty. This disparity results from an increase in the number of California households eligible for assistance, coupled with limited growth in federal assistance and funding formulas based on historic, rather than current, need.

As a result, thousands of families languish on waiting lists for federally supported housing assistance. A recent survey of 20 local housing authorities found that 371,740 families were on waiting lists for Section 8 assistance, more than three times the 104,133 families receiving assistance.[20] The survey found 93,632 families waiting for 25,268 units of public housing. In the City of Los Angeles, 155,000 names were on the waiting list last year for Section 8 housing assistance, more than four times the number of families (35,000) currently receiving assistance. More than 11,000 families were on the waiting list for public housing, with the largest demand for three and four bedroom units. In Fresno, 12,000 families are on the Section 8 waiting list; housing authority officials estimate that the average wait for assistance there is four to five years. While these numbers may seem alarming, actual demand for housing assistance may be much higher since many agencies periodically close waiting lists to new applicants and some hold lotteries to determine who will be allowed access to the waiting list.

What Can the State and Counties Do?

Without continued assistance to support family stability and job retention, adults receiving cash assistance may have difficulty leaving the welfare rolls or may continue to cycle on and off. Others who leave for relatively low paying jobs will likely continue to live in poverty despite being employed. Welfare reform affords state and local governments substantial discretion regarding how they use funds to support work and promote job retention among CalWORKs participants and low income families, and solutions may vary from one region to another. State and county governments can use the flexibility around welfare funds to promote sustained employment in the following ways:

1. Provide ongoing housing assistance for families who leave welfare to support the transition to work, encourage job retention, and maintain family stability. Families not already receiving "assistance" should be supported with MOE funds.
2. Increase the number of housing vouchers and other types of housing assistance available to low-wage workers.
3. Encourage and/or subsidize the location of supportive services such as child care, transportation, substance abuse, mental health, and other counseling near people receiving housing assistance and in areas where low-wage workers live.
4. Promote transportation linkages between low income housing areas and areas where employment growth is high.
5. Facilitate links between welfare departments and housing agencies, as well as nonprofit organizations.
6. Provide emergency assistance programs for CalWORKs-eligible households to avoid and/or mitigate potential evictions.
7. Encourage community centers at housing developments to provide "second-shift" day care operations for CalWORKs participants and other low income families.
8. Remind federal policymakers of the extensive need for housing assistance in California.

Kate Breslin and David Carroll prepared this update. The California Budget Project (CBP) was founded in 1994 to provide Californians with a source of timely, objective and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low and middle income Californians. Publication of this update was supported by grants from the David and Lucile Packard and William and Flora Hewlett Foundations. This publication is the second in a series monitoring the implementation of welfare reform in California. Future publications will examine topics that include how California counties are providing services, how counties are structuring community service programs, and what we know about former welfare recipients.

Endnotes

[1] California Budget Project, *Locked Out: California's Affordable Housing Crisis* (May 2000).
[2] For CalWORKs purposes, the state of California is divided into two regions: high-cost (Region 1) and low-cost (Region 2) counties.
[3] Based on published Fair Market Rents (FMRs), as determined by the federal Department of Housing and Urban Development. FMRs represent the 40th percentile of rents in an area for existing housing.
[4] During federal fiscal year 1998 (October 1, 1997 to September 30, 1998), 10.2 percent of CalWORKs families received a housing subsidy. California Department of Social Services, *Temporary Assistance for Needy Families Characteristics Survey, Federal Fiscal Year 1998*, p. 17.
[5] U.S. General Accounting Office, *Elementary School Children: Many Change Schools Frequently, Harming Their Education,* GAO/HEHS-94-45 (February 1994).
[6] Section 8 is a federal housing subsidy program that provides vouchers or certificates for low income individuals or families to use in the private rental market. In most communities, there is a waiting list for Section 8 vouchers. Waiting times for assistance can take several years.
[7] Paul Ong, *Subsidized Housing and Work Among Welfare Recipients*, Housing Policy Debate, Volume 9, Issue 4, University of California at Los Angeles (Fannie Mae Foundation: 1998).
[8] Barbara Sard and Jeff Lubell, *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work* (Center on Budget and Policy Priorities: February 2000).
[9] Under the new budgeting process for CalWORKs services, counties submit requests to the state to fund specific programs. For the state fiscal year beginning July 1, 2000, the California Department of Social Services reports that it reviewed proposals from ten counties to implement housing assistance in their CalWORKs programs.
[10] The program uses HUD's area median income for San Mateo County. For fiscal year 2000, 50 percent of median income for a family of three in San Mateo County is $33,700. U.S. Department of Housing and Urban Development, *FY 2000 Income Limits and Section 8 Fair Market Rents* (revised 3/23/00), downloaded from www.huduser.org:80/datasets/il/fmr00/hud00ca.txt.
[11] Administration for Children and Families, Department of Health and Human Services, *Temporary Assistance for Needy Families Program (TANF); Final Rule*, 45 CFR Part 260, et al. (April 12, 1999).
[12] AB 2876, a measure implementing policy changes contained in the 2000-01 budget, broadens the definition of "needy" families to include those with incomes up to 200 percent of the federal poverty line. However, expenditures on programs for these families cannot exceed 25 percent of the performance incentive funds that counties receive.
[13] In order to encourage recipients to work, this system "disregards" certain earnings when calculating the monthly cash grant size. California "disregards" the first $225 in addition to 50 cents of each additional dollar earned.
[14] California Budget Project calculation based on Maximum Aid Payment of $626 and earned income disregard of the first $225 and 50 cents of each additional dollar.
[15] Region 1.
[16] R. Mark Gritz, David C. Mancuso, Anne Moses, *The First Year of SUCCESS: Evaluation of San Mateo County's Welfare to Work Project* (The SPHERE Institute: April 9, 1999), p. 47.
[17] Jack Tweedie, Dana Reichert, Matthew O'Connor, *Tracking Recipients after They Leave Welfare* (National Conference of State Legislatures: August 1999).
[18] California Department of Social Services, *CalWORKs Leavers Study: A Statewide Telephone Survey of Former CalWORKs Recipients* (January 2000).
[19] California Budget Project calculations based on U.S. Census Bureau poverty statistics for 1998 and the Consolidated Federal Funds Report for Federal Fiscal Year 1999.
[20] Kevin Williams, *The Long Wait: the Critical Shortage of Housing in California* (December 1999).