Moving to Work Demonstration & Expansion

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The Moving to Work Demonstration (MTW) is a deregulation initiative that gives participating housing agencies very broad flexibility in how they administer the Public Housing and Housing Choice Voucher programs. Some agencies have used MTW to implement promising alternative policies, but the demonstration has also allowed agencies to put in place policies that pose serious risks to low-income families (including time limits, work requirements, and large rent increases) and to shift funds out of the voucher program in a manner that results in many fewer families receiving housing assistance.

BACKGROUND

In 1996, Congress established MTW with three statutory goals: reducing costs and increasing cost-effectiveness, providing incentives for self-sufficiency, and increasing housing choices for low-income families. HUD was initially authorized to admit up to 30 agencies, and Congress increased that limit to 39 by 2011. The 39 agencies in MTW today are only a small share of the nearly 4,000 agencies that administer public housing and/or vouchers but because they are disproportionately large, they account for 12% of the nation's vouchers and public housing units. The MTW agencies operate under agreements that allow them to continue to participate in the demonstration through 2028 (and could be extended beyond that date, as HUD has usually done when MTW agreements approached expiration). In 2015, Congress directed HUD to increase the number of agencies in MTW from 39 to 139 and HUD is currently implementing that expansion.

Under MTW, HUD can waive nearly all provisions of the "United States Housing Act of 1937" (as it has been amended over the years) and the accompanying regulations. This includes most of the main rules and standards governing vouchers and public housing, but there are some exceptions. For example, the MTW statute prohibits waivers of 1937 act provisions governing public housing demolition and disposition and requirements to pay workers fair wages. In addition, protections under the "Fair Housing Act" and other laws outside the 1937 act cannot be waived. MTW agencies are also permitted to shift voucher and public housing funds to purposes other than those for which they were originally appropriated, and HUD has established special formulas to set voucher and (in some cases) public housing operating subsidy funding levels at MTW agencies.

The law establishing MTW set certain requirements that agencies must meet in carrying out MTW, including serving "substantially the same" number of low-income families as they would without MTW funding flexibility, serving a mix of families by size comparable to the mix they would have served if they weren't in MTW, ensuring that 75% of the families they assist have incomes at or below 50% of area median income, ensuring that assisted units meet housing quality standards, and establishing a reasonable rent policy. In practice, HUD's enforcement of these requirements has been highly permissive. For example, agencies have been allowed to implement policies that serve many thousands fewer families than they could if they used funds for their original purpose. Agencies have also been permitted to charge poor families rent well above what they could reasonably be expected to afford.

WAIVERS OF KEY TENANT PROTECTIONS

One set of concerns about MTW is that it has allowed waivers of policies that protect low-income families and make rental assistance effective. For example, MTW agencies are permitted to raise rents above those permitted under the Brooke Rule (which generally caps rent and utility payments at 30% of a household's adjusted income). All MTW agencies have modified rent rules in some manner and the majority have raised "minimum rents" or instituted other policy changes that charge families with little or no income more—sometimes hundreds of dollars a month more—than they would pay under the regular rules.

MTW agencies have also implemented a number of other policies that risk exposing families to hardship or limiting their access to opportunity. A 2018 analysis found that nine agencies had instituted work requirements and a 2014 study found that eight had placed time limits on assistance. A significant number of agencies have also imposed restrictions on the right of voucher holders to move to a community of their choice.

These risky policies are particularly problematic because (with very limited exceptions) HUD has not required that they be rigorously evaluated, or even that the impact on affected families be monitored. For example, a report by the Urban Institute concluded that "although some MTW agencies have been implementing work requirement policies for more than a decade, no systematic evaluation or attempt has been made to analyze what the impact has been on residents' work engagement, incomes, or housing instability or on agency administrative costs." A report by the Government Accountability Office (GAO) similarly found that due to limitations in HUD's monitoring and evaluation process, it cannot assess how MTW's rent and work-requirement policies affect low-income tenants.

DIVERSION OF VOUCHER FUNDS AND REDUCTION IN NUMBER OF FAMILIES ASSISTED

Another major adverse effect of MTW is that it has caused many fewer families to receive rental assistance than could be assisted with available funds. MTW allows agencies to divert money out of their voucher programs and provides voucher funds through block grant formulas that, unlike the regular formula used at non-MTW agencies, provides no incentive for agencies to put funds to use assisting needy families. From 2014 to 2018, MTW agencies shifted about $530 million a year in voucher funds (19% of their total) to other purposes or left the funds unspent and provided vouchers to 55,000 fewer families annually as a result. MTW agencies use diverted funds to provide housing assistance to about 10,000 families through local programs, but that still leaves a large net cut in the number of families assisted.

Agencies have used funds shifted out of the voucher program for a variety of purposes, including supplementing their administrative budgets, maintaining or renovating public housing, and developing affordable housing. Federal policymakers should provide more adequate funding for these purposes directly but allowing agencies to divert voucher funds is the wrong way to address them, for several reasons.

Leaving families without vouchers exposes them to serious hardship. Vouchers sharply reduce overcrowding and housing instability and are by far the most effective way to cut homelessness among families with children. Vouchers can also allow families to move to less poverty-stricken neighborhoods, which raises children's earnings and educational achievement later in life.

Agencies have generally sought to allocate transferred funds to potentially beneficial purposes, but the funds often do less to help low-income people than they would if they were used for vouchers. A 2017 report commissioned by housing agencies was able to show only modest evidence of benefits in areas where diverted funds have been used and none that came close to offsetting the sharp reduction in the number of families with rental assistance. Moreover, some MTW agencies have used funds in ways that have little or no benefit for low-income people, such as paying unusually high staff salaries, accumulating large amounts of unspent voucher funds, and otherwise wasting or misusing funds.

In addition, diverting voucher funds risks laying the groundwork for deep cuts to voucher funding that would leave fewer total resources for low-income housing, particularly if MTW is expanded further. If the number of agencies diverting voucher funds were to grow substantially, policymakers could reduce voucher funding and claim that agencies could implement the cuts by postponing redevelopment projects or scaling back administrative budgets, rather than by cutting rental assistance for vulnerable families. The experience of other low-income programs that, like MTW, allocate federal funds as block grants that recipients can use for a wide variety of purposes demonstrates the risk that this approach could lead to deep funding cuts. From 2000 to 2017, combined inflation-adjusted funding for the 13 major housing, health, and social services block grants fell by 27%, and housing block grants were among the hardest hit. If MTW block granting led to similar reductions in voucher and public housing funding, rental assistance for hundreds of thousands of families would be lost.

MTW EXPANSION

Under the MTW expansion that Congress enacted in 2015, HUD must admit 100 agencies within seven years. Of those agencies, at least 50 must have no more than 1,000 combined public housing and voucher units, at least 47 must have 1,001-6000 units, and the remaining three can have no more than 27,000 units each.

Congress directed HUD to carry out the expansion in a manner that places a greater emphasis on research than MTW has in the past. HUD must direct each cohort of agencies admitted to the demonstration to test one specific policy change chosen in consultation with a research advisory committee and must ensure that the policies are rigorously evaluated. HUD has announced that it plans to select five cohorts. As of early December 2020, it planned to admit 33 agencies (all with 1,000 or fewer units) in January 2021 to participate in a cohort testing the overall effects of MTW flexibility and about 10 additional agencies in March 2021 to participate in a cohort testing rent policy changes (such as tiered and stepped rents). The remaining three cohorts are slated to test work requirements, incentives for landlords to participate in the voucher program, and the overall effects of MTW at larger agencies.

The Obama Administration proposed an operations notice establishing the rules governing expansion agencies in January 2016. That notice would have made significant reforms to limit the expansion's adverse consequences. For example, the proposal would have required agencies admitted under the expansion to use 90% of their voucher subsidy funds for vouchers, which would have tightly limited the loss of rental assistance from diversion of funds, and required agencies seeking to implement work requirements, time limits, and major rent increases to seek special approval from HUD. The Center on Budget and Policy Priorities (CBPP), NLIHC, and other advocates urged HUD to strengthen these reforms further and to more tightly limit policies that pose risks to vulnerable families. The Trump Administration, however, moved in the opposite direction, dropping or weakening many of the reforms in the final version of the operations notice published in August 2020.

FOR MORE INFORMATION

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low-income-programs-leads-to-large-funding-declines-over-time.

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