The successful implementation and expansion of the Compass FSS model at PHA would leverage substantial federal dollars. At a time when local and state governments are struggling with significant budget deficits, FSS provides a significant and often untapped stream of funding to support a promising employment and asset-building program for PHA residents. Most importantly, federal rules do not impose limitations on the expansion of FSS. Specifically, HUD does not restrict the number of families that can participate in FSS or the accumulation of escrow funds. The FSS statute authorizes housing authorities to maintain and operate FSS programs, and no legislative or administrative change beyond HUD’s pro-forma approval of a revised FSS Action Plan is required in order for housing authorities to expand their programs. Moreover, HUD funds the FSS escrow accounts, regardless of program size. As Reid Cramer at the New America Foundation suggests, “...HUD’s commitment to fund the escrow accounts creates a virtually unlimited stream of resources to support this savings incentive.”

The successful implementation and expansion of the Compass FSS model at PHA would help attract and leverage investment from the philanthropic community. While HUD funds the FSS escrow accounts, it provides limited funding for FSS coordinators and no additional funding for program development or evaluation related costs. This funding structure is consistent with the original legislation, which was designed to leverage local and state resources. Dedicated funding for program development and expanded funding for coordinators— and not for escrow accounts— are the primary barriers to expanding FSS. Because family self-sufficiency is a core social issue, philanthropies, in partnership with community-based organizations focused on asset building, would value the opportunity to leverage their investments with public dollars to expand promising FSS programs, both at PHA and beyond. Compass has already received multi-year grants from Strategic Grant Partners (SGP), its lead investor and thought partner, and from Social Venture Partners Boston to fund the launch of an asset-building model for FSS in Lynn, Massachusetts.

FSS is a promising tool for promoting employment, savings, and asset building for PHA tenants. Although a rigorous, national evaluation of FSS has yet to be conducted, substantial field evidence indicates that FSS is a promising asset-building tool. Overall, programs consistently demonstrate success in four main areas: increased earnings; higher employment levels; asset growth, and homeownership. Notably, the FSS escrow account provides a powerful, financial incentive (funded by HUD) to encourage and reward work. An expanded FSS program will help increase the percentage of working PHA tenants and will prepare welfare recipients for employment before they lose their cash benefits because of time limits.

An expanded, asset building FSS program at PHA will increase access to scarce housing vouchers for needy families. Limited turnover in the Section 8 and public housing market, combined with long waiting lists for subsidized housing, often make it difficult for the most vulnerable families to obtain housing assistance. PHA currently has approximately 33,137 families on waiting lists for Section 8 and for public housing. Moreover, the waiting list grows by approximately 10,000 households per year. By helping participants increase their earnings, build assets, and pursue homeownership opportunities, FSS has the potential to free up vouchers for vulnerable families by helping more families transition out of subsidized housing.

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2 "At issue is how to leverage existing resources to provide access to this potent asset-building opportunity. Without identifying other sources of funding or in-kind case management services, it is unlikely that Public Housing Authorities (PHAs) can serve more families under the FSS program." Cramer (2004)
FSS can help PHA develop stronger, effective partnerships with service providers and other community agencies. FSS is an organizational asset for PHA that it can optimize to identify, attract, and cultivate strong partnerships with community organizations. Notably, the FSS escrow account is a powerful, HUD-funded work incentive that can be better marketed to, and leveraged by, community organizations. In essence, the opportunities that FSS presents are an asset that PHA can market to community organizations that already provide employment, educational, and asset building services for families in PHA's footprint. PHA can offer to “supply” the opportunity to build assets through FSS – as well as the stability of assisted housing. Community organizations can, in turn, provide coaching or case management for families – a creative partnership that can help PHA stretch its limited FSS coordinator dollars.

A successful FSS program is an effective public relations strategy that can help improve relations with tenants, property owners, and the general public. A strong FSS program featuring positive success stories of how PHA helps families move out of poverty and achieve their financial dreams can significantly contribute to strengthened PHA relations with tenants, who often mistrust or hold negative perceptions about the housing authority. Similarly, a successful FSS program can help recruit and retain property owners and improve the general public’s understanding of and support for PHA’s work in the community.

A strong FSS program can improve HUD’s evaluation of PHA and position PHA to compete for additional federal funding. HUD evaluates a housing authority’s compliance with key goals and requirements of the Section 8 program under the Section Eight Management Assessment Program (SEMAP). Seven to fifteen percent of a housing authority’s SEMAP points are accounted for through compliance with FSS enrollment requirements (for housing authorities with FSS mandates) and adequate performance in establishing escrow accounts for FSS participants, depending on the housing authority’s size and location. To the extent that SEMAP scores are used as part of the criteria for awarding HUD funds, administering a successful FSS program in partnership with other community organizations, like Compass, could help position PHA to compete more successfully for additional HUD funding, including HOPE VI revitalization funds.

An expanded, asset building FSS program can help facilitate PHA’s compliance with Section 3 of the U.S. Housing Act of 1968, which requires PHAs to hire and train public housing residents to the “maximum extent feasible” and to give preference in awarding contracts to resident-owned businesses. Many housing agencies struggle with generating a pipeline of work-ready residents capable of successfully executing jobs generated through housing spending. FSS can function as a framework for engaging residents in job training, GED, and other skills development or educational programs needed to prepare residents for this work.

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5 B. Sard (2001).