Moving to Work Agencies' Use of Funding Flexibility

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Abstract

The Moving to Work (MTW) demonstration allows participating public housing agencies to implement innovative approaches to achieving three statutory objectives: cost-effectiveness, household self-sufficiency, and housing choice. MTW funding flexibility is a cornerstone of agencies' ability to work toward federally required and locally determined objectives. This flexibility allows the current 39 MTW agencies to treat the separate funding streams of public housing operations, capital improvements, and Housing Choice Voucher (HCV) programs as fungible, moving funds among the separate streams and from them into local, non-traditional activities. This article examines how MTW agencies have used funding flexibility and includes a detailed examination of funding shifts from a sample of agencies.

Introduction

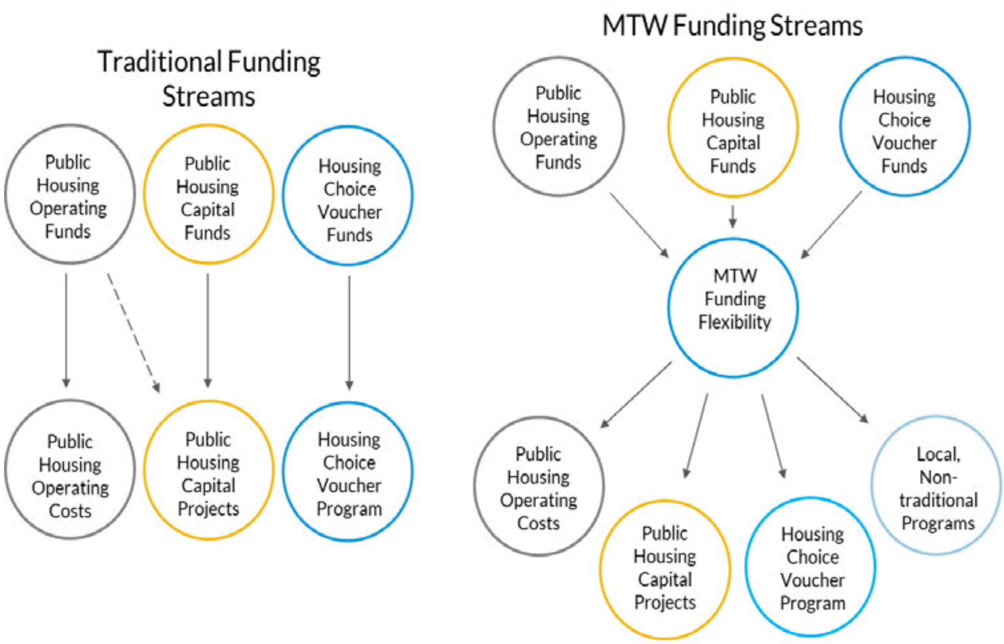
Our analysis indicates that all Moving to Work (MTW) demonstration agencies have used funding flexibility and have undertaken more activities focused on increasing housing choice than on the other statutory objectives. A plurality of agencies has used the flexibility to leverage additional funding for priority activities. Among agencies in the sample, most of the funds shifted came from the housing choice voucher (HCV) program stream, and the majority of shifted funds were used for capital projects. Findings are drawn from a research report produced for the U.S. Department of Housing and Urban Development (HUD)-funded retrospective evaluation of the MTW demonstration (Levy, Long, and Edmonds, 2019). The report includes a comparative analysis of MTW agencies' use of funding flexibility and outcomes associated with the statutory objectives, as well as detailed information on methods used and data produced for this study.

What Is Moving to Work Funding Flexibility?

Public housing agencies receive their annual HUD funding through three distinct revenue streams: operating funds used to operate and maintain public housing units; capital improvement funds for public housing development, rehabilitation, and management improvements; and HCV funds used to administer the voucher program.[1] MTW agencies may apply flexibility to these three funding streams upon receipt or maintain them separately and shift funds from one stream to another, as depicted in the diagrams in exhibit 1.[2] Whichever approach agencies take, they have greater leeway in how they use federal resources compared with traditional agencies.

Exhibit 1

Traditional and Moving to Work Agencies' Funding Streams and Uses



MTW = Moving to Work.

Source: Moving to Work Standard Agreement Attachment C, "Statement of Authorizations" (modified), retrieved from HUD's MTW portal. https://www.hud.gov/program_offices/public_indian_housing/programs/ph/mtw/mtwsa

Agencies that undertake activities with funding flexibility can do so with this flexibility alone or combined with waivers of HUD regulations granted to MTW participants.[3] Examples of activities that require a waiver include changing the minimum rent and changing housing inspection procedures.

[1] PHAs may also receive funds from other sources, such as HUD grants and voucher awards, and from states, localities, and foundations.

[2] Traditional agencies may use up to 20 percent of their public housing operating funds annually for capital projects, as indicated by the dashed line in exhibit 1. This flexibility was extended to traditional agencies by the Housing Opportunity Through Modernization Act of 2016.

[3] For details on waivers, see www.hud.gov/program_offices/public_indian_housing/programs/ph/mtw.

There are constraints on MTW agencies' use of funding flexibility. The agencies must abide by the statutes and regulations governing all public housing agencies except those for which an agency has received waivers. Agencies must document the activities that use funding flexibility alone and those that use the flexibility along with waivers. Also, agencies are required to serve substantially the same number and income mix of households as they would serve in the absence of funding flexibility. In addition, since 2010, the use of funding flexibility to support local, non-traditional forms of assistance[4] is allowed only if the activity serves eligible households and pursues one or more of MTW's three statutory objectives.

These features of funding flexibility lead to questions about MTW agencies' actual use of it. What type of and how many activities do agencies undertake with shifted funds? Do the activities address some or all of the three statutory objectives? How and to what extent do agencies use funding flexibility with waivers? What are the dollar amounts of shifted funds? Furthermore, are funds shifted more or less from each traditional funding stream?

Research on Moving to Work Funding Flexibility

During the first few years of MTW, agencies used funding flexibility to address financial challenges, free resources for purposes already allowed, and increase the supply of affordable housing by developing new public housing units or adding vouchers. MTW agencies often were cautious and made modest changes to their funding use, such as using funding flexibility to address budget shortfalls. Some agencies used funding flexibility more intensively to pursue agency priorities by, for example, increasing resident services or providing additional affordable housing (Abravanel et al., 2004). Agencies were found to value funding flexibility because it enabled them to use funds to leverage financing for construction projects that otherwise would not have been possible (Brick and McCarty, 2012). Subsequent research further documented the activities MTW agencies take and considered the role funding flexibility plays in carrying them out, but research focused on funding flexibility has been limited (Brick and McCarty, 2012; Khadduri et al., 2014; Webb, Frescoln, and Rohe, 2015).

We know little about differences in agencies' use of funding flexibility alone compared with their use of the flexibility combined with waivers. The use of waivers has been discussed in descriptions of agencies' activities but not studied systematically (Khadduri et al., 2014). Similarly, we know little about funding shifts that involve funds freed up through cost savings. Research has documented that agencies use funds accrued through administrative cost savings for various purposes, but we do not know how frequently such actions are taken (Khadduri et al., 2014). Neither do we know the dollar amounts associated with funding flexibility. There is no published

[4] Local, non-traditional activities use MTW funds for activities outside of the HCV and public housing programs, as set out in sections 8 and 9 of the U.S. Housing Act of 1937. Non-traditional activities fall into one of four categories: (1) rental subsidy programs that provide a subsidy to a third-party for supportive housing, transitional housing, and other programs; (2) homeownership programs that allow an agency to act as a mortgager to provide homeownership assistance; (3) housing development programs that acquire, renovate, or build units that are not public housing or HCV units; and (4) service provision activities, such as self-sufficiency or supportive services, that are not permitted under the Housing Act and regulations or are provided to eligible individuals who do not receive public housing or HCV assistance (PIH Notice 2011-45).

evidence on the estimated dollar amounts of funds shifted across traditional funding streams or funds accrued from cost savings or leveraging activities.

Research Questions and Challenges

We set out to systematically study agencies' uses of funding flexibility to determine what they have done with the flexibility and for what purposes, how they have used it alone or with waivers, and the dollar amounts agencies shift among the traditional funding streams. MTW activities have been documented, but we sought to go beyond existing documentation of MTW activities by identifying those undertaken with funding flexibility alone and with a waiver, and associating each activity with an MTW statutory objective. Our aim was to develop a more complete understanding of the uses of funding flexibility and its importance related to meeting local and federal goals. We also set out to detail how agencies use funding flexibility to shift funds, looking into data on funds shifted from one traditional funding stream to another stream or to local, non-traditional efforts, examining how agencies accrue savings and use those funds, and how the flexibility has been used to leverage additional resources. Finally, we wanted to examine dollar amounts of shifted funds. There has been no prior examination of the evidence on direct shifts of funds across traditional funding streams or on the use of funding available through cost savings.

Challenges emerged early in designing the study. We first grappled with how to describe funding flexibility. The conceptual diagram in exhibit 1 depicts straightforward shifts across the traditional funding streams. Our initial examination of agencies' annual reports, along with reviews of past research, made clear that funding flexibility also involves activities undertaken with waivers that result in savings, which can be used later to fund activities in the same or different streams. It became clear that a discussion of funding flexibility must include what we came to call indirect shifts.

Identifying shifts in funds presented another challenge. MTW agencies report direct shifts of funds and how the funds were used in their annual reports, but funds freed for use because of savings are difficult to identify because they might not be used immediately. Instead, these freed funds are placed in reserves for later use for an activity that may or may not be associated with the same funding stream in which the savings occurred. When there is evidence of using these freed funds, it may not be possible to identify the original funding stream from which they derived because, at the time of use, they are drawn from reserves. Once funds are pooled, the connection to the original stream can be broken. Difficulties specifying funding shifts and uses of funds were highlighted in the U.S. Government Accountability Office's (GAO's) MTW review that found HUD's financial data system could not be used to determine how agencies used funding they transferred from a traditional funding stream (GAO, 2018).[5] Nevertheless, understanding funding flexibility requires more than tracking direct shifts. Fund accruals and uses of these funds are an important part of funding flexibility.

We also faced the challenge common to studies of the MTW demonstration: how to pursue research across 39 agencies when the agencies act in accordance with local priorities. There was variation as well in agencies' reporting practices, with some providing more complete and descriptive information in their annual reports than others.

[5] According to HUD staff, HUD acknowledges this finding and has agreed to continuing the conversation with GAO in an effort to reach a mutually agreeable resolution.

Methods

In this section, we describe our approach to studying funding flexibility, including how we tried to mitigate the design and research challenges.

Data and Measures

We compiled data on funding flexibility from a review of all 39 MTW agencies' 2015 annual reports and 2016 annual plans submitted to HUD.[6] The reports and plans include information on activities being implemented and closed out since each agency joined the MTW demonstration, which enabled us to identify a comprehensive list of funding flexibility-related activities through 2015. Data come from two sections of Form 50900 of the annual reports: section IV, approved MTW activities, which includes activity descriptions, whether an activity includes the use of a waiver, and whether it frees resources or uses resources; and section V, sources and uses of funds which includes descriptions of activities undertaken with funding flexibility only. To gauge the completeness and accuracy of data drawn from agencies' annual reports, we compared these data from a sample of agencies with data from HUD's Financial Data Schedule (FDS). FDS contains the annual financial statements submitted by public housing agencies. The FDS variables we looked at differed by agency. For example, we looked at line 70710 (management fee) to help identify freed resources for several agencies whose annual reports showed management fees that were higher than related expenses. We looked at line 92100 (resident services) for several agencies to confirm the uses of shifted funds for self-sufficiency and other programs.

We distinguished between direct and indirect shifts of funds to capture the range of agencies' use of funding flexibility. Direct shifts are shifts of funds from one traditional HUD funding stream to another or to local, non-traditional activities to cover costs for a specific activity. These shifts reflect budgetary decisions. Agencies report direct shifts of funds in section V (Form 50900) of their annual reports, though they do not consistently report all small direct shifts or provide full information on dollar amounts shifted. Agencies report direct shifts of funds in relation to the activities to be supported as "activities that used only MTW single fund flexibility." We refer to such initiatives as funding-flexibility-only activities. Indirect shifts result from policy decisions that free resources in one funding stream for spending in other streams or within the same stream for different purposes. Funds are accumulated over time through MTW activities that result in cost savings, new revenue, or unit cost reductions. These activities involve the use of regulatory waivers to change policy or practice. The freed resources may or may not be shifted during the same accounting period—they may be placed in operating reserves for future use, which may or may not involve a shift across revenue streams when the funds in reserve are eventually spent. For these reasons, it is difficult to track indirect shifts of funding. The potential for indirect shifts of funding to occur or to have occurred is inferred from information about whether an activity saved costs, generated new revenue, reduced unit costs, or used resources. We identified potential shifts from the information agencies reported under "implemented MTW activities" in section IV of Form 50900 in annual reports. We validated indirect shifts through interviews in a sample of agencies.

[6] This method did not use data from HUD program and financial systems such as the Line of Credit Control System, Voucher Management System, HUD Central Accounting Program System, or the Public and Indian Housing Information Center.

We identified activities implemented with funding flexibility, with and without a waiver, based on information drawn from Form 50900 in MTW agencies' annual reports. Activities described in section IV of Form 50900 in the annual reports usually are clear about the use of waivers and the freeing or use of resources because HUD guidelines for completing this section are specific. The activities described in section V of the form are often not as clear; guidelines only say to "describe activities that use only single fund flexibility," without guidance on what descriptions should include.

We used these data to create accounts of activities that relied in whole or in part on funding flexibility.[7] For each activity identified in the reports and plans as using funding flexibility, the accounts include a brief description and information on activity dates and type, whether resources were leveraged, whether the activity is intended to respond to local needs, involves a local, non-traditional program, has outcomes related to the statutory objectives, and involves direct or potential indirect shifts in resources.

We conducted in-depth interviews with leaders from eight MTW agencies, including executive directors and the finance director or director of public housing or voucher programs. We used these discussions to confirm the information we drew from the annual reports and plans and to gather details on leveraged resources. Interviews also explored agencies' purposes for using funding flexibility and whether funding flexibility has influenced how the agencies respond to local needs. Finally, the discussions included staff perspectives on the effect of flexibility on statutory objectives. A comparison of information from the interviews with annual reports for the eight agencies confirmed that the activities reported as using large amounts of shifted funding did occur and that the funding amounts were reported accurately, though not always in enough detail to tie dollar amounts of shifted funds to specific activities.[8] We also reviewed potential uses of indirectly shifted funds we identified in agency reports to determine whether the activities occurred. We also interviewed five HUD MTW coordinators responsible for oversight of the agencies in the sample of eight. These interviews explored coordinators' perspectives on funding flexibility and agencies' leveraging activities.

Sampling

Descriptive analyses of activities implemented with funding flexibility—with and without waivers—and analyses on funding shifts use data from all 39 MTW agencies. To examine details of agencies' funding shifts, and to explore agencies' perspectives on funding flexibility, we drew a purposive sample of eight agencies based on information compiled in the accounts. Agencies sampled included the Housing Authority of Baltimore City (HABC), Cambridge Housing Authority (CHA), King County Housing Authority (KCHA), Lawrence-Douglas County Housing Authority (LDCHA), Lexington-Fayette Urban County Housing Authority (LFUCHA), Minneapolis Public Housing Authority (MPHA), Housing Authority of the City of Pittsburgh (HACP), and Home Forward Portland. These agencies are diverse in size and geographic location, the number and type of funding flexibility activities, and the purposes for which activities were pursued as identified by these agencies in their annual reports.

[7] The 39 accounts will be accessible on HUDUSER.gov through the website for the MTW Retrospective Evaluation.

[8] Documented direct funding shifts were reported accurately though some agencies did not include the dollar amount of the shifts. Some relatively smaller shifts discussed during interviews had not been included in annual reports.

Analysis

Once data and information on the 39 MTW agencies' activities using funding flexibility were tabulated in the accounts, we grouped activities associated with an objective into activity categories so that similar activities could be examined together. We used the account and FDS data to produce descriptions, in numbers and percentages, of agencies' uses of funding flexibility and leveraging activities. We then compared direct and indirect shifts in funds with data from annual reports and FDS to assess how agencies shifted funds across programs. Analysis of qualitative data from interviews with HUD staff and staff from the sample of eight agencies for which we completed validation of direct and indirect shifts provided additional insights into the use of funding flexibility, including how agencies use leveraging.

Uses of Moving to Work Funding Flexibility

MTW agencies use funding flexibility alone and with waivers to pursue HUD's statutory objectives and local priorities. Analysis of the agencies' 2015 annual reports finds that all 39 agencies used funding flexibility to undertake a diversity of activities related to each of the three MTW statutory objectives. Most of the agencies reported using funding flexibility to access external resources. The flexibility helped agencies secure favorable financing terms and amounts for major projects, meet a funder's matching requirement, and partner with other organizations to provide resident services more easily.

Use of Funding Flexibility by Statutory Objectives

All 39 MTW agencies have used funding flexibility, alone or with waivers, to pursue each of the statutory objectives—to increase cost-effectiveness, self-sufficiency, and housing choice. (See appendix A for the number of activities using funding flexibility by objective in fiscal year 2015.) All but four of the agencies have engaged in at least 10 funding flexibility activities. Three of the four exceptions—Champaign County, Columbus, and Holyoke—had been in MTW for a relatively short time. Overall, agencies pursued more activities associated with increasing housing choice (41 percent of all activities using funding flexibility) than those associated with increasing cost-effectiveness or self-sufficiency (30 and 29 percent, respectively). This focus on housing choice aligns with what staff from the sample of agencies identified as priorities—increasing the number of households served and increasing the number of affordable housing units.

Exhibit 2 lists the types of activities the 39 agencies have pursued with funding flexibility and whether the activities freed funds or used resources. Nearly all activities pursuing cost-effectiveness involve potential cost savings, which frees resources for other uses. In some cases, these activities may use resources in the short term, for example, to fund additional staff training to achieve longer-term savings. Every MTW agency engaged in cost-effectiveness activities. Most of the agencies changed their household certification and housing inspection processes, and more than one-half modified other processes.

Exhibit 2

Features and Funding Flexibility Aspects of Moving to Work Activities (1 of 2)

Objective	Activity Category	Included Activities	Activities Free or Use Resources	% of Agencies with These Activities
Cost-Effectiveness	Household Certification Process	Certification Schedule Income Deductions, Exclusions, Verification Asset Exclusions and Verification	Free (most activities produce cost savings)	95
	Housing Inspection Process	Inspection Schedule Self-Certification PHA Inspection Inspection Rules Housing Quality Standards (HQS)	Free (most activities produce cost savings)	90
	Other Procedures	Rent Payment System Utility Allowances Rent Reasonableness Waiting List Management Referral System Eligibility Rules Administration/Training/Accounting Customer Service	Free (most activities produce cost savings) Use (some activities have short-term expenses)	59
Self-Sufficiency	Rent Calculation	Minimum Rent Flat Subsidy Rent Reform Other Calculation Changes	Free (most activities increase revenue or produce cost savings) Use (some activities have short-term expenses)	95
	Additional Services	Self-Sufficiency Services Resident Services Education Case Management Family Self-Sufficiency (FSS) Program FSS Escrow Policies	Free (some activities increase revenue or produce cost savings) Use (most activities have short- and longer-term expenses)	93
	Requirements & Limits	Work Requirements Service Use Mandates Exemptions/Work-Able Definitions Housing Assistance Time Limits and Restrictions	Free (most activities increase revenue or produce cost savings) Use (some activities have short- and longer-term expenses)	54

Exhibit 2

Features and Funding Flexibility Aspects of Moving to Work Activities (2 of 2)

Objective	Activity Category	Included Activities	Activities Free or Use Resources	% of Agencies with These Activities
Housing Choice	Development & Renovation	Modernization/Revitalization Shifts to Capital Fund/Capital Fund Expenditures Debt Payment for Capital Fund Expenditures Repairs/Improvements	Free (some debt payment activities produce cost savings) Use (most activities have short- and longer-term expenses)	54
	Project Basing Vouchers	Cap on Voucher Funds that Can Be Project-Based Cap on PBV Units in a Development PBV Assignment PBV Rules, including PBV in PHA-Owned Units	Free (some activities produce cost savings) Use (some activities have short-term expenses)	77
	Affordable Housing	Non-Traditional Housing (excluding PBVs) Housing with No Subsidies Non-PHA Housing Developments Home Ownership Pertinent Property Acquisition	Use (most activities have short- and longer-term expenses)	77
	Landlord Participation	Landlord Recruitment and Retention Landlord Incentives and Payments Landlord Outreach	Use (most activities have short- and longer-term expenses)	23
	Targeted Populations	Housing for Targeted Households (for example, domestic abuse victims) Services for Targeted Households Supportive Housing and Sponsor-Based Vouchers	Use (most activities have short- and longer-term expenses)	77

MTW = Moving to Work. PBV = Project-Based Voucher. PHA = public housing agency.
Source: MTW funding flexibility accounts prepared by Urban Institute based on data collected from review of MTW 2015 annual reports, sections IV and V.

Most funding flexibility activities that pursued cost-effectiveness involved streamlining procedures, and nearly all required waivers from federal regulations. There is a marked similarity in agencies' approaches to streamlining, with many agencies making the same changes in the frequency and provisions of certifications and inspections. Examples of commonly made changes include revisions to the Housing Quality Standards (HQS) certification process, in cases of minor deficiencies, to allow landlords to self-certify that they have made required corrections, thereby reducing the number of housing inspections performed by agency staff and expanding the time between household recertifications, especially for elderly and disabled households. Other process changes agencies made include combining waitlists across public housing and HCV programs, simplifying or eliminating utility allowance policies, merging public housing and HCV program administration, and upgrading information technology systems. Streamlining activities reduced the costs of the procedures, as documented by agencies in their annual reports, thereby freeing resources for other uses. Exhibit 3 includes agency-specific examples of cost-effectiveness activities.

Exhibit 3

Examples of Cost-Effectiveness Activities

After joining Moving to Work (MTW) in 2013, the Fairfax County Redevelopment and Housing Authority streamlined its household recertification process by reducing the frequency of reexaminations from once a year to every 2 years for work-able families and to every 3 years for non-working families. The agency also streamlined its processes for inspecting housing units rented by housing choice voucher (HCV) households. Consistent with the experience of other agencies, both activities achieved cost savings.

Lawrence-Douglas County Housing Authority was one of the first MTW agencies to combine its public housing and HCV programs into a single entity, called General Housing. This action created one waitlist for both types of housing assistance and a single organizational structure for program operations. The agency has reported cost savings from this change for nearly 20 years.

In contrast to the similarity of activities intended to improve cost-effectiveness, the activities designed to improve self-sufficiency are diverse. Some agencies have sought to motivate self-sufficiency through changing rent policies in ways that increase tenants' payments, establishing work requirements, setting time limits for assistance, and offering services to residents.[9] Even among agencies pursuing similar activities, such as changing rent calculations or establishing work requirements, details of the approaches vary widely. Exhibit 4 includes examples of agencies' activities to encourage increased work effort using rent policy and service-provision activities.

Exhibit 4

Examples of Self-Sufficiency Activities

Lincoln Housing Authority includes a minimum earned income amount for work-able adults when calculating income to determine a household's rent contribution—whether or not a family member is working. Based on 25 hours of work per week at the minimum wage, the amount serves as a de facto work requirement. The agency has reported substantial additional revenue from the policy, reducing the net subsidy cost of housing assistance and freeing resources for other uses.

Home Forward, the agency in Portland, Oregon, is part of the Action for Prosperity partnership, which includes Worksystems, Inc., the Multnomah County Anti-Poverty system, and the State Department of Human Services. Each partner delivers the core services in which it specializes. Home Forward households receive employment and training assistance, childcare, and other services through this arrangement. The agency provides financial support for Action for Prosperity with funding shifted from the housing choice voucher funding stream.

Activities that agencies pursue to increase housing choice also vary. Some agencies, including those in Pittsburgh, Baltimore, and Minneapolis, have prioritized improvements to existing public housing properties using funds shifted from the HCV and public housing operating funding streams for capital improvements. For example, Baltimore used funding flexibility to shift resources from the HCV funding stream to help cover the costs of rehabilitating units. Other agencies used funding flexibility to leverage financing for the development of new housing units. For example,

[9] A requirement for agencies participating in MTW is developing a "reasonable rent policy" that "encourages employment and self-sufficiency by participating families" (Public Law 104-134, 110 Stat 1321). The requirement is noteworthy in part because agencies report in their 2015 annual report that these activities free money that can be used for other purposes.

Lawrence-Douglas matched MTW funds with the city's affordable housing trust funds to build eight units of American Disabilities Act (ADA)-compliant housing in 2007. King County also shifted funds from its HCV funding stream to purchase older buildings for redevelopment in opportunity areas. Based on interviews with the sample of agencies, those located in areas with strong housing markets marked by rapidly rising housing costs, such as Cambridge, Portland, and King County, have prioritized alternative housing arrangements. The alternatives vary across agencies, reflecting local real estate opportunities (such as acquiring newly available properties) and partnering opportunities (such as working with community-based organizations to provide housing and intensive services for target populations). Agencies noted that partnerships allowed them to increase the number of households served and increase households' access to needed services.

While the approaches to increasing housing choice are diverse, staff from all eight agencies emphasized the importance of funding flexibility to preserve and develop affordable housing. For some agencies, this meant shifting funding to increase the capital available for rehabilitating aging housing stock, which they said they would not have been able to do without funding flexibility unless other funding sources became available. Exhibit 5 includes examples of agencies' efforts to increase affordable housing options and to address homelessness.

Exhibit 5

Examples of Housing Choice Activities

Housing Authority of the City of Pittsburgh shifted millions of dollars from its Housing Choice Voucher and public housing programs in 2015 to support two scattered-site housing development deals—at Northview Mid-Rise and Larimer—and to fund various public housing modernization projects.

King County Housing Authority partnered with the Highline school district to pilot a rapid re-housing approach for addressing the growing number of homeless students in the county's public schools. Through 2015, the program provided short-term rental assistance to re-house 44 homeless families with 108 children and included wrap-around services.

The way activities engage funding flexibility differs across the three objectives in terms of whether they free or use funding, as shown in exhibit 2. All activities addressing cost-effectiveness, and some activities pursuing self-sufficiency, make resources available, while many self-sufficiency and housing choice activities use some of these resources. Exhibit 6 visually depicts the relationship between funding flexibility activities and shifts in resources. Most direct shifts of funds involve moving money from the HCV funding stream and using it for other purposes. This is indicated by the dark shading of the cell in the second column (Direct Fund Shifts) and the row for Existing Vouchers. Less often, agencies make direct shifts of funds from the public housing operations funding stream, which is indicated by the light shading. Indirect shifts of funds made available by changes in agency policies and practices that lead to cost savings or additional revenues, or that come from leveraged resources, are shown in the next three columns. Most cost savings come from cost-effectiveness activities that change certification and other processes and change rent calculations. Additional revenues mostly come from rent calculations and occupancy terms and requirements, with less coming from existing properties. Leveraging reflects the resources agencies accessed from external sources for services and housing choice activities. The last column depicts activities that use resources that were shifted, or potentially shifted, from one funding stream to serve a purpose outside of that funding stream or within the same funding stream at a later time.

Exhibit 6

Sources and Uses of Funds Directly and Indirectly Shifted by Type of Activity, Fiscal Year 2015

Objective/Activity Category	Relative Use of Activities with these Features				
	Activities that Freed Resources				Activities that Used Resources
	Direct Fund Shifts	Cost Savings	Additional Revenues	Leveraging	
Cost-Effectiveness					
Housing Certifications & Housing Inspections Processes					
Other Procedures					
Self-Sufficiency					
Rent Calculation					
Additional Services					
Requirements & Limits					
Housing Choice					
Existing Properties (Affordable Housing, Development & Renovation)					
Existing Vouchers (Landlord Participation, Affordable Housing)					
Alternative Housing Options (Project-Based Vouchers, Targeted Populations)					

Notes: Dark shaded cells indicate relatively more engagement of activities that directly or indirectly shift resources or that used shifted resources. Light shaded cells indicate relatively less engagement. Activity categories in parentheses under Housing Choice match the categories with those shown in exhibit 4.

Sources: Moving to Work funding flexibility accounts prepared by Urban Institute based on data collected from review of the 39 Moving to Work agencies' 2015 annual reports, sections IV and V

The activities intended to advance household self-sufficiency both freed and used resources. Activities such as rent reform initiatives freed resources, most often by increasing tenants' rent contributions. Activities used resources most often for services to help tenants prepare for, obtain, and retain employment.

Most of the activities intended to increase housing choice used resources. Public housing renovations and the acquisition and development of affordable housing used substantial amounts of freed resources, sometimes over the course of several years. A few activities in this category also freed resources: Activities that used funding flexibility to pay down debt on housing investments or to improve the terms of debt freed funding that otherwise would have gone toward debt service.

Leveraging Activities

For purposes of this study, "leveraging" refers to an agency's use of funding flexibility to increase access to external funding and other resources for programs and activities. In the more traditional use of the term, agencies have used funding flexibility to improve their position when seeking capital to finance large projects. Agencies also have used funding flexibility to secure grants or enter cost-sharing arrangements with foundations, nonprofit organizations, and other public agencies.

According to MTW agency staff, funding flexibility increases their ability to access resources because they can more easily bring money to the table compared with traditional housing agencies that operate without funding flexibility. Staff from agencies using the flexibility to access funding said they have been able to negotiate better financing deals for capital projects that might not have been possible otherwise because they can provide their own gap financing for a construction or renovation project, which makes them more attractive to equity financers. They also said they can access funding more easily from foundations that require matched contributions toward the funding of resident services because of their ability to shift funds.

Among the 39 MTW agencies, 26 reported that funding flexibility helped them access external funds during 2015. We gathered detailed information on leveraging from the sample of agencies. Resources came from several sources—financial institutions, private companies, other public agencies, and nonprofit organizations—and the funds obtained were used for a variety of purposes. Loans from private lenders tended to be used for renovating or building public housing units, project-based voucher (PBV) conversions, and other affordable housing projects. For example, Baltimore shifted $7.6 million into a capital project, which helped secure $15.6 million from other sources, including a private loan, Low-Income Housing Tax Credit (LIHTC) program funding, and deferred development fees, for a total of $23.2 million for the redevelopment of the O'Donnell Heights public housing development. Minneapolis supported its rent-to-own initiative with funds leveraged from nonprofit and public sources, including an American Recovery and Reinvestment Act (ARRA) grant. The agency shifted funds as part of an initiative involving the purchase of a 20-unit development. Staff believed the ability to shift funds was one factor in the agency's receipt of the ARRA grant, though the role played by the funding shifts is difficult to pin down. The additional funding supported the redevelopment of housing units for families.

Agency staff also said they used funding flexibility to shift resources to meet foundation and public agency matching requirements, thereby increasing access to grants and services and to provide base funding for initiatives on which other funding can be built. Lawrence-Douglas County, for example, shifted $111,518 from HCV funds to increase funding for resident services. This shift to services helped secure an additional $7,230 in grants for services from philanthropies, including the Blue Cross Blue Shield Foundation.

Agencies documented in their annual reports and confirmed during interviews that they had increased access to external funding, at least in part because of funding flexibility. We do not know the exact contribution funding flexibility makes for leveraging efforts, however. Leveraging is different from other agency efforts to use funding flexibility. When an MTW agency reports achieving cost savings or additional revenue, its estimate of the dollar amount is a reasonable approximation of the net value attributable to its MTW status. For example, a cost saving is generally measured as the cost of a program or administrative function in the reporting year compared with the cost in the baseline year. When an agency reports leveraging, it reports the gross dollar amount of resources secured in the reporting year; no net value estimate can be made because there is no baseline value to subtract.

Shift in Funds

Previous sections of this article have focused on shifts in funds documented in agencies' 2015 annual reports. To gather detailed information to quantify direct and indirect shifts in funds across the statutory funding streams, we reviewed data from their annual reports and interviews with staff from eight MTW agencies. Each agency provided additional detail on their use of funding flexibility and updated data on the amounts shifted. Although the resulting estimates of shifts in funds cannot be generalized to all 39 MTW agencies, these estimates offer insights regarding funding shifts.

Most of the shifts among the eight agencies moved funds from the HCV revenue stream for activities covered by the public housing operations and capital improvements funding streams for which additional funding was needed. Three agencies also shifted funds from the public housing operations stream to help fund capital projects.

Funding Shifts by Eight Agencies

The eight sampled agencies shifted roughly $81 million in 2015, as shown in exhibit 7. Baltimore, the agency in our sample with the largest budget and most households served, shifted the largest amount, $39.2 million, and Lawrence-Douglas County, with the smallest budget and fewest households served, shifted the smallest amount, $714,000. Expressed as a percent of its overall revenue, including HUD funding and income from rents, Pittsburgh shifted 17 percent, the highest percentage shift among these agencies.

Agencies receive more funding for their HCV program than for the other two funding streams, and the voucher program is the source for most of the funds shifted. Agencies shifted approximately $62 million from this stream in 2015. Two agencies, Baltimore and Pittsburgh, account for most of this shift, having moved approximately $22 million and $18 million, respectively. The amount of funds shifted from the HCV funding stream makes up between 5 and 37 percent of the agencies' HCV budgets for the year. Pittsburgh shifted the highest percentage of its HCV funding.

None of the agencies shifted funds from their public housing capital funding stream. Three agencies shifted a total of about $19 million from the public housing operating stream. Baltimore shifted nearly $18 million of this amount. Pittsburgh shifted $1.4 million, and Lawrence-Douglas County shifted $19,000. The other five agencies all freed some public housing operating resources through cost savings and new revenues, but they used those resources on public housing, so no shifts resulted.

The largest share of shifted funds, roughly $58 million across seven of the eight agencies, was used for capital projects. As presented in the detailed shifts by agencies displayed below, these funds supported improvements made to public housing properties and modifications to newly acquired properties to provide local, non-traditional affordable housing. Four agencies shifted close to $12 million into public housing operations to support the public housing budget generally (that is, to fill gaps) or to pay for specific items, such as housing security systems. Six agencies shifted about $7 million for local initiatives, most of which involved resident services and local, non-traditional housing assistance, and two agencies shifted a total of less than $4 million for HCV administrative purposes.[10] Where agencies discussed the use of reserve funds, we include details in the description of their funding flexibility activities.

Not all potential shifts identified in agencies' information on activities that freed resources or used freed funds happened, even if the activity itself occurred. That is, an agency's accounting indicated that an activity was funded with resources available within the pertinent budget category, rather than with funds freed from another budget category using funding flexibility, or did not need the amount of funding expected. For example, some changes in resident services or administrative procedures identified as requiring additional resources were funded with resources available within the respective funding streams. According to agency staff, some of the activities involving project-based voucher conversions did not require the level of capital improvements agencies anticipated based on past conversions, so the costs were lower. Similarly, some activities that agencies undertook with partners appeared at first to need funds shifted directly or indirectly from the public housing operations revenue stream, such as the provision of housing assistance with services through project-based or sponsor-based developments. When the deal was finalized, however, the services turned out to be covered entirely by partner organizations.

[10] Additional spending on HCV administration technically is not a shift in funds—spending more money on administration and less on subsidy does not move money from the HCV funding stream. Staff from the two agencies, Baltimore and Minneapolis, however, identified their shifts in this way. In some cases, the additional administrative expense is associated with other shifts in which the agency engaged. For example, Baltimore incurred additional costs in connection with the Rental Assistance Demonstration, which involved significant capital improvements supported with funding shifts.

Exhibit 7

Funding Shifts at Eight Moving to Work Agencies, Fiscal Year 2015

Funding Categories	Sample of Eight MTW Agencies								Total
	Housing Authority of Baltimore City	Cambridge Housing Authority	King County Housing Authority	Lawrence-Douglas County Housing Authority	Lexington-Fayette Urban County Housing Authority	Minneapolis Public Housing Authority	Housing Authority of the City of Pittsburgh	Home Forward (Portland)	
2015 HUD Funding:[a]									
Public Housing Operating Fund	$85,156,754	$13,314,663	$7,141,415	$736,594	$3,866,086	$19,497,294	$45,096,283	$12,495,874	$187,304,963
Public Housing Capital Fund	$18,091,497	$2,228,415	$6,900,870	$415,931	$1,765,495	$10,916,192	$17,804,045	$4,434,494	$62,556,939
Housing Choice Vouchers Funding	$203,682,985	$44,943,879	$105,009,772	$5,412,378	$14,213,504	$44,840,800	$48,509,366	$66,329,260	$532,941,944
Total from Statutory Funding Streams	$306,931,236	$60,486,957	$119,052,057	$6,564,903	$19,845,085	$75,254,286	$111,409,694	$83,259,628	$782,803,846
Shifted from:[b]									
HCV Subsidy (includes administrative fee)	$21,596,271	$3,297,758	$8,743,403	$694,645	$744,000	$6,065,463	$17,910,174	$2,535,006	$61,586,720
PH Capital									
PH Operating	$17,600,000			$19,350			$1,422,291		$19,041,641
Total Funds Shifted	$39,196,271	$3,297,758	$8,743,403	$713,995	$744,000	$6,065,463	$19,332,465	$2,535,006	$80,628,361
Total Funds Shifted as Percent of Total Funds	13%	5%	7%	11%	4%	8%	17%	3%	
HCV Funds Shifted as Percent of HCV Funds	11%	7%	8%	13%	5%	14%	37%	4%	
Shifted to:[b]									
HCV Administration	$2,213,745					$1,309,039			$3,522,784
PH Capital	$34,768,781	$2,418,230	$4,893,495	$599,707	$744,000	$3,786,199	$11,170,477		$58,380,889
PH Operating	$2,213,745		$2,599,306			$925,853	$6,214,730		$11,953,634
MTW Local Initiatives		$879,528	$1,250,602	$114,288		$44,372	$1,947,258	$2,535,006	$6,771,054
Total Funds Received	$39,196,271	$3,297,758	$8,743,403	$713,995	$744,000	$6,065,463	$19,332,465	$2,535,006	$80,628,361

HCV = Housing Choice Voucher. MTW = Moving to Work. PH = public housing.

[a]Funding data comes from information agencies reported in the 2015 annual report, HUD Form 50900, item_70000 (14.OPS, 14.CFP, and 14.HCV).

[b]Data on the value and source of funds shifted comes from HUD Form 50900 and from detailed information provided by each agency. We were unable to schedule a follow-up discussion of funding flexibility details with Lexington, so we have less information for that agency.

Source: Financial data supplied by the sample of eight MTW housing agencies

Funding Shifts by Individual Agencies in 2015

A more detailed look at the experiences of the eight agencies shows how resources are shifted, directly and indirectly, and used in local, high-priority initiatives. All shifts and uses of funds presented here occurred in 2015. The funding that was shifted could have accumulated in reserve over multiple years, though it was shifted in the agencies' accounting in 2015. The activities could extend over multiple years, though the expenditures included here were for 2015. The 39 accounts with information on specific activities will be on HUDUser.gov, accessible through the website for the MTW retrospective evaluation.

Housing Authority of Baltimore City. Baltimore shifted nearly $40 million from its HCV and public housing operating streams—about 13 percent of its overall funding—into capital expenditures and other initiatives. Nearly all of this total constitutes direct shifts (for additional details, see HABC Funding Flexibility Account Activities A, B, C, and D in appendix B of the research report), and the majority of the shifted funds were devoted to capital improvements at eight developments. The redevelopment of O'Donnell Heights, a public housing development built in 1942, was the largest of these projects. The remainder of the shifted funds were spent on an administrative change related to the agency's participation in the Rental Assistance Demonstration.[11]

Cambridge Housing Authority (CHA). Cambridge spent $34 million of its $37.3 million HCV funding in 2015 for HCV subsidies and administration, leaving $3.3 million for other uses. Despite spending less than its full allotment, the agency spent more of the funding for HCV subsidies and administration and provided voucher assistance to more households in 2015 than it did in the previous year. The shifted funds were used for housing development and rehabilitation activities, support of public housing operations, and local MTW initiatives. Most of the development and rehabilitation in 2015 involved conversions to PBVs (see CHA Funding Flexibility Account, activity A, in appendix B). About two-thirds of the local initiatives involved resident services (see CHA Funding Flexibility Account, activities 1 and 4, in appendix B), and the remainder paid for Cambridge's Policy + Technology Lab and other endeavors.

King County Housing Authority (KCHA). King County shifted $8.7 million from its HCV budget and, like Cambridge, still provided more households with voucher assistance than it did the previous year. Much of the subsidy fund movement in this and previous years was made possible by the rent payment standards changes it made more than a decade ago (KCHA Funding Flexibility Account, activity 15, appendix B). Also, the agency's actual administrative costs were lower than the embedded fees, in part due to several cost-saving measures (see, for example, KCHA Funding Flexibility Account, activity 10, appendix B) making HCV administrative funds available. King County also shifted money from its operating reserves, which accumulated based on shifts from HCV in previous years. The public housing operating budget in 2015 faced a deficit, so the agency moved funds previously reserved to fill the gap. The agency elected to use funding previously shifted from the HCV program to reserves in lieu of capital funds for some of its public housing capital improvement work. The capital fund has a longer spending horizon than MTW

[11] This refers to an expenditure on the agency's Voluntary Retirement Program (VRP), required for staff realignment due to the agency's participation in the demonstration. In exhibit 13, the expenditure has been divided between HCV administration and public housing (PH) operation.

funds and is not subject to possible recapture. This allowed KCHA to retain capital funds for spending on projects extending beyond 2015. King County's activities using funding flexibility included local, non-traditional rental subsidy programs, support of public housing community facilities, and facilitation of a loan for construction of a public housing senior building.

Lawrence-Douglas County Housing Authority. Lawrence shifted about $655,000 from its operating reserves, which accumulated from direct shifts from the HCV revenue stream and resources freed through administrative costs savings from the HCV and public housing programs in 2015 and previous years (see Lawrence-Douglas County Funding Flexibility Account, activities 1, 2, 4, 6, 13, and 14, appendix B). Most of these funds were shifted into capital improvements in Clinton Place (a development for the elderly) and the purchase of a property for affordable housing. The funds shifted to local initiatives were spent on resident services (staff working on the Resident Opportunity and Self-Sufficiency [ROSS] and Family Self-Sufficiency [FSS] programs and for the youth program operated jointly with Douglas County Housing Incorporated) and assistance (for vehicle repairs and GED fees).

Lexington-Fayette Urban County Housing Authority. Lexington shifted funds from its HCV allotment to partially repay a subordinated loan for development costs of Centre Meadows. This development was rehabilitated as part of the Rental Assistance Demonstration. Centre Meadows provides project-based vouchers to more than 200 households.

Minneapolis Public Housing Authority (MPHA). Minneapolis moved $6 million from its HCV budget, with much of the shift enabled by other, previous activities, such as the agency's rent reform initiative, which produced cost savings (see MPHA Funding Flexibility Account, activities 1 and 10, appendix B). The funds shifted into HCV administration supported the HCV mobility program (Funding Flexibility Account activity 9, encouraging families to move to areas of opportunity), creation of an interactive HQS enforcement reporting system, a supportive housing initiative for youth, and a shelter-to-housing initiative for the homeless. The HCV funds moved to support capital improvements were spent on the rehabilitation of public housing units. The funds shifted into public housing operations were mostly spent on security systems (staff and equipment) in public housing properties. The funds spent on resident services were used chiefly for counseling and job training.

Housing Authority of the City of Pittsburgh (HACP). Pittsburgh shifted $17.9 million from HCV and $1.4 million from public housing operating funds. A large share of these funds was shifted to the capital fund to support development deals at Northview Mid-Rise and Larimer developments ($8,080,784) and various modernization projects ($3,089,693). Funds were shifted into public housing operating funds to support an energy performance contract, extraordinary expenses, and administrative costs ($3,038,882), and to pay for protective services ($3,175,848). Finally, $1,947,258 was shifted for local non-traditional activities to support resident services.

Home Forward (Portland). Home Forward shifted $2.5 million from HCV for several local initiatives. Approximately one-half of the shifted funds were used for the agency's local blended subsidy initiative (see Portland Fund Flexibility Account, activities K and 3, appendix B). The blended subsidy used HCV and public housing operating funds to subsidize rent for households at or below 80 percent of area median income to increase the number of public housing units. It used nearly $729,000 for three short-term rental assistance programs, including the "I Have a Dream" program, which provides individualized social, emotional, and academic support to young people from low-income communities.[12] The agency also used about $59,000 of shifted funds for the Veterans Affairs Supportive Housing deposit program (see Portland Funding Flexibility Account, activity G, appendix B), $46,000 for the landlord retention program (see Portland Funding Flexibility Account, activity 7, appendix B), and $268,000 for the rent assistance component of the Action for Prosperity program (see Portland Funding Flexibility Account, activity B, appendix B). It used $32,000 for the Fast Track and Aging in Place programs (see Portland Funding Flexibility Account, activity D, appendix B), more than $52,000 for resident services in the Aging in Place and Neighbor to Neighbor programs (see Portland Funding Flexibility Account, activities D and F, appendix B), $19,000 for the Families Forward program (see Portland Funding Flexibility Account Locally defined goals, activity C, appendix B), and $39,000 on the Family Unification program.

Factors Motivating the Use of Funding Flexibility

We identified three key factors that affect agencies' use of funding flexibility from the analysis of activities and interviews with staff from the sample of agencies: (1) reduced appropriation funding by Congress for housing authorities; (2) local market and community conditions; and (3) HUD statutory and other requirements. Staff identified funding reductions as a key driver of their funding flexibility use. Specifically, staff talked about shifting funds from the HCV revenue stream to cover costs associated with public housing capital improvements, maintenance, and security measures that became increasingly challenging to cover. For example, the Minneapolis agency faced a $2 million a year funding gap for security services in its public housing developments. The agency had covered security costs with funding received through a City of Minneapolis property tax levy, which was eliminated in 2010. It now uses funding initially received in the HCV revenue stream to supplement funds from the public housing operations funding stream.

The strength of local housing markets also strongly influenced the activities agencies undertook with funding flexibility. Staff from five agencies said strong housing markets, with increasing housing costs and lack of a sufficient quantity of affordable housing units, motivated their use of funding flexibility. Agencies made direct and indirect shifts of funds for efforts to preserve existing public housing units and develop new affordable housing. For example, the CHA moved funds to support initial rents during the first phase of a conversion of public housing under HUD's Rental Assistance Demonstration, thereby satisfying financial requirements and allowing the agency to secure larger loans. In its 2015 report, the agency reported using $2.4 million in funds for initial rents, which supported over $45 million in additional debt. As of the spring of 2018, the agency had leveraged $400 million to preserve 1,200 existing public housing units and develop 325 new housing units. Agencies also have used funding flexibility to support RAD conversions of public housing to PBV properties to ensure the ongoing existence of hard units in decent repair.

Local labor market conditions influenced the Lawrence-Douglas County agency's decision to implement a work requirement. Staff said that having a strong work requirement was possible

[12] https://www.ihaveadreamfoundation.org/

because jobs were available for which residents could successfully apply. The agency uses funding flexibility to provide enhanced self-sufficiency related services in support of residents' employment efforts.

All eight agencies talked about the need to respond to housing insecurity among specific populations as motivating their use of funding flexibility. Agencies worked with partners to offer housing through project-based vouchers or non-traditional affordable housing strategies, such as sponsor-based voucher housing, for people who are homeless, survivors of domestic violence, or young adults exiting the foster care system. Funds were shifted, directly or indirectly, in pursuit of the strategies. For example, King County shifted money directly into local, non-traditional rental subsidy programs; Portland shifted funds directly into its Action for Prosperity program (providing rent assistance and project-based vouchers packaged with extensive services) and indirectly into its local blended-subsidy programs. Organizations partnering with the agencies to offer targeted housing also offered services to households to increase their housing stability and overall well-being. For example, Portland partnered with Worksystems, Inc. and the Multnomah County Anti-Poverty system in implementing Action for Prosperity, leveraging its investment in housing assistance (using shifted funds) to bring intensive self-sufficiency services to those receiving assistance.

Statutes and regulations combined with budget cuts limit agencies' use of funding flexibility. Agency staff especially noted constraints stemming from the statutory requirement to assist substantially the same number of low-income households and maintain a similar household mix as they served before entering their MTW agreement. Meeting this maintenance of effort requirement with reduced revenues limited, according to staff, their ability to use funding flexibility for other purposes.

Discussion

This study examines how Moving to Work (MTW) agencies use the flexibility to shift funds across the statutorily separate funding streams. Using information drawn from agencies' 2015 annual reports and 2016 annual plans and other sources, we identified all activities that involved a direct shift in funds across funding streams, and those that involved actual or potential indirect shifts, by accruing funds from cost savings or resource leveraging. As we have defined the term, all indirect shifts rely on the combination of funding flexibility and regulatory waivers.

All 39 MTW agencies have used funding flexibility to undertake a variety of activities. More activities focused on increasing housing choice than on agencies' cost-effectiveness or residents' self-sufficiency.

The 39 agencies made use of funding flexibility with waivers, and the majority pursued activities with funding flexibility alone. All 39 pursued activities related to cost-effectiveness, and about one-third of the documented activities focus on this objective. These activities typically involve funding flexibility with waivers. Examples include expanding the number of years between household recertifications and reducing the frequency of housing inspections for landlords with a history of strong inspections. Streamlining recertification and inspection processes reduced the associated administrative costs, which freed resources for flexible use.

About one-third of the documented activities focused on increasing households' self-sufficiency, and all 39 agencies used funding flexibility to pursue this objective. Agencies used accrued cost savings from changes made to rent calculations and other policy changes, and they leveraged resources for resident services associated with improving self-sufficiency. About two-fifths of the documented activities focused on increasing residents' housing choice, and all 39 agencies used funding flexibility to pursue this objective. Agencies shifted resources directly, leveraged new resources, and potentially used funds accrued from cost savings to improve existing properties, create new housing options, or increase housing choice in other ways.

Agencies have used funding flexibility to improve their access to financing with favorable terms and to meet matching requirements of funders or partners.

Based on the information from agencies' reports to HUD, 26 agencies leveraged funds in 2015. In general, agencies shifted funds from the public housing operations or the HCV program streams to close project financing deals with larger loans and better terms than they otherwise would receive. They used funds leveraged from private lenders to renovate or build public housing units, convert properties to project-based voucher units, or pursue other affordable housing activities. Agencies shifted funds to meet a funder's matching requirement or to provide base funding for initiatives to attract other funders. They used funds leveraged from private companies and public and nonprofit organizations to support tenant services.

Analysis of direct and indirect shifts of funds completed for eight agencies showed that most funding was shifted out of the HCV program and shifted into capital projects, with smaller amounts going to public housing operations, to support local initiatives, and for HCV administrative purposes.

The analysis of verifiable shifts of funds in 2015, direct and indirect for the sample of eight agencies, found that the agencies shifted about $81 million, most of which, $58 million, was used for capital projects. Of the remaining amount, $12 million was used for public housing operations, $7 million was used to support local initiatives such as resident services and non-traditional housing assistance, and about $4 million was used for HCV administrative purposes.

Most of the shifted funds, $62 million, came from the HCV program funding stream; all eight agencies tapped that stream. Three agencies shifted a total of approximately $19 million from the public housing operations stream, while none of the agencies shifted funds from the capital improvement stream.

Funding flexibility is credited with enabling agencies to act more quickly than otherwise would be possible, to undertake a greater range of activities, and to work toward longer-term outcomes.

Agency staff expressed the importance of funding flexibility for improving their ability to take actions related to local goals and statutory objectives within a context of reduced funding. They reported being better able to preserve and develop affordable housing and to develop partnerships with nonprofit and for-profit entities around activities related to self-sufficiency and housing choice. Agencies said that funding flexibility made some activities easier to accomplish or allowed them to pursue activities more quickly than they could have done otherwise, though they could have undertaken the activities without the flexibility. For other activities, especially efforts to make housing improvements, agencies identified funding flexibility as critical. Staff from several agencies summed up the overall effect of funding flexibility as enabling them to become more entrepreneurial—to act more strategically and with longer-term outcomes in mind.

Limitations

This study's primary limitation concerns the completeness and accuracy of data available from MTW agencies' 2015 annual reports. Two sections of these reports, sections IV and V, were the primary data sources used to create the 39 activity accounts. Review of reports, especially section V of Form 50900 that describes funding-flexibility-only activities, found variation across agencies in the completeness and consistency of information. In some cases, the list of flexibility-only activities is incomplete, partly because the pertinent reporting requirements are not as demanding as those for activities described in section IV of the reports[13] and because of the difficulty some agencies have in identifying such activities. Some agencies do not maintain an accounting of direct shifts. Even for agencies that do track these shifts, tracking funding first shifted to operating reserves and used later to fund multiple activities is challenging.

To address this data limitation, we used other data sources to assess the quality of annual report data and to complete data for analyses where possible. Sources include agencies' 2016 annual plans, FDS data, and discussions with staff from eight MTW agencies. A comparison of the qualitative data collected from the sample of agencies with the data and information from the same agencies' annual reports confirmed that the report data were incomplete and, in some instances, inaccurate. The data inconsistencies, though relatively small, raise questions about the completeness and accuracy of information drawn from the reports of the other 31 agencies, but we were not able to gather data from the other agencies in a similar way.

For the analysis of funding shifts, we conducted detailed analysis only for the eight agencies in our sample because agency staff corrected information we drew from their respective annual reports and filled in gaps. For the other 31 agencies, we looked at any funding they reported as having been used for funding flexibility activities in their 2015 Annual MTW report, including accumulated reserve funds, which represent potential funding shifts.

Conclusion

This study is the first to examine in detail MTW funding flexibility, the ability of MTW agencies to shift funds across the traditional funding streams of public housing operations, capital improvements, and HCV programs and from the streams to local, non-traditional activities. We expand the definition of funding flexibility to include activities conducted with waivers that lead

[13] Guidance provided to agencies for completing section V of Form 50900 is sparse, stating that agencies are to "provide a thorough narrative of each activity that uses Single Fund Flexibility in the body of the Plan … [and they] are encouraged to provide metrics to track the outcomes of these programs or activities." Agencies have not completed this section of the form uniformly. Guidance is more detailed for completing section IV of the form, which includes benchmarks, outcomes to be tracked, and other details.

to cost savings and additional revenue, thereby increasing funds available for use toward other activities. Including these indirect shifts as well as direct shifts from one traditional funding stream to another allowed us to better capture MTW agencies' use of funding flexibility to meet statutory objectives.

Agencies have used the flexibility broadly, pursuing activities related to each of the three statutory objectives. They have paid particular attention to increasing housing choice, though they have also sought to improve agencies' cost-effectiveness and residents' self-sufficiency. Though we cannot generalize from the sample of eight agencies, those agencies shifted most funding from the HCV program to support capital projects. A majority of the agencies have been able to improve their access to financing and other funder support by using funds from the traditional streams to close short-term project gaps, provide base funding for activities, or otherwise shore up their position, making them an attractive investment.

The sample of agencies credit funding flexibility for improving their ability to take locally appropriate actions to meet MTW objectives, especially within the context of reduced funding. Staff say that with funding flexibility, they can work more quickly to make decisions on the use of funding and are better able to plan and implement activities geared toward longer-term outcomes. The number and range of activities the agencies pursue, and the benefits attributed to funding flexibility, suggest it is an important tool for agencies' pursuit of policy and programmatic goals.

Appendix A: Activities Using Funding Flexibility by Objective, Fiscal Year 2015

MTW Agency	Year Executed MTW Agreement	Total Number of Funding Flexibility Activities[a]	Number of Activities by Objective		
			Cost-Effectiveness	Self-Sufficiency	Housing Choice
Cambridge Housing Authority	1999	13	1	4	8
Delaware State Housing Authority	1999	10	2	7	1
Keene Housing	1999	20	6	8	6
Lawrence-Douglas County Housing Authority	1999	25	6	13	6
Lincoln Housing Authority	1999	12	5	4	3
Louisville Metropolitan Housing Authority	1999	18	3	8	7
Massachusetts Department of Housing and Community Development	1999	15	8	3	4
Minneapolis Public Housing Authority	1998	10	4	2	4
Portage Metropolitan Housing Authority	1999	13	3	7	3
Home Forward (Portland)	1999	22	6	8	8
San Antonio Housing Authority	1999	18	5	7	6
Housing Authority of the County of San Mateo	2000	31	11	3	17
Seattle Housing Authority	1998	13	4	1	8
Tulare County Housing Authority	1999	5	2	2	1
Vancouver Housing Authority	1999	23	7	7	9
Atlanta Housing Authority	2003	25	5	6	14
Chicago Housing Authority	2000	36	2	21	13
District of Columbia Housing Authority	2003	21	8	4	9
King County Housing Authority	2003	29	8	3	18
Housing Authority of the City of New Haven	2001	16	6	1	9
Oakland Housing Authority	2004	19	6	2	11

MTW Agency	Year Executed MTW Agreement	Total Number of Funding Flexibility Activities[a]	Number of Activities by Objective		
			Cost-Effectiveness	Self-Sufficiency	Housing Choice
Philadelphia Housing Authority	2002	12	4	1	7
Housing Authority of the City of Pittsburgh	2000	14	1	3	10
Alaska Housing Finance Corporation	2008	19	6	3	10
Housing Authority of Baltimore City	2008	15	4	3	8
Boulder Housing Partners	2011	15	5	6	4
Housing Authority of Champaign County	2010	9	2	2	5
Charlotte Housing Authority	2007	14	4	5	5
Housing Authority of Columbus, GA	2013	7	4	1	2
Fairfax County Redevelopment and Housing Authority	2013	10	4	2	4
Holyoke Housing Authority	2013	8	5	2	1
Lexington-Fayette Urban County Housing Authority	2011	11	3	5	3
Orlando Housing Authority	2011	14	4	4	6
Housing Authority of the City of Reno	2013	12	4	4	4
Housing Authority of the County of San Bernardino	2008	23	4	11	8
San Diego Housing Commission	2009	25	11	6	8
Housing Authority of the County of Santa Clara and the City of San Jose	2008	24	12	3	9
Tacoma Housing Authority	2010	21	7	6	8
Total / Percent		**647**	192 (30%)	188 (29%)	267 (41%)

MTW = Moving to Work.

[a] The count of activities includes only those we identified as using funding flexibility, whether funded by direct or indirect shifts and undertaken with or without waivers.

Source: MTW funding flexibility accounts prepared by Urban Institute based on data collected from review of MTW 2015 annual reports, sections IV and V

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