1. Program Purpose and Budget Overview

The 2020 President’s Budget requests $75 million for the Family Self-Sufficiency (FSS) program, which is equal to the 2019 Annualized Continuing Resolution (CR) level. The purpose of the FSS program is to promote local strategies that draw public and private resources, enabling families to increase earned income and financial literacy, and reduce or eliminate the need for welfare assistance. It also leverages funds provided for coordinators’ salaries with an array of services provided by other state, city and local programs for training, counseling and other supportive services, which ultimately enables program participants to increase their earned income, and decrease or eliminate the need for rental assistance.

2. Request

The President’s Budget requests $75 million to support approximately 1,300 FSS Coordinators, who will provide services to approximately 74,000 families. The program funds FSS Coordinators to help participants achieve employment goals and accumulate assets. The FSS Coordinators in each local program build partnerships with employers and service providers in the community to help participants obtain jobs and supportive services. These services may include child care, transportation, basic adult education, job training, employment counseling, substance/alcohol abuse treatment, financial literacy, asset-building skills, and homeownership counseling among others. The role of the FSS Coordinator is essential to the success of the FSS program. HUD also continues to
Family Self-Sufficiency Program

support account language allowing private owners of multi-family properties with a Section 8 contract to voluntarily start an FSS program.

The overarching goals of the FSS program include:

- Higher savings, earnings, and employment rates among program participants;
- Reduced debt, higher education attainment, and improvement in credit scores; and
- Participants graduating from the program do not require Temporary Assistance to Needy Families (TANF) assistance and their need for rental assistance is decreased or eliminated.

3. Justification

Enacted in 1990 and having enjoyed bi-partisan support since then, the FSS has remained a pivotal program helping families in Public Housing, the Housing Choice Voucher (HCV) program and some Project-Based Section 8 properties make progress toward economic security by combining stable affordable housing with coordination of services to support work and a rent incentive in the form of an escrow account that grows as families' earnings increase. The program helps families set 5-year goals to achieve economic security and economic independence. Through FSS, participants become and stay employed, become independent of TANF assistance, and increase their income level. Graduating participants gain access to the escrow account established in their name. The graduating participants also decrease or eliminate the need for rental assistance, and more resources are made available to serve more families over time.

The success of the program in promoting the economic security and self-sufficiency of Public Housing and HCV participants is demonstrated by local communities achieving the following outcomes covering July 2017 to June 2018:

- Over 74,000 households actively participate in the program;
- 5,422 families successfully completed their FSS contracts and graduated;
- 100 percent of graduating families did not require temporary cash assistance (TANF/welfare);
- 47 percent of graduates have escrow savings at graduation, at an average of approximately $7,700; 63 percent of participants earn escrow while in the program, and may use it towards reaching their self-sufficiency goals;
- 1,593 FSS program graduates (29 percent of graduates) exited rental assistance within one year of leaving the FSS program; and
- 624 FSS program graduates (12 percent of graduates) went on to purchase a home.
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The following is an actual example of outcomes for program graduates and their families:

G.S., from the Washington, DC area, battled addiction and homelessness before becoming a public housing resident, working as housekeeper at a hotel and convention center. Living in a high high-cost city, where the fair market rent for a two-bedroom apartment exceeds $1,600, he was barely earning enough to get by even with housing assistance. He was, however, determined to pursue his dream of becoming a homeowner.

G.S. enrolled in the FSS program, participated in credit counseling, financial literacy courses, and a first-time homebuyer workshop. During his three-year participation in the program, he was promoted to guest services engineer, increased his income by $22,000 (a 57 percent increase from program entry) and accrued enough in escrow savings for a down payment on a townhome. He continued pursuing another dream: entrepreneurship. He purchased a pickup truck to start his own moving and hauling business and is now also a proud small business owner. ¹

Cost-Effectiveness

The FSS program is cost-effective in that it does not directly fund the wrap-around services utilized by residents to achieve self-sufficiency. Grants to PHAs are for one year, and cover primarily the coordinator's salary, while all services are funded by partners. Residents benefit from an array of services leveraged from State, city and local programs by the Coordinators. HUD capitalized on its appropriations since 2015 to further the efficiencies of the program by not only serving HCV and Public Housing residents, but also by expanding eligibility to residents in the Project-Based Rental Assistance (PBRA) program. This expansion continues to allow PBRA owners to voluntarily make the FSS program available to their residents and to use residual receipts to support the program to assist families.

HUD also awarded a Research Partnership to Abt Associates for half of the cost, to evaluate the partnership model in place between Compass Working Capital and several PHAs in Massachusetts. The Oak Foundation provided a grant to Compass to cover the other half of the evaluation costs. As part of that study, Abt Associates conducted a cost-benefit analysis that showed “participants in the Compass FSS program gained more than $10,000 in increased income over a five-year period as a result of participation in the program, at a net cost to the government of only $276 per participant. The $10,000 figure accounts for reductions to participants’

¹ Other success stories can be found in the “25 Years of the Family Self-Sufficiency Program: Families Working, Families Prospering” summary beginning on page 6. https://www.hudexchange.info/programs/fss/25-years/
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federal benefits, such as federal welfare benefits, as their earnings improved. These reductions, along with other cost savings, offset 97 percent of the cost of administering the programs.  

Evaluating Program Success

To further evaluate and expand upon prior study results, HUD's Office of Policy Development and Research (PD&R) continues to undertake a longitudinal, randomized controlled study of the FSS program. PD&R has entered a collaboration with the foundation community to more robustly test various FSS models. The Department intends to support the FSS program through the period of the study with the commitment to fully consider modifying the program based on the research results.

Preliminary findings in a randomized control trial of the FSS program, as well as two alternative strategies conducted by MDRC in New York City, warranted further study. Early reports showed that the FSS program combined with an immediate cash incentive for full-time work resulted in a statistically significant effect for those that were unemployed when they entered the study. In addition, the standard FSS program and the immediate cash incentive for work by itself showed an earnings gain for participants who are receiving Supplemental Nutrition Assistance Program (SNAP) benefits. Nonetheless, additional research would likely still be needed to determine if these study results are sustained and replicable.

In support of this effort to study the external (statistical) validity of the program, HUD commissioned MDRC in March 2012 to conduct a national impact evaluation of FSS. The national evaluation was set to end in September 2018, allowing for roughly 36 months of post-random assignment follow up. However, the timeframe of the evaluation has now been extended to cover the full five years of a standard FSS contract of participation with a final report due in 2022. Findings for the first 36 months indicate no statistically significant change in earned income for FSS participants vs. the control group, however, they do show a significantly higher uptake of services in the FSS group. These findings at this stage of the program are consistent with the program design.

The Compass study showed positive outcomes on income growth for both unemployed and employed families, showed an impact on non-head-of-household family members, and significant asset growth. It also showed that a smaller escrow contribution ration (50 percent of rent increase instead of 100 percent) did not diminish outcomes. These evaluations, combined with findings from the longitudinal study, will provide practitioners valuable information on the successful and challenging components of the program, and allow HUD to make evidence-based improvements to FSS.

\[3 \text{http://www.mdrc.org/publication/working-toward-self-sufficiency}\]
Family Self-Sufficiency Program

In addition to current evaluation efforts, HUD's PD&R conducted a study of FSS participant outcomes from 2005 to 2009. The 2011 report found that during that period, program graduates were more likely to be employed and had higher incomes than non-program graduates. The average annual income for FSS graduates had increased from $19,902 to $33,390. The first national evaluation of FSS conducted by HUD, which covered the period from 1996-2000, revealed that the median income for FSS families increased 72 percent during participation in the FSS program, while a similar group of non-FSS participants' median incomes increased by only 36 percent during the same period. Even though this study showed a positive impact of the program, it did not control for self-selection bias and thus warrants further program evaluation efforts that HUD is currently completing.

Program Improvements

HUD has undertaken improvements to the FSS program to further assist grantees and increase accountability. Such improvements include a variety of guidance and training for grantees. For example, HUD made available in May 2017: (1) an FSS Promising Practices Guidebook that includes guidance on outreach and goal setting, case management/coaching, increasing residents' earnings, building assets and financial capability, and building effective FSS infrastructure; and (2) online training, based on the guidebook, that was made mandatory for all funded FSS programs starting with FY 2018. The development of this guidebook and training was supported by the McArthur Foundation.

Moreover, in a Federal Register notice dated November 15, 2018, HUD issued the Final Notice of the Performance Measurement System for the FSS program that evaluates currently-funded FSS programs in the following areas: increase in earned income as compared to similar non-FSS families at the PHA; FSS graduation rates; and rates of participation in the FSS program. The Department will begin to use the scores in the FY 2019 NOFA competition.

Additionally, Congress re-authorized the FSS program in Section 306 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (Public Law No: 115-174) in 2018. HUD is developing appropriate regulations to implement the statute.

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## Summary of Resources by Program

*(Dollars in Thousands)*

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The 2020 President’s Budget includes the appropriation language listed below:

For the Family Self-Sufficiency program to support family self-sufficiency coordinators under section 23 of the United States Housing Act of 1937, to promote the development of local strategies to coordinate the use of assistance under sections 8 and 9 of such Act. Account with public and private resources, and enable eligible families to achieve economic independence and self-sufficiency, $75,000,000, to remain available until September 30, 2022: Provided, That the Secretary may, by Federal Register notice, waive or specify alternative requirements under subsections b(3), b(4), b(5), or c(1) of section 23 of such Act in order to facilitate the operation of a unified self-sufficiency program for individuals receiving assistance under different provisions of the Act, as determined by the Secretary: Provided further, That owners of a privately owned multifamily property with a section 8 contract may voluntarily make a Family Self-Sufficiency program available to the assisted tenants of such property in accordance with procedures established by the Secretary: Provided further, That such procedures established pursuant to the previous proviso shall permit participating tenants to accrue escrow funds in accordance with section 23(d)(2) and shall allow owners to use funding from residual receipt accounts to hire coordinators for their own Family Self-Sufficiency program.

Note. —A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.