

Strengthening Economic Self-Sufficiency Programs

How Housing Authorities Can Use Behavioral and Cognitive Science to Improve Programs

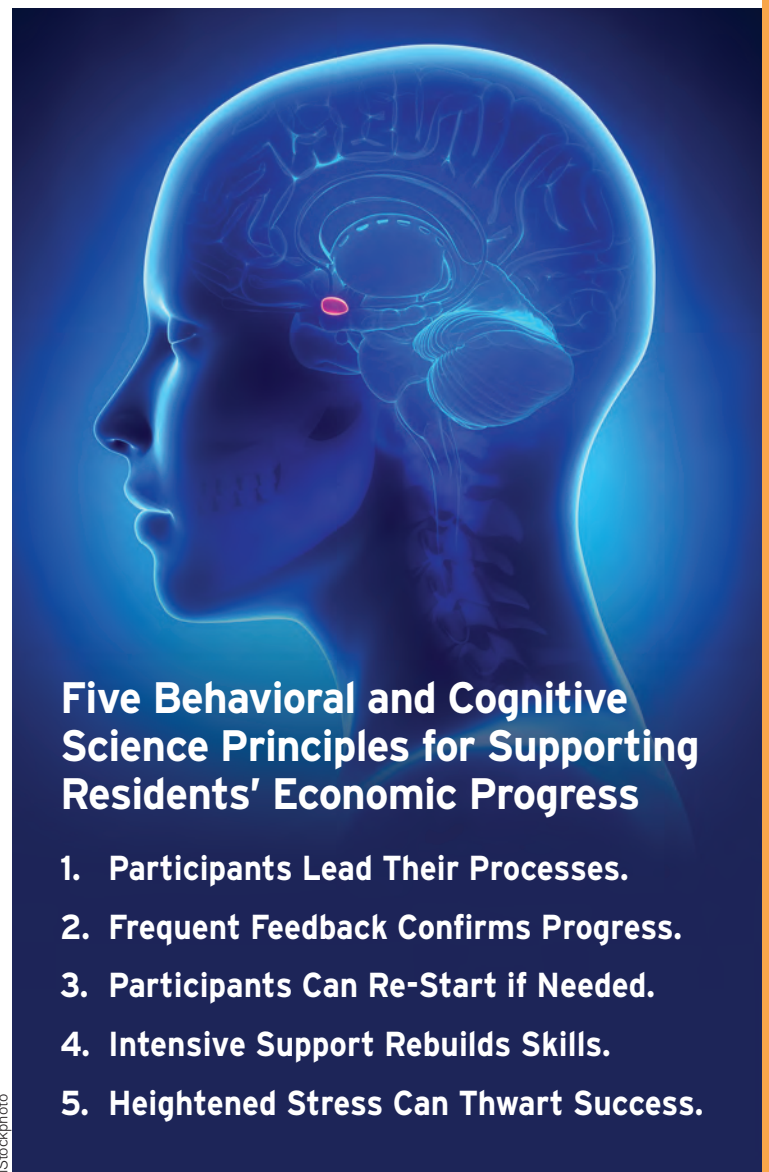
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Economic self-sufficiency programs have the potential to help low-income households increase their earnings, build assets, and reduce reliance on housing subsidies and other public assistance. Although currently a small part of the work of public housing authorities (PHAs), economic self-sufficiency has a long history at the U.S. Department of Housing and Urban Development (HUD). Additionally, recent federal policy conversations, including the budget request for fiscal year 2015, suggest a growing interest in expanding these programs. While little consistent data describes what works, this paper argues PHAs need not rely on guesswork to decide which opportunities to pursue and how to implement them. Using behavioral and cognitive science research on the effects of persistent poverty on decision-making and other mental processes, this paper offers guidance that PHAs can use to design self-sufficiency programs that fit the needs of chronically low-income households and provide a stronger platform for success.

With the current policy climate and evidence gaps in mind, this paper offers some ideas for thinking about a self-sufficiency program's likely impact before research provides stronger evidence. Specifically, it will address the following questions:

- ▶ How can years of poverty and trauma affect the brain and create barriers to success?
- ▶ What principles can self-sufficiency program design incorporate to help affected residents overcome these barriers?
- ▶ How can PHAs and the policy community apply these principles to evaluate the potential impact of FSS?
- ▶ Given resource constraints, how can PHAs develop effective programs that also contain costs?



Five Behavioral and Cognitive Science Principles for Supporting Residents' Economic Progress

1. Participants Lead Their Processes.
2. Frequent Feedback Confirms Progress.
3. Participants Can Re-Start if Needed.
4. Intensive Support Rebuilds Skills.
5. Heightened Stress Can Thwart Success.

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HUD's Economic Self-Sufficiency Programs

HUD offers a variety of programs that PHAs can use to support residents' economic self-sufficiency, with the largest being the Family Self-Sufficiency (FSS) program. Through FSS, PHAs provide case management, referrals, and a financial incentive in the form of escrowed savings to encourage participants to increase their incomes and employment potential. Less than 900 of the approximately 4,000 PHAs in the United States offer FSS, but the program regulations¹ make the potential available to them all. While some PHAs have had notable success with their FSS programs, this experience is not universal. PHAs with an FSS program and PHAs that may offer them in the future alike can benefit from this paper's consideration of the possible reasons for the differences in outcomes and whether strong programs are by necessity expensive. Two substantially smaller HUD programs, the Resident Opportunity and Self-Sufficiency (ROSS) service coordinators and Community and Supportive Services (CSS) for HOPE VI grantees, also provide residents with referrals for enhancing economic self-sufficiency, among other services, but do not include other aspects of FSS, such as escrow accounts.

Two special programs at HUD also deliver economic self-sufficiency supports. These programs, Moving to Work (MTW) and the Jobs-Plus pilot, offer potential as testing grounds for future self-sufficiency programs and may provide opportunities for innovative program design among a small group of PHAs. The MTW demonstration, which includes self-sufficiency objectives as part of a broader deregulation effort, gives 39 PHAs (known as MTW agencies) authorization to combine funding and modify program rules to enhance incentives for economic self-sufficiency, increase housing choices, and reduce costs. MTW's design has not yet included standardized data collection, so researchers have a limited understanding of the program's impact. In addition, prior to the start of the 2015 fiscal year, neither Congress nor HUD required agencies to systematically evaluate the impact of their activities. The entry of four new MTW agencies in the 2015 fiscal year changes this. The new MTW agencies must evaluate a portion of their MTW efforts, including rent reform, against a valid control. The flexibility of MTW and the recent push for evaluation opens up opportunities to learn more about what types of activities work and how to control costs. Federal policymakers, however, may not wait for conclusive results before moving forward with proposals to expand MTW authorization, convert the demonstration into a permanent program, or both.



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Finally, the newly-funded Jobs-Plus pilot offers employment incentives and supports as part of an effort to create a community-wide culture of work throughout a public housing development. Jobs-Plus builds on a randomized experiment by the same name which found statistically significant increases in employment and earnings for Jobs-Plus participants in the handful of locations that fully implemented the program.² HUD will roll out the new pilot through competitive grants to PHAs and local workforce investment boards. As PHAs consider applying for Jobs-Plus and prepare their applications, we can expect a growing thirst for evidence about both the types of activities that will promote residents' economic self-sufficiency and the drivers of stronger outcomes.

The Importance of Economic Self-Sufficiency Programs for Households and PHAs

A voucher or other form of housing assistance can relieve economic burdens and open up new opportunities for low-income people. A housing subsidy allows families to spend more on food and other essentials; it can provide a ticket out of a troubled neighborhood, unhealthy living situation, or even homelessness. By removing families' day-to-day struggle with scarcity, affordable housing also could enable future-oriented thinking and progress toward career goals, but recent research has brought that idea into question. A study of recent voucher recipients and their low-income peers in Wisconsin found that receiving a voucher reduced household earnings and employment, particularly in the first few years after its receipt.³ If this holds true more broadly, economic self-sufficiency programs may play an important role in counteracting these income-depressing effects and allowing the subsidy instead to serve as one component of a broader self-sufficiency support system. By offering self-sufficiency programs, PHAs can help families find a pathway out of poverty and gradually reduce their reliance on housing assistance. Ideally, participants will eventually make large enough economic advancements that they can forego assistance completely.

Families' progress toward economic self-sufficiency brings broader benefits to PHAs as well as low-income families still waiting for housing assistance. Through public housing, vouchers, and project-based rental assistance, HUD makes housing affordable for more than 4 million low-income households in the U.S., yet just a quarter of the households who qualify for federal housing assistance receive it.⁴ Low-income households face waiting lists for assistance that may exceed a year; many PHAs with lengthy waiting lists have closed them to new applicants. PHAs can help low-income households get off the waiting list and into affordable housing by helping their current residents increase their incomes, leading to a smaller subsidy per-household, a reduced reliance on HUD funding, and more frequent subsidy turnover. Without using time limits or any new subsidy money, economic self-sufficiency programs can increase the number of families that PHAs can serve over time.

Defining Economic Self-Sufficiency

Economic self-sufficiency does not have a common definition for the purposes of HUD programs. In this paper, self-sufficiency refers to an income level at which households can transition off of housing assistance. In higher-cost housing markets, low-income families may have no realistic hope of meeting this goal. For this reason, this paper often also refers to making economic progress – an interim step on the longer path to self-sufficiency.

The guidelines for FSS offer a more modest definition of economic self-sufficiency.⁵ In order to graduate from FSS, participants must meet two minimum self-sufficiency conditions: (1) the head of household must have a job and (2) no member of the household may have received cash assistance for at least a year.

The Brain's Role in Achieving Self-Sufficiency

A body of behavioral and cognitive science research, most recently synthesized by the Crittenton Women's Union, has demonstrated the important link between experiences of poverty and toxic stress and the brain's development and functioning.⁶ According to the research, experiences of persistent poverty, trauma, and social bias – stresses commonly faced by low-income households – diminish executive functioning skills by overriding the brain's prefrontal cortex. As a result, affected individuals can have difficulty setting goals, following through with plans, and managing multi-step processes. For example, research by Evans and Schamberg found that the number of childhood years spent in poverty increased children's allostatic load (a reflection of toxic stress levels), which in turn led to reductions in working memory in adulthood.⁷ In another study, Mezzacappa demonstrated that socially disadvantaged children had more difficulty than other children ignoring disruptions to complete a task.⁸

These and other research studies have shown that poverty, trauma, and bias can hijack the brain's functions. In the interest of self-preservation, fight-or-flight behavior patterns take precedence over longer-term focused reasoning. Over time, our brains strengthen the connections that we use more regularly and weaken the connections we have underused. When people experience persistent poverty, trauma, and social bias, an individual's brain can develop a stronger tendency toward reactive and emotion-driven thoughts and behaviors.⁹ The analytic portion of the brain gets set aside to deal with

the immediate crisis, and eventually the brain learns to prefer reactionary behavior over analysis. The impact particularly damages the brain during childhood, and generational poverty reinforces the effect.¹⁰ The effects resemble, but last longer than, a situational “bandwidth tax” that reduces executive functioning during times of scarcity.¹¹

Scientists and psychologists refer to the analytic skills that frequent or sustained exposure to poverty, trauma, and social bias tend to weaken, collectively, as executive functions. Executive functions include impulse control, mental flexibility, and working memory (i.e., the ability to set information aside and return to it). People with impaired executive functions may experience challenges with the very skills that long-term economic progress requires, such as goal-setting, task persistence, decision-making, and focus.

The repeated experiences of poverty and related problems may also train the brain that intentional or goal-focused

Accommodating Residents, Not Judging Them

The life experiences of many low-income people include stress, scarcity, and traumas that repeatedly put the brain into a fight-or-flight mode. These experiences, rather than an individual's work ethic or personality, can generate behaviors that may seem counterproductive. Not all low-income people experience poverty-induced weaknesses in executive functioning, but PHAs and other organizations serving a low-income population should recognize that poverty and stress can trigger a biological response that creates difficulties in decision-making. Using this knowledge, PHAs can design their programs to offer the necessary accommodation for affected residents to set and achieve meaningful, long-term goals.

efforts rarely succeed or that chance determines everything that happens. Experiences of persistent poverty and stress may also diminish self-efficacy, that is, the belief that one's efforts can make a difference in achieving a goal.

Many low-income families receiving housing assistance have lived through frequent or extended episodes of poverty, trauma, and social bias — which research shows weaken executive functions. As a result, many public housing residents or voucher holders have difficulty making goal-oriented, long-term decisions. For example, the Crittenton Women's Union, a Boston-area supportive housing and shelter provider, estimates that around three-quarters of their low-income, majority-female clients have one or more executive function challenges.¹² Housing authority staff should recognize the potential barriers sustained exposure to poverty creates and, when possible, design programs that work best for this population. Of course, not every resident will have compromised executive functions. Individuals' unique life experiences and predispositions will lead to varied cognitive responses. Short-term or situational stresses may also cause decision-making capacity to fluctuate for any given individual.¹³

Interestingly, people can strengthen their reasoning skills by using and thereby strengthening the associated brain connections. Even in adulthood, brain training therapies — combined with a reduction in the stress triggers that hijack the brain — can improve executive functions.¹⁴ An awareness of the potential challenges, and ability to grow past them, may help PHAs design activities and engage external partners that reinforce healthy executive functions to help residents overcome the effects of chronic stress and rebuild more balanced and nimble cognitive processes.



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PHAs can maintain high expectations for their residents, while offering a realistic path for meeting those expectations.

Designing Activities for Success

Awareness of residents' potential difficulties with executive functions provides an opportunity for PHAs to design programs that support residents in their areas of weakness. Adapting program design allows PHAs to set and maintain high expectations for all of their residents, while offering a realistic path for meeting those expectations. This section describes a set of principles that PHAs can use to analyze the likely effectiveness of their economic self-sufficiency programs and to design new strategies with the greatest chance of success.

The research cited above suggests these five principles will strengthen PHAs' self-sufficiency programs:

- 1. Participants Lead Their Processes.** Participants do better when they can develop a personally-relevant path to self-sufficiency, motivated by their own goals and aspirations. However, some residents may first need preliminary assistance in developing self-efficacy – the belief in one's own capacity to affect change.
- 2. Frequent Feedback Confirms Progress.** Frequent constructive feedback helps with focus and task persistence, so incremental check-ins will strengthen a program more than focusing on a single, long-term goal.
- 3. Participants Can Re-Start if Needed.** Second (and third) chances recognize that participants may need to drop out, but can still get back on track.
- 4. Intensive Support Rebuilds Skills.** An intensive coaching or mentoring component can help re-build executive functioning and improve the likelihood of sustained success.
- 5. Heightened Stress Can Thwart Success.** Programs may unintentionally foster a continued stress response if the fear of scarcity continues or if compliance imposes excessive burdens. Therefore, programs should not be overly complex or penalizing. Adequate supports, resources, and coordination among service providers can reduce stress and strengthen outcomes.

These five principles condense a longer set of recommendations from the Crittenton Women's Union that focused on both

designing and implementing programs.¹⁵ Educators' strategies for teaching students with executive function challenges also support these principles.¹⁶ To strengthen the evidence base for future program development, researchers could test the impact of one or more of these principles when evaluating self-sufficiency programs.

A Deeper Look at FSS's Self-Sufficiency Potential

The Family Self-Sufficiency (FSS) program has offered a framework within which PHAs provide case management, referrals, and a financial incentive to encourage participants to make economic progress since 1990. Households in public housing or with vouchers can currently access FSS. HUD will likely expand the program to also serve households with project-based rental assistance, or at least serve existing FSS households affected by public housing conversions under the Rental Assistance Demonstration program. This section will consider FSS activities in light of the five principles outlined above and identify changes that PHAs could make to their programs to better reflect the connection between persistent poverty and cognitive functioning.

The basic structure of FSS involves a contract between participants and the PHA outlining the program's five-year timeline and the employment and/or financial goals they must meet to graduate. The goals must include meeting FSS's core measures of economic self-sufficiency: the head of household must be employed and no member of the household may have received cash assistance for at least one year. Participants receive support from case managers in setting personal goals and accessing local services, such as job training programs, to support goal attainment. Since HUD does not fund services for participants, FSS coordinators work in partnership with other agencies as well as non-profit service providers.

FSS offers an escrowed savings account that participants receive upon graduation from the program, around five years down the line, as a financial incentive. As participants' earnings rise, their rents increase, and the PHA deposits an amount equal to the rent increase into the escrow account. Under standard FSS rules, escrow deposits end when a household's income becomes sufficient to afford modest housing without HUD assistance.¹⁷ In the meantime, residents accumulate savings that can help them cross over from housing assistance to self-sufficiency. PHAs can grant interim withdrawals from

the escrow account, for goal-related purchases such as tuition and coursebooks. While the escrow account turns rent increases into savings, FSS's income-based rent increases help residents grow accustomed to paying rents that approach market-rate. If participants understand the escrow account and believe they will graduate from the program, FSS can change residents' incentives regarding work.

Currently, a patchwork of sources funds the FSS program. Annual grants from HUD support the salaries of FSS coordinators who administer the program locally and provide case management. HUD also funds the escrow accounts,¹⁸ but does not pay for more intensive services and supports — such as intensive case management and career counseling. If a PHA lacks sufficient grant funds for FSS coordinators in any given year, it may use external funding for coordinators' salaries and HUD will continue to cover the escrow accounts. Concerns about funding shortfalls for FSS coordinators may explain why some PHAs do not offer the FSS program and others serve a fraction of their eligible residents.

PHAs have a lot of discretion in implementing FSS, which makes generalizations about FSS's effectiveness difficult. Programs range from “high-touch” approaches in which participants have frequent, personal contact with case

workers, mentors, peers, or other support providers to “lower-touch” models in which participants have much less intensive contact with a support network. Reflecting the differences in program implementation, research findings on FSS have also varied. Case studies of high-touch FSS models suggest that the program can help residents achieve self-sufficiency,¹⁹ but a randomized study of a lower-touch approach to FSS found no significant impact unless the program offered interim incentives.²⁰ A non-randomized national FSS study suggests that the program may work better for residents with an initial advantage, such as a high school diploma or a better employment status upon enrollment.²¹ However, the study concluded a year before participants' expected graduation, so these results may simply reflect the easier and shorter road to self-sufficiency for this subset of residents. A randomized national study is currently in progress and will hopefully add to our understanding of what works and why.

If a substantial group of residents has executive function limitations, higher-touch FSS models may offer the most effective pathway out of poverty. Higher-touch approaches to FSS build on all five of the key principles for effectively engaging people in poverty: (1) participants lead their processes, (2) incremental check-ins provide constructive feedback, (3) multiple chances allow people to try again, (4)



intensive coaching strengthens task persistence and other executive functioning, and (5) program design minimizes participants' stress responses. Those with weakened executive functions may not make progress with a less intensive FSS program. Instead of creating opportunities, low-touch approaches to FSS may confuse the served population, add the burden of another case manager, and ultimately have little impact on self-sufficiency.

The assessment that follows describes ways that a well-designed FSS program can build on the five principles.

Residents in the Lead

The structure of FSS puts participants largely in the driver's seat. Residents must choose to participate and take the first step by signing up. Agencies may focus more or less intensely on marketing the program and increasing enrollment, but the motivation for participating comes from the residents themselves. Residents then work with program staff (an FSS coordinator, coach, or case manager) to define their individual goals and develop a five-year plan to achieve them. These goals should reflect a realistic assessment of the resident's experience, and should include concrete steps for gaining the skills, training, or education she needs to achieve them. By engaging residents in a central role — signing up for the program, setting personal goals, and developing a plan — FSS may stimulate the brain's executive functions and increase participants' capacity to make progress.

Some residents with poverty-induced cognitive limitations may not be ready for FSS immediately, but program design can help residents enter ready to succeed. Hosting pre-enrollment financial workshops or using aspirational marketing materials can engage residents and prepare them for personalized goal-setting. PHAs can also screen residents for motivation before enrolling them in FSS. All opt-in approaches to FSS implicitly screen for motivation when residents choose to sign up. Additional motivation screening may include mandatory pre-enrollment activities or an assessment by the FSS coordinator. Screening and preparation empower residents to understand that they have the capacity to make decisions that can make a difference in their lives. Residents' success in making economic progress requires self-efficacy; motivation screening and pre-enrollment preparation may boost self-efficacy and therefore support successful FSS programs.

Frequent Feedback

Over the five-year course of FSS, participants have a lot of time to lose track of their goals. Annual statements of escrow account balances and occasional meetings with a case manager provide interim feedback, but may not be frequent enough to keep residents on track. Designing FSS to keep participants focused on both their short-term efforts and long-



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term goals will make task persistence easier for residents with impaired executive functioning.

Agencies can adopt low- or no-cost approaches to provide more consistent reassurances that individual effort yields outcomes. Peer support networks, for example, allow current participants to share each other's interim progress. Volunteer mentors, drawn from prior graduates of FSS or other local asset-building programs, can maintain regular contact with participants and provide constructive feedback on their efforts.

Larger changes to the typical FSS approach can provide even more helpful feedback to residents. MTW agencies can use their flexibility to disburse modest financial incentives prior to graduation. Typically, participants cannot access funds in escrow until after graduation, except to fund items essential to progress. Agencies granted flexibility under an MTW designation could provide small financial incentives for incremental progress, modeling them on the work incentives offered in a self-sufficiency experiment in New York City.²² The New York example offered a cash incentive every two months if participants maintained full-time employment. MTW agencies could likewise set meaningful incremental goals and reward these achievements with a modest early payout from escrow savings or an agency-funded cash incentive. This approach amplifies the message that residents will realize benefits through persistence. However, research has not clarified whether periodic monetary incentives produce better results than peer networks, mentors, or other mechanisms for frequent feedback.

Multiple Chances

The long timeline of FSS makes it particularly important to allow multiple attempts before residents succeed. Some participants may need to go through financial education or pre-enrollment workshops more than once. Others may need more than five years to achieve their goals. All PHAs may grant these sorts of second chances.²³ But, in the standard FSS model, participants that exit FSS before graduation forfeit their escrow savings. This can turn normal, temporary self-doubt into a significant financial loss. Given how frequently people need multiple chances to achieve life changes, strict rules that limit FSS participants' ability to rebound will not improve outcomes.

MTW agencies may forgive residents' setbacks more readily. For example, MTW agencies can modify FSS rules to temporarily freeze escrow accounts for participants who prematurely exit the program. Instead of forfeiting the savings, residents that rejoin FSS within a certain timeline could reinstate their escrow in part or in full. PHAs can reduce the administrative burden of perpetually stagnant escrow accounts by setting rules that offer participants' some leeway in restarting FSS but not endless chances.

Intensive Coaching Support

Success depends heavily on connecting participants with highly-skilled coaches or mentors. FSS participants need intensive support to make financial progress, stay on track with educational or employment goals, and identify resources they need to succeed. Intensive coaching toward self-sufficiency goals also helps the brain strengthen its capacity to follow through, make decisions, and perform other executive functions. Programs may implement intensive coaching support by (1) supplementing the HUD-funded FSS coordinators to reduce caseloads and (2) defining the coordinators' role as more of a financial or career advisor than a service coordinator or case manager.

FSS coordinators typically carry caseloads too large to allow for intensive, personalized support. Effective FSS programs supplement their HUD-funded coordinators to make caseloads more manageable while still allowing participants to have deeply supportive relationships. Many have identified residents that receive case management from other non-HUD safety net programs and then created partnerships

that serve both programs' needs at minimal marginal cost. In addition to augmenting capacity, this approach reduces the compliance burden for residents and may support their success in both programs. PHAs can also provide more consistent and supportive guidance for FSS participants by pairing participants with trained volunteer mentors, ensuring more frequent feedback and more intensive coaching support.

Participants can benefit from skilled financial and career coaches more than traditional case management. A coaching approach helps participants stay positive, motivated, and focused on their personal goals, which strengthens residents' sense of self-efficacy. PHAs can convert to a coaching model by contracting or partnering with organizations that specialize in low-income financial services and asset building, or by sending front-line staff through coaching workshops.

Minimized Stress Response

While FSS largely avoids activating the brain's stress response, a few program elements may require careful design. First, coordinators may find it difficult to describe the escrow component of FSS and its long-term benefits. Communication makes the difference between an FSS escrow account that provides an effective incentive and an account that causes so much confusion that it offers no incentive at all – or at worst, that confuses participants enough to actually impede progress. A study of one FSS experiment found that program staff with no prior FSS experience did not understand the escrow process at first and hesitated to discuss it with participants.²⁴ If residents don't learn about the escrow account, they cannot benefit from the intermediate reinforcement and long-term reward it can provide. On the flip side, those who understand the value of the escrow account, but worry about failing to meet their goals, may experience stress and fear about losing this money.

The case management relationship can also inadvertently activate stress responses. Converting the role into a coach provides direct benefits, while also minimizing a potential FSS hazard. A traditional case manager role can inadvertently create stress and undermine a participant's sense of being the leader of her process. Participants with histories of troubled relationships with authority figures may react to a compliance-focused case manager as another authority figure rather than a source of support. Engaging residents toward goal achievement through a coaching model can diffuse this risk.

Intensive coaching toward self-sufficiency goals helps the brain strengthen its capacity to follow through, make decisions, and perform other executive functions.

Summary

FSS offers an adaptable template for self-sufficiency programs that can effectively serve people in poverty. The model can support economic advancement by those with impaired cognitive functioning abilities due to exposure to chronic poverty and who need help recognizing their own capacity to affect their future well-being. Program design varies, but effective FSS approaches should emphasize the personal goals of participants, reinforce their incremental progress, minimize stress responses, and address setbacks realistically while providing intensive coaching to support continued success. While FSS has great potential without needing MTW authorization, MTW agencies have additional opportunities to change program rules to offer more interim incentives and be more accommodating of second chances, which can offer a substantial benefit to those who have long experiences with poverty, trauma, and social bias.

PHAs interested in creating or strengthening their self-sufficiency programs, whether through FSS or another approach, can similarly apply these principles in an effort to predict outcomes and adjust the design of their programs. For example, an applicant for the Jobs-Plus pilot may analyze their program plans and see an opportunity to strengthen results by adding intensive coaching to the program's employment supports. Or an MTW agency may review the activities that they describe as enhancing self-sufficiency incentives and alter their plans to remove activities that can activate participants' stress response.

Getting Past the Cost Limitations

Concerns about costs can impede the design and implementation of self-sufficiency programs, particularly high-touch programs that acknowledge the impacts of persistent poverty on brain functioning. People with weakened executive functions may have fairly intense needs, especially in the early stages before they rebuild cognitive balance. Not all residents will need this level of support, but offering full support to all residents rather than attempting to differentiate and get it wrong may simplify program development. This further increases the potential for programs to become expensive. However, PHAs can implement effective economic self-sufficiency programs in a cost-sensitive way.

PHAs' approaches to funding FSS provide a window into containing costs without limiting programming. PHAs have identified a variety of ways to fund a strong FSS program without the flexibility of MTW. In areas with a network of



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supportive service organizations, PHAs have partnered with non-profit organizations that have in turn leveraged FSS to receive philanthropic support for their efforts. Areas with a less robust non-profit network can instead develop partnerships with other governmental agencies that are already serving low-income households. TANF agencies, for example, will typically have an overlapping client base with a PHA's residents. When these agencies work together, residents can experience less of the bureaucracy associated with multiple case managers and instead have more time for supportive contact.

Agencies with MTW status have additional opportunities to fund FSS. One opportunity relies on MTW's pooled budgets, while other strategies use MTW's flexibility with FSS rules to test new ways to fund the program (potentially leading to a broader FSS rule change for all PHAs). Let's first consider MTW agencies' pooled funding authorization. This may allow agencies to allocate savings from other programs to help support the costs of FSS. This funding approach, however, carries risks since HUD requires MTW agencies to serve substantially the same number of households as they would have without MTW. Agencies adopting this approach need to monitor their programs carefully to ensure that the use of pooled funds does not jeopardize compliance.

A more conservative option for MTW agencies involves using their flexibility around program rules to test new FSS models that can, at least partially, fund themselves.²⁵ These FSS models modify the escrow account deposits, allowing the agencies to retain some additional rent revenue generated by increased resident incomes and use it to pay for the program.

One model, which the Cambridge Housing Authority is currently testing, is known as "shared escrow." In this approach, part of participants' income-based rent increase goes into their escrow accounts; the remainder stays with the PHA to support the

program. Although the account offers a smaller incentive than in a traditional FSS approach, participants can still see a tangible benefit from their increased earnings. The PHA is also exploring an opt-out version of the shared escrow approach for their public housing households. In this variant, they automatically enroll households in the FSS program and provide them with program supports as well as escrowed savings unless they specifically opt out of the program. MTW agencies can explore whether a shared escrow account — operated within an otherwise robust evidence-based FSS program — offers an effective pathway to self-sufficiency while partially or completely funding program operations. If so, should the PHA and the participants equally split the rent increase, or would a different split better serve program goals? And do the opt-in and opt-out models have different impacts? Performance indicators from the Cambridge program, which their research partners at Brandeis will evaluate, will provide a small demonstration. Adoption by other MTW agencies will help strengthen the evidence.

Another FSS modification delays escrow deposits until household income reaches a pre-determined target. Rent increases prior to the target generate revenue for the PHA, potentially supporting a portion of FSS's costs. Home Forward, the housing authority for Portland, Oregon, has adopted this approach, although its reasons go beyond the model's cost-containment potential.²⁶ Once a participant's income-based rent reaches a certain target, which Portland refers to as a "strike point," escrow deposits begin. Home Forward has set their strike point at \$350, so any rent paid above that amount goes into a resident's savings, and increased earnings before the strike point stay with Home Forward. Whether rising rent payments before the strike point will cover

the program's costs remains unclear. Their early experience suggests that the program yields a net increase in rent revenue.²⁷ As with the shared escrow model, Home Forward's program may increase understanding of the cost impacts of alternate FSS models, but additional MTW agencies could strengthen the evidence if they use a similar modification and undertake rigorous evaluation of their programs.

Opportunities and Recommendations

This paper has presented evidence and guidance that opens up a variety of opportunities for PHAs, policymakers, researchers, and others to strengthen the pathway from poverty to economic self-sufficiency. Ongoing research, such as the evaluations of new MTW agencies' activities and the national random-assignment FSS study, will help strengthen programs in the future, but waiting for data should not impede progress today. When research from other fields provides an explanation of what is likely to work, we should use that learning to design more effective programs, strengthen policies, and structure evaluations to test these theories of change.

All PHAs can help their residents make economic progress by understanding the ways in which poverty can affect cognitive processes and decision-making, and how those limitations create obstacles to moving toward self-sufficiency. By acknowledging that past experiences may affect residents' starting points, this research may lead to more positive and effective interactions with residents and the development of realistic, incremental steps toward economic self-sufficiency. Activities that develop residents' self-efficacy at the start, such





By partnering with the anti-poverty and asset building communities, PHAs can take on a low-cost role in effective programs.

conscious planning opens opportunities for strong programs to work even in difficult budget times.

A visionary leader willing to take a long-term perspective also helps. Effective self-sufficiency programs benefit PHAs financially by increasing rent revenue and reducing reliance on HUD funding. Due to their flexibility, MTW agencies have more opportunities to apply this long-term perspective. They can modify FSS to add incremental incentives and adjust the rules about escrow accounts to accommodate the need for second chances. More importantly, they can use their flexibility to test whether FSS can become self-supporting – a potentially huge opportunity to make FSS attractive to more PHAs, provide funds for strengthening existing programs, and serve more residents.

Policymakers considering the expansion of FSS, permanence of MTW, and other policies designed to support economic advancement can use the information about executive functioning to support and incentivize more intensive approaches. Service coordinators require adequate funding, and low-income households require greater availability of programs with strong potential. HUD and other federal agencies can use competitive grant processes to incentivize interagency coordination and more intensive coaching models of case management. Mindful policy development can include a variety of carrots and sticks to encourage agencies to work together to build a stronger ladder out of poverty. Policymakers should also keep an eye on the MTW agencies testing cost-sharing FSS models to see if the evidence supports a broader FSS rule change.

Finally, the research community and the evaluation staff inside agencies can devise ways to track program data and test whether the principles described in this paper (or other guiding principles) play a significant role in determining outcomes. When data tell a deeper story about why a program worked or did not work, policymakers and agencies can build innovation on more than just a hunch. Research that offers answers to “why this works” not just “what works” strengthens the success and replicability of evidence-based programs.

as aspirational messaging, markers of incremental progress, and intensive coaching, may greatly influence outcomes for residents burdened by past traumas and poverty.

PHAs can use their strengths and the natural partners in their community to fund and deliver high-touch self-sufficiency programs. The numerous tools for serving residents' needs at a reduced cost include piggybacking on existing case management relationships with other agencies, developing partnerships with local community colleges or workforce development organizations, and leveraging local volunteer networks. PHAs should also acknowledge the tremendous value of their services, and in the case of FSS the value of the escrow account, and use that to attract partners. Knowing the participants will have stable and affordable housing may provide useful leverage for non-profit partners to attain philanthropic support for providing add-on self-sufficiency services. HUD funding for the escrow account is another high value item that could help in seeking partners and grant support elsewhere.

PHAs may also help their residents access high-impact programs that exist outside of the HUD universe of programs. By being a willing partner for the broader anti-poverty and asset building communities, PHAs can take on a very low-cost role in disseminating information about high-touch programs or offering community space for these efforts – all without taking on additional program costs. Helping residents make economic progress may seem like a big lift, but cost-

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Endnotes

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