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Overview of the Family Self-Sufficiency Program

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Good afternoon, Chairman Duffy, Ranking Member Cleaver, and distinguished members of the Subcommittee. Thank you for the opportunity to testify regarding the Family Self-Sufficiency (FSS) Program.

My name is Jeffrey Lubell and I am the Director of Housing and Community Initiatives for Abt Associates. Abt is a mission-driven research and consulting firm based in Cambridge, Massachusetts that conducts program evaluations, performs research, and provides technical assistance and consulting services on a wide range of social programs. Among other areas, Abt's work focuses on programs that provide affordable housing, help individuals build workforce skills and increase their earnings, and help individuals build assets and financial capability.

My testimony today has three parts:

- A summary of my experience with FSS
- An overview of how FSS works
- An overview of the research evidence on FSS

1. My Experience with FSS

I have been conducting research and writing about FSS for nearly 20 years. Much of my work on FSS has been funded by philanthropic foundations, including the Annie E. Casey Foundation and the Oak Foundation. In the 2000s, I launched and ran a foundation-funded project called FSS Partnerships that sought to expand participation in FSS by encouraging partnerships between housing agencies and other organizations with compatible goals. Since joining Abt in 2013, I have worked on a number of research and technical assistance projects related to FSS funded by the U.S. Department of Housing and Urban Development (HUD). My work for HUD has involved developing a guidebook and online training on promising practices for running an effective FSS program, assisting HUD in developing a process for measuring the performance of PHA-administered FSS programs, and developing a guidebook and hosting webinars related to the multifamily FSS program. In addition, HUD's Office of Policy Development and Research has provided matching funding for research that I and my Abt colleagues conducted examining the performance of FSS programs in Lynn and Cambridge, Massachusetts.

2. How FSS Works

FSS is a HUD program authorized by Congress in the Cranston-Gonzalez National Affordable Housing Act of 1990. It is designed to help residents of subsidized rental housing make progress toward economic security by increasing their earnings and building assets. FSS has three main components:

- **Stable, affordable housing** provided through one of the following programs: Public Housing, the Housing Choice Voucher program, or the Project-Based Section 8 program.

- **Case management or coaching** to help participating families ("participants") achieve their career and financial goals. Among other things, the FSS case manager or coach helps participants develop goals and a plan describing how they will meet their goals; provides referrals for services participants may need to increase their earnings and overcome barriers to work or other goals; and meets regularly with participants to help them stay on track.

- **An escrow account that grows as participants' earnings and rent increase**. Like other residents of subsidized housing, participants in FSS generally pay 30 percent of their income for rent and utilities. In order to provide a financial incentive for FSS participants to increase their earnings, however, an amount generally equal to any increase in rent the FSS participant pays attributable to an increase in earnings is deposited into an FSS escrow account. FSS participants receive the escrowed funds if they successfully graduate from FSS. Local FSS programs also have discretion to allow participants to use escrowed funds on an interim basis if needed to help the participants achieve their goals. For example, some FSS participants use escrowed funds to repair a car they need to get to work.

To graduate from FSS, a participant must achieve the goals that he or she pledges to achieve in a contract with the housing provider (known as an FSS Contract of Participation) and the attached Individual Training and Services Plan. In addition, participants wishing to graduate must be employed and not receiving TANF cash assistance. A participant has up to five years in which to achieve his or her goals; local FSS programs can approve extensions of up to two years for a total of seven years.

FSS is a voluntary initiative in the sense that families have a choice about whether or not to participate. Some public housing agencies ("PHAs") are required to operate an FSS program based on a "mandate" associated with the receipt of new increments of housing assistance in the 1992-1998 period. PHAs that have satisfied their mandate and private owners of HUD-assisted multifamily housing with project-based Section 8 contracts have discretion to decide whether or not to offer an FSS program.

According to the Congressional Justifications for HUD's FY 2018 budget, there are more than 72,000 households enrolled in FSS nationwide. This makes FSS the largest asset-building program in the U.S. targeted on poor and near-poor families. At the same time, however, it serves only a modest share of the eligible population. Nationwide, HUD's Picture of Subsidized Households database shows approximately 4.8 million households participating in the Public Housing, Housing Choice Voucher, or Project-Based Section 8 programs in 2016. While many of these households have heads that are elderly or persons with disabilities that make it difficult for them to work, more than 1.6 million of the households assisted in one of these three programs have heads aged 61 or lower and do not report a head, spouse or co-head with a disability.[1]

[1] Source: HUD's Picture of Subsidized Households Database for 2016. In addition, some households with heads that are elderly or persons with disabilities are capable of working and may be interested in the program.

3. The Research Evidence on FSS

A. The Research Context

The FSS program grew out of experience with three prior research demonstrations: Operation Bootstrap (Blomquist, Ellen, and Bell 1994), Project Self-Sufficiency (Smith 1988), and the Gateway Transitional Families Program (Rohe and Kleit 1997). Building on lessons learned from these programs and other available evidence, the FSS program combines financial incentives with an efficient model of service delivery that avoids duplication of services by referring participants to existing services in the community.

Financial incentives are an important part of many efforts to encourage low-income individuals to become employed and increase their earnings (Hamilton 2012; Martinson and Hamilton 2011). With many government programs – including HUD rental assistance programs – providing lower levels of benefits to families with higher incomes, these financial incentives help offset the loss of public benefits and ensure that participants are financially better off from going to work or increasing their earnings.

While the financial incentives of most social programs provide participants with immediate rewards (such as higher monthly benefit levels), the FSS program is structured differently, providing a deferred benefit (the FSS escrow account) whose receipt is contingent on a participant graduating successfully. One advantage of the FSS program's approach is that participants build assets through the escrow account that they can then mobilize to achieve personal goals, such as homeownership or post-secondary education, or overcome obstacles such as the lack of a working car needed to get to work. Another advantage to the FSS program's approach is that FSS participants get used to paying higher rent as their earnings increase, facilitating an eventual transition to private-market housing.[2]

Research shows that assets can benefit families in a number of ways. Assets provide families with financial security, preventing them from falling into poverty when faced with unexpected expenses, such as job loss, broken down cars needed to get to work, or emergency medical bills. People can also use assets to invest in themselves and their families by pursuing further education or training to increase wages and job satisfaction, starting a business, putting a down payment on a home, or saving for their children's education. Finally, the hope and confidence that successful asset-building instills in a family can both enhance their well-being and motivate them to set, pursue, and achieve long-term goals (Sherraden 1992; Boguslaw et al. 2013; McKernan and Sherraden 2008).[3]

B. Studies of FSS

HUD has commissioned two major longitudinal studies of FSS, both of which showed significant earnings gains for FSS participants, but neither of which had a control group or random assignment (Ficke and Piesse 2004; De Silva, Wijewardena, Wood, and Kaul 2011).[4] HUD has commissioned a randomized controlled trial of a convenience sample of large FSS programs that is currently being conducted by MDRC, with interim results expected later in 2017.

2 The deferred nature of the FSS escrow account raises the research question of whether it can nevertheless function as an effective financial incentive. This question would be difficult to answer definitively without a special research demonstration designed to answer it. As noted below, however, there is reason to believe that FSS can be effective in boosting earnings.

3 This paragraph and the next paragraph are reproduced from a literature review I prepared as part of Geyer, Freiman, Lubell, and Villarreal (2017).

4 In addition, Rohe and Kleit (1999) conducted an early assessment of FSS and Olsen et. al. (2005) conducted an analysis of administrative data which found that FSS had a positive effect on earnings.

HUD's 2011 national study of FSS tracked 170 families in the Housing Choice Voucher program who enrolled in FSS at 13 housing authorities over a four-year period. After four years:

- About one-quarter (41) of the families had graduated from FSS. Their annual earnings had increased from an average of $19,902 in 2006 to $33,390 in 2009 (all in 2009 dollars). Thirty-five had positive balances in their FSS escrow accounts, which averaged $5,294 per family

- Another one-quarter (43) were still enrolled in FSS and mostly employed during the study period. Their average hourly wages had increased from $11.84 to $13.61 (again, in 2009 dollars) and their average weekly hours of employment had risen from 29.4 to 34.9. The overwhelming majority had positive escrow balances, averaging in the range of $3,500.

- Of the remaining families, 63 were no longer in the FSS program, which includes families who gave up or lost their housing vouchers, and 23 were still in FSS but not making progress.

Unfortunately, there was no control group to provide a benchmark for gauging these results.[5]

There have been a number of evaluations of local FSS programs. The most recently reported is an evaluation of the FSS programs that the nonprofit Compass Working Capital administers in partnership with local housing authorities in Lynn and Cambridge, MA. That evaluation, which my Abt colleagues and I conducted over the past several years, compared the earnings and welfare outcomes for Compass FSS participants after an average of 40 months in the FSS program against those of a matched comparison group. Based on this analysis, we found that:

- Participation in the Compass FSS program was associated with an average gain in annual household earnings of $6,305 between the 4th quarter of 2010 and the 1st quarter of 2016. About half of these gains were attributable to the head of household with the balance due to other household members (mostly adult children).

- Participation in Compass FSS was associated with a decline of $496 in annual household welfare payments over this time period, but this finding is difficult to interpret given state welfare time limits.[6]

We also examined credit and debt outcomes, finding that, on each of the following measures, Compass FSS participants performed significantly better than a comparison group of low-income households in the same census tracts, used to provide benchmarks: [7]

- Among Compass FSS participants who entered the program with a FICO® Score, the average score rose from 617 to 640, an increase of 23 points (3.7 percent).

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[5] This summary of the results of De Silva, Wijewardena, Wood, and Kaul (2011) is reproduced, with minor edits, from Lubell (2014).

[6] These results are based on a comparison of HUD data for participants with Housing Choice Vouchers in the Lynn and Cambridge FSS programs against a matched comparison group of similar households in other housing authorities. We selected the comparison group using a method known as propensity score-matching, a quasi-experimental technique. This approach is more rigorous than approaches that do not include a comparison group but less rigorous than a randomized controlled trial. Geyer, Freiman, Lubell, and Villarreal (2017).

[7] The Compass FSS programs place a stronger emphasis than most other FSS programs on helping participants improve their credit and debt outcomes. I would not necessarily expect similar credit and debt outcomes for FSS programs that do not focus strongly on these outcomes. The Compass FSS programs also differ from other FSS programs in a number of ways outlined in Geyer, Freiman, Lubell, and Villarreal (2017).

- The share of Compass FSS participants who had a FICO® Score increased by 7 percentage points, rising from 91 to 98 percent.
- The share of Compass FSS participants with a prime FICO® Score (above 660) rose by 14 percentage points, from 23 to 37 percent.
- Compass FSS participants experienced an average decrease in total derogatory debt of $764 and an average decrease in credit card debt of $655.[8]

There have been a number of additional local evaluations. MDRC conducted a randomized controlled trial of an FSS expansion that New York City undertook for purposes of testing FSS, both alone and in conjunction with a conditional cash transfer (CCT) program (Verma, Yang, Nuñez and Long, 2017 and Nuñez, Verma and Yang, 2015). Though neither FSS alone nor the FSS + CCT models produced earnings gains for the full sample, the results suggested there may have been an impact on particular outcomes and for some specific subgroups. Both FSS and FSS + CCT, for example, significantly increased the share of individuals working 30 or more hours per week. The FSS + CCT model also produced significant gains in employment and earnings among individuals not working at baseline; results for such families were consistently better for the FSS-only group than for the control group, but the difference was not statistically significant.[9] A cost-benefit analysis conducted for the six-year report, released this month, estimates that the benefits of providing FSS to individuals that were not working at baseline exceed the cost to the government of offering the program.

Several other local evaluations of FSS have produced generally positive results, though these evaluations either lacked a formal comparison group[10] or focused on non-standard variations on FSS.[11]

Conclusion

The Compass FSS evaluation results confirm that FSS can be an effective platform for helping HUD-assisted households to increase their earnings, improve their credit scores, and reduce levels of credit card and delinquent debt. However, the success of any given local FSS program will depend on the approach it takes to implementing the program and the quality of implementation. I would accordingly expect results to vary from one local FSS program to another.

HUD has recently taken a number of steps to strengthen performance of local FSS programs, including publication of a guidebook and online training on how to run an effective FSS program. HUD is also in the process of developing a system for measuring the performance of public housing and Housing Choice Voucher FSS programs. My Abt colleagues and I have been involved in working with HUD on these projects, and I am hopeful they will help existing FSS programs to strengthen their programs.

The interim results of the national evaluation of FSS being conducted by MDRC will provide important additional evidence about the effectiveness of FSS. These initial results, however, will not reflect any effects of the recently adopted and pending measures HUD has adopted to improve performance.

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[8] This summary of the results of our research on the Compass FSS program is reproduced from the executive summary of Geyer, Freiman, Lubell, and Villarreal (2017).

[9] This summary of the MDRC research is adapted from the literature review I conducted for Geyer, Freiman, Lubell, and Villarreal (2017). Of note, the 2015 MDRC report indicates that the New York City expansion of FSS experienced a number of challenges, with the case management approach changing several times in the initial years.

[10] Holgate et. al. (2016); Anthony (2005); and Gibson (2002).

[11] Santiago, Galster, and Smith (2017).

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