

**USING TANF FUNDS TO FINANCE
ESSENTIAL SERVICES IN A
SUPPORTIVE HOUSING
PROGRAM FOR HOMELESS
FAMILIES AND YOUNG ADULTS**

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Introduction

For many individuals and families, homelessness is simply a product of poverty and high housing costs. The majority of those who become homeless can find their way into a permanent home through financial assistance, such as vouchers, public assistance or subsidized housing. For others, however, homelessness is a product of health and behavioral problems, as well as poverty.^{1 2} Frequently, such families and individuals are plagued by mental illness, addictions, other disabilities, and/or poor health. Young adults who have aged out of foster care or are otherwise homeless also lack the education, independent living skills and adult guidance necessary to live productively on their own. Even when offered the opportunity to escape homelessness through subsidized housing, such families and individuals often return to shelters because they lack the supports and resources necessary to maintain a stable living situation.

For this segment of the homeless population, a lack of stable housing, unemployment, and physical, mental, and behavioral health problems are intertwined. A transient housing situation impairs their access to health, mental health and substance abuse services. Their health care needs (including mental and behavioral health services) become secondary to their daily struggle for food and shelter. And, frequent relocations prevent them from establishing ongoing relationships with health care providers.³ Inadequate access to health, mental health and behavioral health services aggravates their health problems and impedes their ability to support and house themselves.

The impact of homelessness on children and young adults is particularly harsh. Homeless children are more likely to experience trauma-related injuries, developmental delays, and chronic disease than others.⁴ Iron deficiency and other nutritional problems are also prevalent among homeless children.⁵ And, there are low rates of immunization among homeless children.⁶ Among young adults aging out of foster care and homeless youths, sexually transmitted disease, out-of-wedlock pregnancies, drug abuse and criminal activity are prevalent.⁷

Until now, services for these homeless families and young adults with special needs have been reactive and crisis-oriented rather than preventive. They typically receive health care in emergency rooms, housing in shelters, and parenting assistance when the child protective system intervenes. Moreover, when individuals and families in crisis receive assistance, service providers typically address needs individually, rather than holistically. This approach is not only extremely expensive for health care providers and public aid programs; it is also ineffective.

Supportive housing presents a unique strategy to help vulnerable families and individuals escape the cycle of homelessness. It provides an individually tailored and integrated continuum of care and services. Combining safe, stable housing with an array of services designed to meet each family's

¹ American Academy of Pediatrics, "Health Needs of Homeless Children and Families," Oct. 1996, *citing* Children's Defense Fund, *The State of America's Children Yearbook*, Washington, D.C., 1994.

² Burt, M. *What Will It Take To End Homelessness?* Urban Institute, September 2001. www.urban.org/housing/homeless/end_homelessness.html.

³ American Academy of Pediatrics, "Health Needs of Homeless Children and Families," Oct. 1996

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ National Association of Social Workers (1992). *Helping Vulnerable Youths: Runaway and Homeless Adolescents in the United States*, Washington, DC: NASW Press. See National Network for Youth Website (February 2000).

or individual's complex needs, this approach has been remarkably successful when applied to single adults with disabilities who are chronically homeless.

CSH has worked with a number of local housing and social services organizations to develop new service delivery models to meet the needs of homeless or precariously housed families with multiple barriers to stability. Unfortunately, while some funding for capital projects is available, supportive housing providers have been unable to tap into a single reliable funding stream for the array of essential services the families and individuals need in order to secure ongoing access to health care; seek, obtain and maintain employment; and live independently in a permanent home.

However, New York and many other states have available large sums of money in the form of a federal Temporary Assistance for Needy Families (TANF) block grant surplus and a potential shortfall in State Maintenance of Effort (MOE) expenditures necessary to draw down the full amount of the block grant. These funds are well-suited to fill the gap in financing for supportive housing.

Furthermore, as we enter the fifth year of welfare reform, the time is ripe to implement a family and young adult supportive housing initiative in New York. Many vulnerable families are approaching their time limit in the TANF program. Without intensive intervention, homeless families with special needs, in particular, are likely to exceed their time limit. Similarly, homeless youth and young adults aging out of foster care are likely to become the next generation of long-term welfare recipients, unless they receive affordable housing and an array of services designed to move them into the job market.

This report sets forth a legal and policy analysis to support a model approach to using federal and state welfare funds to finance essential services for homeless families, families at risk of becoming homeless, homeless youth and young adults aging out of foster care, who face multiple barriers to stability and self-sufficiency.

Section I of the report describes the supportive housing model and its success in moving mentally ill, single adults into employment and stable housing. Section II sets forth the rationale for extending the supportive housing model to homeless families and young adults with special needs, in light of the shortage of affordable housing in New York's urban areas, the imposition of time limits on federally-funded welfare, and the absence of integrated services for homeless youth and young adults who have been discharged from foster care. Section III identifies surplus funds from the federal Temporary Assistance for Needy Families block grant and State TANF maintenance of effort ["MOE"] funds as potential sources of operating and services funding. It further describes the restrictions and requirements associated with these funds and explains how these restrictions and requirements might be met in the context of a supportive housing program for families and young adults with special needs. Section IV describes supportive housing and similar housing initiatives programs in other states. Finally, Section V provides examples of supportive housing residences, in New York State, that are in development or operational, that would benefit from an influx of TANF or MOE funds.

I. The Supportive Housing Model

Supportive housing is affordable housing linked to a range of services that enable residents to live independently and work toward realizing their full potential. It is an alternative to a more expensive and unnecessarily higher level of services. The range of services it offers is flexible and determined by the needs of the residents in each development. Services may include vocational and job skills training, substance abuse treatment, medical and mental health care and referrals, and independent living skills training. Fundamental to the concept of supportive housing is case management and coordination of services to effectively and efficiently address the multiple needs of residents.

Supportive housing is funded and operated through a combination of public and private resources. Most residences are developed by non-profit housing developers in partnership with non-profit service providers. Many of these groups are local community-based organizations. Capital costs and services are financed by a combination of residential rents, federal, state, and local government loans and grants, and contributions from private foundations and organizations. In New York, capital funds are available through the State's Homeless Housing and Assistance Program, the Division of Housing and Community Renewal, and the New York City Department of Housing Preservation and Development's Supportive Housing Loan Program. In addition, corporations may secure low-income housing tax credits by investing in the development of supportive housing.

Supportive housing has traditionally served single adults with psychiatric disabilities and/or histories of addiction, seniors, the formerly homeless, and people living with HIV/AIDS. Most of those served have been chronically homeless – disabilities, health problems, and addictions have limited their ability to seek and retain employment and to remain housed, even with financial assistance. Because of its holistic approach to the multiple challenges faced by these individuals, supportive housing has been extraordinarily successful at addressing the housing, therapeutic, and employment needs of this population. Better than eight out of ten tenants successfully reconnect to the community, obtain employment and reduce or eliminate their dependence on public benefits.⁸

Studies have shown remarkable improvement in the health and employment status of supportive housing residents. Preliminary results of a study conducted by the University of California at Berkeley indicate that emergency room use by tenants in supportive housing programs, in the San Francisco Bay area, dropped by 58 percent in the first 12 months of residency, and inpatient stays declined by 57 percent. Further, a three-year study that followed supportive housing residents with multiple barriers to employment revealed that with appropriate services, even this hard-to-serve population can get and keep jobs.⁹ The study proved that:

- ✓ Over the course of the initiative, tenants obtained 1,800 jobs with an average hourly wage of nearly \$7/hour;
- ✓ Participants' earned income increased 50% over a control group;
- ✓ Participants' rate of employment increased 40%;

⁸ *The New York/New York Agreement Cost Study: The Impact of Supportive Housing on Services Use for Homeless Mentally Ill Individuals*. Corporation for Supportive Housing, May 2001. Summary written by Ted Houghton.

⁹ Proscio, T. *Work in Progress 2: An Interim Report on Next Step: Jobs*. Corporation for Supportive Housing, June 1998.

- ✓ Participants' dependence on entitlements dropped significantly—\$1,448 per tenant—over the study period.¹⁰

Other programs that combine subsidized housing with services have also achieved success. The Coalition for the Homeless operated a pilot rental assistance program in New York City, combined with case management and job development services, from 1989 to 1998. Of the 346 households served, 257 households were monitored through April 1998 and 98 percent had not returned to the shelter system.¹¹

Supportive housing is not only successful, it is also cost-effective. When compared with the alternatives – homeless shelters, institutionalization, and repetitive short-term treatment, supportive housing pays for itself. A recently completed cost study, conducted by the University of Pennsylvania and commissioned by CSH, supports this conclusion. According to the report, even without accounting for many of the costs of homelessness, such as soup kitchens, burdens on police and courts, the economic impact on local businesses and tourism, and uncompensated care provided by hospitals, it costs less than \$1,000 more per year to provide supportive housing to a homeless, mentally ill adult than to keep him or her homeless.¹² And, even this marginal cost of supportive housing is expected to decrease over the long-term as people stabilize in their new environment.¹³ Furthermore, if the additional costs of homelessness listed above were taken into account, along with the economic benefits of supportive housing, it is likely that the cost of homelessness would be higher than the cost of supportive housing.¹⁴

Despite its successes with the mentally ill, single adult population, including those with disabilities and/or HIV/AIDS, supportive housing has not been made widely available to other groups of needy individuals. Since 1998, providers of supportive housing in New York, Tier II (family shelter) providers, and youth services and mental health providers have reported a need for supportive housing for families, homeless youth, and young adults discharged from foster care. They have witnessed growing numbers of families and youth with special needs requiring their services. These families and young people are plagued by disabilities, chronic illnesses, addictions, histories of abuse, low educational attainment and few job skills. Many have experienced multiple episodes of homelessness, despite having been previously housed in subsidized housing. When they are discharged from shelters, they lack the supports and skills necessary to live on their own and they cycle back to the shelters or streets.

According to the providers, the services currently available to these families and youth are inadequate in scope and duration. They need more supportive services, over a longer period of time, to remain consistently housed and reduce or eliminate their reliance on public supports. CSH has been working with these and other providers to develop supportive housing residences to meet these needs. To date, CSH has provided technical and/or financial assistance (loans and grants) to several providers, representing housing for families with special needs, some within larger developments that also serve low-income individuals, individuals living with HIV/AIDS, and youth aging out of foster care.

¹⁰ *Id.*

¹¹ Coalition for the Homeless, “*Temporary Rent Subsidies for Working Homeless New Yorkers: Program Expansion Can Reduce Shelter Stays and Save Taxpayer Dollars.*”

¹² *The New York/New York Agreement Cost Study: The Impact of Supportive Housing on Services Use for Homeless Mentally Ill Individuals*, Corporation for Supportive Housing, May 2001, summary written by Ted Houghton, 2.

¹³ *Id.*, at 9.

¹⁴ *Id.*, at 5.

II. Applying the Supportive Housing Model to At-Risk, Homeless Families and Young Adults with Special Needs

Given the success of the supportive housing model in increasing employment and self-sufficiency among mentally-ill single adults, it makes sense, from a policy perspective, to extend supportive housing to other populations – namely homeless and precariously-housed families and young adults with special needs. Moreover, a critical shortage of affordable housing in New York, along with the imposition of a five-year time limit on federally-funded public assistance, have generated an urgent need for this type of housing in New York.

A. Supportive Housing for Families

Families with special needs -- such as disabilities, substance and alcohol abuse, and other barriers to employment -- are more likely than others to experience repeated periods of homelessness and to reach their welfare time limit. Moreover, families with special needs are disproportionately represented in the TANF program. National data show that forty-four per-cent of TANF recipients report having physical or mental impairments, a number that is three times higher than the non-TANF population. Thirty-eight percent reported an impairment severe enough that they were unable or needed help to perform such activities as walking up a flight of stairs or keeping track of money or bills. And, twenty-nine percent reported a mental impairment, such as frequent depression or anxiety.¹⁵

There are a variety of family structures that could benefit from a supportive housing model – non-custodial parents (NCP's), grandparents raising grandchildren, parents re-uniting with children in foster care, and single- and two-parent families with special needs. Today's tight housing market sharply increases the likelihood that these families will repeatedly lose their homes and/or remain homeless. Moreover, a lack of stable housing in combination with their multiple barriers to employment hinders their ability to end their dependence on welfare before their time limit expires. Unless they receive intensive support, they are likely to require state and local aid long after their federal welfare time limit expires.

1. The Housing Shortage and its Impact on Families

In 1999, New York City's housing crisis reached an all-time high, with 27 percent of New York City families paying more than 50 percent of their gross income on rent.¹⁶ The overall vacancy rate for apartments in New York City dropped to about three percent in 1999, while apartments renting for under \$400 affordable to families earning minimum or entry-level wages or receiving public assistance, had a vacancy rate of only slightly more than one percent.¹⁷

Shelter occupancy rates have kept pace with the rise in housing costs. Exclusive of the domestic violence population, in 2001, the average number of homeless families lodging nightly in the shelter system rose to 7,913 in New York State (6,436 in New York City) per night, the largest family

¹⁵ U.S. General Accounting Office *Welfare Reform: More Coordinated Federal Effort Could Help States and Localities Move TANF Recipients With Impairments Toward Employment*, October 2001 [henceforth "GAO" Report"].

¹⁶ Coalition for the Homeless, *Housing a Growing City: New York's Bust in Boom Times*, 2000.

¹⁷ 1999 NYC Housing and Vacancy Survey, Preliminary Report, February 16, 2000.

shelter population ever.¹⁸ An additional 1,946 families that have experienced domestic violence reside in the state's shelters.¹⁹ On a typical night, as many as 10,000 children are sleeping in emergency shelters alone.^{20 21} Moreover, the length of stay of families in the shelter system has grown as families are increasingly unable to find affordable apartments. The average time spent in a shelter has doubled over the past decade from five months in 1990 to ten months in 2000.²² Ninety-nine percent of the families living in shelters are on public assistance.²³

The scarcity of affordable housing and the associated growth in the number of homeless families is not limited to New York. Across the country, shelters are serving increasing numbers of families.²⁴ And, the gap between the cost of rental housing and what low-income people can afford to pay continues to grow nationwide.²⁵

While many homeless families find their way out of shelters with the help of housing subsidies and other financial assistance, some cycle in and out of shelters, unable to remain housed. In such families, homelessness is attributable not only to the housing market, but also to chronic health conditions, mental illness, addictions, domestic violence and other barriers to self-sufficiency.^{26 27} Without stable housing, such families cannot maintain their relationships with health care providers or their treatment regimens.²⁸ Moreover, it becomes increasingly difficult for these families to address their basic needs, when health conditions, mental illness or addictive behavior flare up in the context of homelessness. For such families, temporary shelter followed by a housing subsidy or other financial assistance is not the answer. According to the Family Housing Fund of Minnesota, the best approach to serving chronically homeless families is "a comprehensive system of supportive housing."^{29 30}

2. The Implications of Time Limits Under Federal Welfare Reform

Because of the multiple barriers to employment they face, homeless families with special needs are likely to be disproportionately represented among the families who exceed their time limit for

¹⁸ Coalition for the Homeless, *Homeless Families in New York City Shelters At All-Time Record Level*. July 31, 2001.

¹⁹ New York State Office of Temporary and Disability Assistance, "Improving Access to Mainstream Services for Homeless Families in New York State," attachment to letter from Brian J. Wing, Commissioner, to Zynnette S. Araki, Office of Planning, Evaluation and Legislation, Health Resources and Services Administration [henceforth "Improving Access"].

²⁰ Bernstein, N., "Homeless Shelters in New York Fill to Highest Levels Since '80s," *New York Times*, Feb. 8, 2001.

²¹ "Improving Access," *supra* note 19.

²² Coalition for the Homeless, "Temporary Rent Subsidies for Working Homeless New Yorkers: Program Expansion Can Reduce Shelter Stays and Save Taxpayer Dollars."

²³ "Improving Access," *supra* note 19.

²⁴ Marks, A., "U.S. Shelters Swell - - With Families," *Christian Science Monitor*, Nov. 29, 2001.

²⁵ "Out of Reach 2001: America's Growing Wage-Rent Disparity," National Low Income Housing Coalition," Oct. 2001.

²⁶ Indeed, research has shown a high prevalence of mental illness and chronic health problems among homeless and low-income mothers. The sheltered homeless mothers have a 47 percent rate of major depressive disorder (twice the rate of the general female population), and 31 percent have attempted suicide at least once. Nearly one-third have a chronic health condition, despite an average age of only 27. "The Characteristics and Needs of Sheltered Homeless and Low-Income Housed Mothers," *Journal of the American Medical Association*, 276(8).

²⁷ Burt, M. *supra* note 2, at 2.

²⁸ American Academy of Pediatrics, "Health Needs of Homeless Children and Families." October 1996.

²⁹ Hart-Shegos, Ellen. *The Supportive Housing Continuum: A Model for Housing Homeless Families*. Family Housing Fund, December 1999.

³⁰ Burt, M. *supra* note 2, at 5.

federally-funded welfare. In December 2001, the first wave of welfare recipients in New York State to be covered by federal welfare reform reached their time limit. State officials estimate that over 37,000 families in New York State were affected.³¹ The vast majority live in New York City.³² Because federal law provides for a hardship exemption for up to 20 percent of TANF recipients, between eight and nine thousand additional families were exempted from time limits, due to illness, disability or domestic violence.³³

Many observers believe that the 20 percent exemption from time limits may not cover all long-term recipients who are the hardest to employ.^{34 35} Yet, little has been done to improve the employability and enhance the self-sufficiency of individuals with multiple barriers to employment. A study by the Urban Institute found a 50 percent *decrease* between the years 1997 and 1999 in the number of welfare recipients with two or more barriers to employment participating in education and training activities.³⁶ Similarly, the General Accounting Office found that less than half of TANF recipient with disabilities are receiving services to move them towards employment.^{37 38}

From a State and local fiscal perspective alone, it is imperative that New York adopts a comprehensive approach to the housing and employability issues of these hard-to-serve welfare recipients, in order to minimize their reliance on public assistance before they exceed their time limit. When such families exceed their federal time limit, they are eligible for the State's Safety Net Assistance program, which provides a more restricted grant funded entirely with State and local dollars.³⁹ Unlike the State's Family Assistance program, fifty percent of which is funded with federal dollars, Safety Net Assistance costs are divided evenly between the State and localities.⁴⁰

Clearly, absent affordable housing and services to address their barriers to employment, homeless families with special needs are likely to exceed their time limits and to face a lifetime of dependence on public supports. Research has shown that programs are most effective at moving these individuals into stable employment, when they address their multiple challenges.⁴¹ That is the aim of supportive housing.

³¹ Benjamin E., "5-year Welfare Deadline Arrives," *Times Union*, Dec. 2, 2001

³² Under federal law, the State may exempt up to twenty percent of its TANF families "by reason of hardship or if the family includes an individual who has been battered or subjected to extreme cruelty." 42 U.S.C. § 608(a)(7)(c).

³³ *Id.*

³⁴ Welfare Information Network, *Long-Term Recipients Under Welfare Reform*, Policy Briefing, April 2000.

³⁵ GAO Report, at 22.

³⁶ Zedlewski, S.R. and Alderson, D.W., "Before and After Reform: How Have Families on Welfare Changed?," Urban Institute, Apr. 2001, at 4.

³⁷ GAO Report, at 4.

³⁸ There are conflicting data as to whether or not the percentage of people with multiple barriers has risen as a percentage of the total TANF population. Between 1994 and 1999, national survey data show that there are no statistically significant differences in the proportion of adults on TANF who reported a serious physical or mental health problem since welfare reform began. However, many former TANF recipients are now receiving SSI; others have been "churned" off the welfare rolls and face administrative barriers to regaining benefits, thereby reducing the number of successful TANF re-applicants. Therefore, it may be that those with more serious mental and physical health problems have left the welfare rolls, but not necessarily for employment and self-sufficiency (GAO Report, at 14).

³⁹ N.Y. Social Services L. § 159.

⁴⁰ State and local spending on Safety Net Assistance for families may be used toward meeting New York's "maintenance of effort" requirement under the TANF program. See discussion at pp. 14-16, *infra*.

⁴¹ Meckstroth, A., Pavetti, L., and Johnson, A., *The Future is Now: Transforming the Welfare System to Identify and Address Chronic Barriers*, Policy & Practice of Human Services, September 2000.

B. Supportive Housing for Young Adults Aging Out of Foster Care and Homeless Youth

Like homeless families with special needs, young adults exiting foster care and homeless youths face multiple challenges to stability. And, they must confront these challenges at a critical juncture in their lives – the transition from childhood to adulthood – more often than not, without family support or other adult guidance. Like homeless families, they require a continuum of services together with stable housing in order to become self-sufficient. And, absent such intervention, they are likely to become the next generation of public assistance recipients, facing time limits without the skills they need to support themselves.

1. The Size of the Population

There are no hard data that accurately reflect the size of the homeless young adult population. National estimates of the number of runaway and homeless youth range from 500,000 to 1.3 million.⁴² Some findings estimate that 4.9 million youth, ages 14 to 24, in the United States qualify as “vulnerable” – those aging out of foster care or juvenile justice, homeless, out-of-school and youth with an incarcerated parent. This represents nearly 10 percent of the youth population.⁴³

In New York City, researchers estimate that there are between 15,000 and 20,000 homeless and runaway youth.⁴⁴ In addition, in New York City alone, 1,300 young adults effectively “age out” of the foster care system annually.⁴⁵ “Aging out” of the foster care system refers to the age at which a young adult is no longer the responsibility of the foster care system because of his or her age – usually 18 years old, or in some instances, 21 years old if he or she is on “trial discharge.”

2. The Specialized Needs of Young Adults and the Absence of Appropriate Services and Supports

Homeless youths and those who have been discharged from foster care face life’s challenges alone. They lack the adult guidance and financial support that others their age typically enjoy. Indeed, one researcher has noted that nearly 22 million young adults nationally live at home with one or both parents because they cannot support themselves, given the high cost of housing and the low wages available in entry level jobs.⁴⁶ Homeless youth and those discharged from foster care do not have that opportunity. And, government programs have not filled this gap.

At age 18 or 19, when young adults are discharged from foster care, they are generally expected to survive on their own. A small fraction are offered a coveted placement in an independent living program. But, without job skills, and often burdened with disabilities, health problems, and

⁴² U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Family and Youth Services Bureau, Fiscal Year 2000 Runaway and Homeless Youth Program Announcement, No. ACF/ACYF/RHYP 2000-01, available at www.acf.dhhs.gov/programs/fysb/pol&fund/Annonc00.htm.

⁴³ Yohalem, N. and Pittman, K., *Powerful Pathways: Framing Options and Opportunities for Vulnerable Youth*, A Discussion Paper of the Youth Transition Funders Group, October 2001, at 3.

⁴⁴ Clatts, M.C., and Davis W.R., *A demographic and behavioral profile of homeless youth in New York City: implications for AIDS outreach and prevention*. National Library of Medicine, Medical Anthropology Quarterly, September 1999; 13(3):365-74.

⁴⁵ Conversation with Gabriel Brodbar, Director of Housing Policy & Development, New York City Administration for Children’s Services.

⁴⁶ Kroner, M., *Housing Options for Independent Living Youth*, CWLA Press, DC (1999).

addictions, many are unable to obtain and retain employment and make expensive rent payments on an ongoing basis. Research has shown that, among these young people, the lack of affordable and available housing is the primary barrier to completion of education, securing and maintaining employment, accessing health care and, in short, making a successful transition to adulthood.⁴⁷

Given the turbulent nature of foster youth's lives and the significant, near insurmountable obstacles they are faced with, the expectation that they will "age out" of the system successfully is not realistic. And, as studies and statistics have clearly shown, many of them do not.⁴⁸ Preliminary data from a study initially commissioned by CSH, and continuing under the sponsorship of the New York City Administration for Children's Services, indicates that significant numbers of such youth enter the adult shelter system, usually within two years of discharge.⁴⁹ Further, most of those that enter the shelter system, enter the family shelters – as heads of households with children of their own. These numbers are reflective of national studies that show that 60 percent of females who aged out of foster care gave birth 2 to 4 years later.⁵⁰

Despite the failure of so many homeless youth and young adults discharged from foster care to obtain stable employment and housing, and avoid out-of-wedlock pregnancies, there are few resources and services targeted specifically at their needs. While limited federal and State funds have been dedicated to social service programs for runaway and homeless youth, particularly crisis intervention services and transitional shelter,⁵¹ these funds are inadequate to serve the vast majority of young adults in need.⁵²

Not only are there few supports and services specifically targeted at these young people, the services available to other adults are generally inappropriate for youths and young adults. The average single male adult in the New York City shelter system is 44 years old; the average single woman is 42.⁵³ In the adult shelter system, job training programs and mental health services, CSH staff members have observed that young adults and older adults are uncomfortable with each other. Young adults dread the future they see for themselves in the older adults around them. The older adults, in contrast, seem intimidated by the high-energy level of the young adults.

Providers of social services recognize that young adults in this age range need services designed specifically to assist them in their transition to adulthood, in addition to the mental health, housing,

⁴⁷ Siggins, C., "Foster Care Youth in Transition to Independent Living," Testimony, CA (1998).

⁴⁸ US General Accounting Office, Testimony before the Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives, "Foster Care: Challenges in Helping Youth Live Independently," Statement of Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, Health, Education and Human Services Division, May 13, 1999, GAI/T-HEHS-99-121 at 1.

⁴⁹ These numbers represent initial data analysis by Doreen Straka, one of the authors of this paper. The study, conducted by the University of Pennsylvania, will complete a retrospective analysis of the young adults in the care of the New York City Administration for Children's Services ["ACS"] whose last discharge goal was "independent living." This data will be matched against the Department of Homeless Services' public shelter system (both for singles and adults); the correctional system (short-term jail and long-term prison); public assistance, and Social Security, and Medicaid usage.

⁵⁰ Yohalem, N. and Pittman, K., *supra* note 43, at 4.

⁵¹ Funds available under Article 19-H Runaway and Homeless Youth Act of 1978 (amended 1985) allocated \$69 million nationwide for the Runaway and Homeless Youth Act and \$15 million for street outreach programs. The Runaway and Homeless Youth Act -- Title III of the Juvenile Justice and Delinquency Prevention Act of 1974 (as amended 11/4/92) and Anti-Drug Abuse Act of 1988 (DAPP) (as amended) included some funding for runaway and homeless youth.

⁵² "Homelessness: Barriers to Using Mainstream Programs," GAO Report to Congress, July 2000, GAO/RCED-00-184.

⁵³ NYC Department of Homeless Services, "DHS Adult Service Weekly Demographic Report," October 25, 2001.

vocational, or other services offered to them. Moreover, these services must be integrated. Given the wide range of needs to be addressed among this population, services may come from a number of providers, thereby frustrating young adults who may not have the patience or experience to successfully navigate and juggle a variety of services from several sources.⁵⁴

On a limited basis, programs, like supportive housing, that integrate housing with vocational opportunities are already succeeding in providing young adults with the skills they need to live independently. For example, Job Corps, a national residential and non-residential job training program with wrap-around social services, has been touted as the only major federal training program that has been shown to work for at-risk youth (16 to 24 years old).⁵⁵ At a cost of \$14,000 per participant, it returns about two dollars to society for every dollar spent.⁵⁶ Although Job Corps serves at-risk youth, applicants for Job Corps must demonstrate that they have no serious health or behavioral problem.⁵⁷ Unfortunately, there is no similar program for more exceptionally needy young people.

3. Designing Program Models for Young Adults

The cornerstone of the service array in supportive housing for youth will be comprehensive and consistent case management that coordinates services to meet the vocational, educational, employment, and psychological needs of adolescents transitioning to adulthood. Program design and services will be geared towards the young person's development of life skills and employment readiness to prevent or minimize long-term utilization of government systems: vocational services, primary health care, mental health and substance abuse services, educational services, basic life skills (i.e., money management, nutrition, budgeting, conflict resolution), pregnancy prevention, parenting and family life skills, and ongoing recreational opportunities.

While the U.S. has failed to adequately address the needs of homeless youth and those who have left foster care, several European countries have for decades relied upon an innovative service delivery model, known as *Foyer*, to help these young people make a smooth transition to adulthood. The program is intended to last from nine months to two years, although most residents move on to an independent home within one year. A typical *Foyer* program offers young adults, aged 18 to 24, the following:

- case management;
- vocational training and job placements;
- basic education;
- linkages with appropriate health and mental health care professionals;
- substance abuse counseling;
- independent living skills training, such as personal budgeting, nutrition, and conflict resolution.

⁵⁴ "Homelessness: Barriers to Using Mainstream Programs," GAO Report to Congress, GAO/RCED-00-184, July 2000, at 4.

⁵⁵ Burghardt, J., Schochet, P.Z., McConnell, S., Johnson, T., Gritz, R.M., Glazerman, S., Homrighausen, J., and Jackson, R., "Does Job Corps Work?," Summary of the National Job Corps Study, Mathematica Policy Research, Inc., 2001.

⁵⁶ *Id.*

⁵⁷ *Id.*

Each resident must agree to an individual “action plan” that sets forth his or her vocational and personal goals. Each resident is encouraged to maintain a savings account, so that upon departure, he or she has a small nest egg.

A hallmark of the Foyer model is the integration of young people with “high, medium and low levels of functioning.”⁵⁸ For example, a high functioning youth may be emotionally stable and engaged in employment and/or education, but needs affordable, stable housing and occasional mentoring to reach their full potential. A low functioning youth may be one who needs to master basic literacy and numeracy skills, daily living skills, such as how to clean an apartment and budgeting, or perhaps anger management and social skills. These young people may be emotionally underdeveloped, displaying behavior more typical of a 14 or 15-year old. Experience has shown that youth in such a setting can positively affect each other’s healthy growth, development, and understanding of social norms.

III. The TANF Block Grant and TANF Maintenance of Effort Funds as a Source of Funding for the Service and Operating Costs of Supportive Housing

The Temporary Assistance for Needy Families [“TANF”] block grant and TANF maintenance of effort [“MOE”] spending represent ample and suitable sources of funds for the operating and service costs of supportive housing for families and young adults. Created by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 [“PRWORA”], the TANF block grant is intended to serve as a flexible funding stream for the services and assistance necessary to transition welfare recipients from dependence on public supports to self-sufficiency. PRWORA radically altered both the public perception of welfare and the nature of public assistance. By requiring most welfare recipients to engage in work-related activities and imposing a five-year time limit on cash assistance, PRWORA reconfigured welfare as a short-term safety net for people experiencing hard times. In addition to creating the TANF block grant, and imposing time limits and work requirements, PRWORA strengthened child support enforcement efforts, and de-linked Medicaid and welfare benefits.

PRWORA substituted the TANF block grant for federal matching funds under the Aid to Families with Dependent Children [“AFDC”] program. AFDC offered a limited package of cash assistance and services to eligible single-parent families with minor children. The TANF block grant, by contrast, may be spent on a broad array of services, as well as financial assistance, that may be tailored to the needs of individual families, two-parent and single-parent, custodial and non-custodial. Further, under the TANF program, states may establish different financial eligibility criteria for different benefits.

Although the TANF program provides states with broader discretion than the AFDC program, spending under TANF is subject to a myriad of federal requirements. There are two sources of TANF program spending, each of which is subject to different requirements and restrictions: (1) the federal TANF block grant; and (2) state TANF “maintenance of effort” or “MOE” spending. Each year, to draw down the full amount of their block grants and avoid penalties, states must make “qualified State expenditures” in an amount equal to at least 75 percent (or 80 percent, for states

⁵⁸ Foyer Federation for Youth, *Foyer Handbook: A Guide for Developers and Managers of Foyers* (November 1997). For more information about the Foyer model, contact Carolyn Hayman in London at 0171 833 8616.

that do not meet work participation rates) of the amount they spent on welfare-related programs in Federal Fiscal Year 1994.⁵⁹ This is known as “MOE spending.”

A. TANF Block Grant Funds

Generally, TANF block grant spending is more stringently regulated than TANF MOE spending. First, as a general rule, TANF block grant funds must be spent for the benefit of the needy on assistance or services that promote one or more of the following statutory purposes of the TANF program:

1. To provide assistance to needy families;
2. To end dependence of needy parents by promoting job preparation, work and marriage;
3. To prevent and reduce out-of-wedlock pregnancies; and
4. To encourage the formation and maintenance of two-parent families.⁶⁰

As the statutory language suggests, while benefits under the first two TANF purposes are limited to parents and families that meet the state’s financial eligibility criteria, benefits under the third and fourth TANF purposes may be offered to anyone regardless of their income or household composition.⁶¹

Second, TANF block grant funds may be divided into two categories, which are each subject to different requirements: funds expended on activities classified as “assistance” and funds expended on “non-assistance” which, for purposes of this report, will be referred to as “services.” Funds spent on “assistance” are subject to a variety of reporting and eligibility requirements.⁶² For example, the delivery of “assistance” is subject to PRWORA’s work and child support assignment requirements, a five-year aggregate time limit and stringent data reporting requirements. TANF-funded benefits that qualify as “services,” by contrast, are not.⁶³

Third, PRWORA imposes complex requirements regarding the immigration status of TANF recipients. Generally, in order to be eligible for TANF-funded benefits, a person must be a “qualified” alien.⁶⁴ Certain TANF benefits that do not qualify as “federal public benefits” under the final TANF rules may be made available to anyone regardless of immigration status.⁶⁵

⁵⁹ 42 U.S.C. § 609(a)(7).

⁶⁰ 42 U.S.C. § 601.

⁶¹ 42 U.S.C. §601. “Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program,” Dept. of Health and Human Services, Administration for Children and Families, Office of Family Assistance, at 12 [henceforth “HHS Guide”].

⁶² HHS Guide, at 10.

⁶³ *Id.*; *see, e.g.*, 45 C.F.R. §264.1.

⁶⁴ 8 U.S.C. §§ 1611, 1612(b), 1613. “Qualified aliens” include legal permanent residents, asylees, refugees, aliens paroled into the U.S. for at least one year, aliens whose deportation has been withheld, aliens granted conditional entry, certain battered spouses and children, and Cuban-Haitian entrants. 8 U.S.C.A. §1641. Qualified aliens who entered the U.S. on or after August 22, 1996, are generally ineligible for federally-funded TANF or Medicaid for a period of 5 years. Refugees, asylees, aliens whose deportation has been withheld, conditional entrants, Cuban-Haitian entrants, and certain battered spouses and children, U.S. veterans and those on active military duty, and legal permanent residents with 40 qualifying quarters of work are exempt from the five-year bar.

⁶⁵ 8 U.S.C. § 1611.

Fourth, states are banned from using TANF block grant funds for capital costs or medical services.⁶⁶ TANF funds may, however, be used for pre-pregnancy family planning services.⁶⁷ Finally, no more than 15 percent of the grant may be used for administrative purposes.⁶⁸

B. TANF MOE Funds

Generally, states have far greater discretion in spending MOE dollars than TANF dollars. The MOE requirement is met by making “qualified State expenditures” at the statutorily designated level. “Qualified State expenditures” may be made for a variety of benefits and services, including cash assistance, child care assistance, educational activities, administrative costs, and any use of funds allowable under the TANF program.⁶⁹

However, to count toward MOE, these expenditures must be made for the benefit of “eligible families.” “Eligible families” must fall into one of the following categories:

- (i) Eligible for assistance under the State program funded under this part [the TANF block grant];
- (ii) Would be eligible for such assistance, but for the application of section 408(a)(7) of this Act [the time limit on the receipt of federally funded assistance]; and
- (iii) Families of aliens lawfully present in the United States that would be eligible for such assistance, but for the application of Title IV of PRWORA [governing welfare and public benefits for aliens].⁷⁰

Furthermore, eligible families must include a child or a pregnant woman and must be financially eligible for benefits or services under the state’s TANF program.⁷¹

Although these criteria permit a broader application of MOE dollars than TANF dollars, program design determines the degree to which MOE spending triggers TANF requirements and restrictions. Specifically, when MOE dollars are commingled with TANF dollars, all of the TANF requirements must be met.⁷² When they are segregated from TANF dollars, but spent as part of the state’s TANF program, the child support assignment and work participation requirements apply⁷³, but the TANF time limit does not.⁷⁴ And, when MOE dollars are spent as part of a separate state program, none of the TANF requirements and restrictions applies; i.e. the five-year time limit on assistance, child support assignment and work requirements do not apply.⁷⁵ Finally, MOE-funded benefits in a separate state program are subject to fewer immigration-related restrictions than TANF-funded

⁶⁶ 42 U.S.C. § 608(a)(6); Final Rule, at 17840.

⁶⁷ Final Rule, at 17839.

⁶⁸ 42 U.S.C. § 604(b).

⁶⁹ 42 U.S.C. § 609(a)(7)(B)(i)(I).

⁷⁰ 42 U.S.C. § 609(a)(7)(B)(i)(IV); *see also* 45 C.F.R. § 263.2(b)(1).

⁷¹ 45 C.F.R. §§ 263.2(b)(2), 264.2(b)(3).

⁷² Temporary Assistance for Needy Families, Final Rule, Federal Register, vol. 64, no. 69, Mon. Apr. 12, 1999, at 17752-53, *see id.* at 17727 [henceforth “Final Rule”].

⁷³ “Work requirements” refers to the PRWORA regulation requiring that recipients of TANF assistance be engaged in work-related activities (i.e., workfare, subsidized work, job training, or unsubsidized work) after no more than 24 cumulative months of assistance. “Child support assignment” refers to the PRWORA regulation requiring that child support paid to a recipient of TANF assistance be given to the State (less an optional State incentive deduction that the recipient may keep).

⁷⁴ Final Rule, at 17753.

⁷⁵ Final Rule, at 17727.

benefits, and they may be used for medical services, as long as they are not used to claim federal matching funds under the Medicaid program.⁷⁶

C. TANF and MOE Spending in New York State

New York receives \$2.433 billion annually in federal TANF block grant funding. To draw down this sum, New York must make MOE qualified expenditures of State and local funds in the amount of \$1.72 billion (at the 75 percent level). For the last three years, as a result of declining welfare caseloads, New York State has faced a potential annual MOE expenditure shortfall of approximately \$200 million. In order to meet the MOE requirement and avoid federal penalties, the State has increased its State and local shares, and reduced the federal share, of cash assistance for families.⁷⁷

Just as New York has found it difficult to spend sufficient State and local dollars to meet its MOE requirement, it has also experienced difficulty in spending the full amount of its block grant. According to a report by the Center on Budget and Policy Priorities, New York had \$732 million in “unobligated” TANF funds as of the middle of federal fiscal year 2001.⁷⁸ The report further finds that New York has accrued \$610 million in unliquidated TANF obligations since the inception of the block grant, i.e. funds that the State has committed to spend, but has not yet paid out.⁷⁹ These unliquidated funds have increased dramatically, from \$262 million at the same time in 2000. The unspent funds represent 13 percent of New York’s cumulative TANF block grant funds available since FFY 1997.⁸⁰

D. Complying with TANF and MOE Requirements in a Supportive Housing Program

TANF and MOE dollars are an ideal source of funding for the services offered by supportive housing programs. The purposes of supportive housing – providing stable, affordable housing coupled with the services necessary to promote long-term self-sufficiency – complement and reinforce the purposes of the TANF program. However, as described above, TANF and MOE dollars come with multiple strings attached. As a general matter, the populations to be served and the types of services to be offered will determine the most appropriate sources of funds (TANF or MOE) and the requirements that must be met. The following analysis describes how the restrictions on TANF and MOE spending can be met in the context of a supportive housing program.

1. “Assistance” versus “Non-Assistance” under the TANF Block Grant

TANF funding for supportive housing may be structured in a number of ways – under certain scenarios, the TANF-funded activities would be deemed “assistance,” while under others, the TANF-funded activities would qualify as “non-assistance” (i.e. services). As discussed above, the provision of “assistance” would trigger a number of requirements and restrictions. To maximize the

⁷⁶ *Id.* at 17820, 17831.

⁷⁷ See 2000 Laws of New York, Ch. 53, Education, Labor and Family Assistance Budget, at 468-469. New York’s potential MOE shortfall may diminish in the next few years as families reach their TANF time limit and move into the State’s Safety Net Assistance program which can be claimed as a MOE-countable expense.

⁷⁸ Z. Neuberger and E. Lazere, “Unspent TANF Funds in the Middle of Federal Fiscal Year 2001,” Sept. 28, 2001, at 11. “Unobligated” TANF funds are those that states “have neither spent nor committed to spend as of a given date.” *Id.*

⁷⁹ *Id.*

⁸⁰ *Id.*

scope and effectiveness of a supportive housing program, TANF funding must be directed toward activities that are not considered assistance.⁸¹

By allocating the TANF funding to services, rather than assistance, the supportive housing program may accomplish three important goals:

- (1) it may serve families with significant barriers to employment who have exceeded their 5-year TANF assistance time limit;
- (2) it may serve families with disabilities or addictions that cannot fully satisfy (at least at the outset) the TANF assistance work requirements; and
- (3) it may continue to provide families who are able to leave the welfare rolls with necessary transitional supports and affordable housing, which will not count toward their TANF time limit.

Thus, to the extent that its TANF funds are directed exclusively at services, rather than assistance, a supportive housing program may serve the full continuum of needy residents – from those with addictions and disabilities to those who are almost self-sufficient.

a) Federal Requirements

According to the TANF Final Rule, assistance includes:

Cash, payments, vouchers, and other forms of benefits designed to meet a family’s ongoing basic needs (i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses).⁸²

Assistance also includes supportive services, such as transportation and child care provided to families who are not employed.⁸³

“Nonrecurrent, short-term benefits” that are designed to address a crisis and that will not extend beyond four months are not considered assistance.⁸⁴ Nor does assistance include:

- (1) work subsidies paid to employers to cover the costs of supervision and training;
- (2) supportive services, such as child care and transportation, provided to families who are employed⁸⁵;
- (3) refundable earned income tax credits;

⁸¹ Notably, supportive housing residents who receive cash assistance would already be subject to child support requirements, work requirements, and the five-year time limit. For them, a supportive housing program structured as “assistance” would not result in the imposition of additional requirements or restrictions. However, stringent reporting requirements would be imposed on the supportive housing providers.

⁸² Final Rule, at 17880; 45 C.F.R. §260.31.

⁸³ *Id.*

⁸⁴ 45 C.F.R. § 260.31(b).

⁸⁵ “Employed” is defined as unsubsidized, paid employment at at least the minimum wage (an employment program that pays a stipend, as is common in supportive housing, would not likely count as “employed”).

- (4) contributions to and distributions from Individual Development Accounts;
- (5) services such as counseling, case management, peer support, child care information and referral, transitional services, job retention, job advancement, and other employment-related services that do not provide basic income and support; and
- (6) transportation benefits provided under a Job Access or Reverse Commute project, pursuant to section 404(k) of the Act, to an individual who is not otherwise receiving assistance.⁸⁶

The definition of assistance provides the framework for a TANF-funded supportive housing program that does not trigger the assistance-related restrictions. Clearly, if TANF funding for supportive housing were distributed as a rent subsidy, the subsidy would be considered “assistance” because it would address a basic need (i.e. shelter) on an ongoing basis (i.e. more than four cumulative months). On the other hand, if TANF funds were distributed as grants to supportive housing providers to fund the services and operating costs of the program, the activity would not be deemed assistance and would not trigger time limits and work requirements. Nearly all of the services offered by supportive housing programs are excluded from the definition of “assistance” under the TANF regulations. Case management, employment-related services and work subsidies, non-medical substance and alcohol abuse counseling, and childcare and transportation for employed families could all be funded with TANF dollars without triggering assistance-related requirements. Utilities and rent for individual apartments could be funded with TANF dollars only in temporary or emergency situations (no more than four cumulative months).

Childcare and transportation benefits (except transportation under a Job Access and Reverse Commute Project) provided to unemployed families present a problem, however. These supports would be considered assistance, unless they are offered on a short-term basis (no more than 4 months in a twelve-month period) to address a crisis. Child care and transportation benefits furnished to unemployed supportive housing residents while they are searching for a job, for example, would not be considered assistance.⁸⁷ In order to offer child care and transportation benefits on a long-term basis to unemployed residents, supportive housing providers would have to tap into other sources of funding, such as MOE dollars.

b) New York State Requirements

Under New York State administrative guidelines, certain reporting and eligibility requirements must be met in order to use TANF block grant funds for services. Recipients of cash assistance are “categorically eligible” for TANF services. All others must be “certified” as eligible by completing a State-prescribed form.⁸⁸ In addition, organizations conducting certifications must submit a second form, indicating the certification decision.⁸⁹ Certification must be completed within 30 days of receipt of the signed application. Eligibility must be re-determined at least every 12 months.⁹⁰

⁸⁶ *Id.*; 45 C.F.R. § 260.31(b).

⁸⁷ Final Rule, at 17759.

⁸⁸ N.Y.S. Office of Temporary and Disability Assistance, Local Commissioners Memorandum, 00 LCM-20, Sept. 27, 2000 [henceforth “Local Commissioners Memorandum”].

⁸⁹ *Id.*

⁹⁰ *Id.*

To qualify for TANF services, an individual must be:

1. A resident of the State;
2. A member of a family that includes a minor child or pregnant woman or a non-custodial parent, who provides certain child support information;
3. A U.S. citizen or a qualified non-citizen; and
4. A member of a family with gross income at or below 200 percent of the federal poverty level.⁹¹

A minor child is defined as a child under age 18 or under 19 and attending school. In order for a minor child to qualify for TANF services, he or she must be living with a parent or other adult relative or in foster care with a plan to return home.⁹² While families must have income at or below 200 percent of the FPL, there is no asset test for TANF services.⁹³

Notably, although federal law and regulations do not require states to set income eligibility limits for benefits under TANF purposes 3 and 4 (i.e., reducing out-of-wedlock pregnancies and maintenance of two-parent families), New York's administrative guidance has imposed a 200 percent of the Federal Poverty Level (FPL) limit for all services regardless of the TANF purpose addressed by the service.⁹⁴ Similarly, the State's guidance requires membership in a family with a minor child or pregnant woman for all TANF-funded services, even though the federal government does not impose such a requirement on services directed at preventing out-of-wedlock pregnancies or encouraging the maintenance of two-parent families.⁹⁵ More recently, New York State agency officials and legislators seem to be open to broaden eligibility to individuals for services that may prevent out-of-wedlock pregnancies.

All eligibility criteria, except for qualified immigration status, may be documented by the applicant's signature on the application form which notifies the applicant that he or she is attesting under the penalty of perjury to the information provided.⁹⁶ Non-citizens must provide documentation of their immigration status. If some members of a family are citizens or qualified non-citizens and some are not qualified, only those members who are applying for services must attest to their citizenship or document their immigration status.

2. Funding Services with MOE Dollars

While TANF block grant funds can be used to fulfill most of the service and operating needs of supportive housing residences, the use of TANF funds alone would result in certain gaps in the supportive housing program. Specifically, TANF funds cannot be used to provide a "public benefit" to immigrants who are not "qualified" under PRWORA or who are qualified, but have lived in the United States for 5 years or less. MOE funds, on the other hand, can be used to pay for services for legal immigrants who would be ineligible for TANF-funded services. To the extent that policy-makers and supportive housing providers wish to extend these services to lawfully-

⁹¹ *Id.*

⁹² *Id.*

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ HHS Guide at 12 ("... a State may use Federal TANF funds, but not MOE funds, to serve non-needy families *or individuals* for either of these two purposes.") (emphasis added).

⁹⁶ Local Commissioners Memorandum, *supra* note 86.

present immigrants regardless of the duration of their residence in the United States, MOE funds may have to be utilized.

Similarly, TANF block grant funds cannot be allocated for medical services. Health care services are an integral element of a successful supportive housing program, and many supportive housing providers want to offer on-site health care services. Easy access to appropriate health care is often essential to treating the root causes of dependency. It is essential to alcohol and substance abuse treatment, to addressing chronic illnesses that present a barrier to employment, and generally helps to prevent absenteeism at work and school. MOE funds could be used to support these services, provided that they are distributed through a program separate from the State's TANF program.

The use of MOE funds to fill the gaps in financing supportive housing would solve two problems. It would allow supportive housing providers to broaden the scope of their services and the populations they serve. And, it would assist the State in meeting its MOE requirement.

3. Serving Young Adults Without Children and Non-Custodial Parents

Although both TANF and MOE dollars are generally limited to families with minor children and pregnant women, these funds may be used under certain circumstances to serve young adults, including those without minor children. There are two vehicles for funding benefits for this population through TANF or MOE. First, these funds may be used to provide assistance and services to non-custodial parents. Second, under federal guidelines, TANF funds may be used under TANF Purpose 3 (to prevent and reduce out-of-wedlock pregnancies) to benefit individuals who are not pregnant and do not have minor children.

a) Serving Non-Custodial Parents

States are free to provide assistance and services to non-custodial parents through TANF or separate state MOE programs.⁹⁷ A non-custodial parent is defined as:

- A parent of a minor child receiving assistance who:
- (1) Lives in the State; and
 - (2) Does not live in the same household as the child;
 - (3) Is legally responsible for the care of that child.⁹⁸

As the definition indicates, a state may not provide benefits to non-custodial parents who live in another state. Notably, a non-custodial parent's receipt of TANF-funded assistance does not affect the time limit of his or her child or the custodial parent, unless the non-custodial parent is married to the child's head-of-household.⁹⁹

Under New York's administrative guidance, in order to be eligible for TANF or MOE-funded benefits, non-custodial parents must provide the State with certain information, including their own

⁹⁷ Final Rule at 17817, 17823-24.

⁹⁸ Final Rule at 17879; 45 C.F.R. § 260.30.

⁹⁹ Final Rule at 17847; 45 C.F.R. § 264.1(b)(1)(i).

address, telephone number, employer, and the names and birth dates of their children.¹⁰⁰ This information is then shared with child support enforcement agencies.¹⁰¹

b) Supportive Housing as a Pregnancy Prevention Program for Young Adults

Services for young adults without children may also be paid for with TANF funds if they satisfy the third TANF purpose – the prevention of out-of-wedlock pregnancies.¹⁰² Moreover, under PRWORA, TANF block grant funds dedicated to preventing out-of-wedlock pregnancies need not be limited to “needy” individuals.¹⁰³ Notably, MOE funds, regardless of their purpose, are not available to benefit individuals without children; they may be spent only on families that include a child or pregnant woman.¹⁰⁴

To qualify as a pregnancy prevention program, a TANF-funded program need not focus exclusively on issues related to contraception or abstinence. Programs designed to involve at-risk individuals in constructive activities (such as education, job training, and community service), to help them to make responsible choices, and to build their self-esteem have been designated as pregnancy prevention programs for TANF purposes.¹⁰⁵

In New York State, for example, \$33 million in TANF funds were distributed in 2001 for a wide variety of after-school and drop-out prevention programs designed as pregnancy prevention programs. In Minnesota, the Legislature approved the use of TANF funds for housing-based supportive services for runaway youth as a pregnancy prevention program.¹⁰⁶

A supportive housing program for young adults would similarly advance the goal of reducing out-of-wedlock pregnancies. Preliminary data from a study being conducted by the University of Pennsylvania for the Administration for Children’s Services and the Department of Homeless Services in New York City indicate that a majority of youth age out of foster care and enter family shelters, with children of their own, usually within two years of discharge. By providing stable housing for these young adults and engaging them in activities that expand their career options and enhance their self-esteem, supportive housing is likely to reduce the incidence of out-of-wedlock pregnancies among them.

4. Using Reserve Accounts and Long-Term Contracts to Fund the Services Associated With Supportive Housing

Ideally, supportive housing residences would have access to a long-term operating/service reserve from which to draw to fund the ongoing costs of project operations and on-site support services. In fact, in order to secure government subsidized capital financing, project operators often times must demonstrate a reliable source of operating support, such as long-term service contracts or a reserve.

Unfortunately, the Department of Health and Human Services’ (HHS) administrative guidance precludes the use of a reserve as a means of spending TANF funds. According to HHS, states may

¹⁰⁰ Local Commissioners Memorandum, 00 LCM-20, Sept. 27, 2000, Attachment D.

¹⁰¹ *Id.*

¹⁰² HHS Guide at 12.

¹⁰³ HHS Guide, at 12.

¹⁰⁴ 45 C.F.R. §263.2(b)(2).

¹⁰⁵ *See, e.g.*, HHS Guide, at 7, 15.

¹⁰⁶ Minnesota Session Laws, Chapter 488-H.F. No. 2699, § 27, 2000.

only draw down TANF funds as they are spent.¹⁰⁷ TANF funds may not be claimed for the purpose of depositing them in reserve account.¹⁰⁸

A state may, however, deposit its own funds in a reserve account to support MOE-qualified expenditures.¹⁰⁹ The funds in the account are countable as MOE expenditures only after they are spent on eligible families -- not while they are sitting in the account.¹¹⁰ Given New York's struggle to meet its MOE requirement, the use of a reserve account is probably not a workable option. New York is not likely to seriously consider depositing State funds in a reserve account that will be drawn upon over a period of 10 to 15 years and that will not be countable as MOE until the funds are spent.

As an alternative to an operating/service reserve, New York could rely on long-term service contracts with supportive housing providers as a stable funding stream for their non-capital costs. While the State cannot contractually commit to spend monies that have not been appropriated, it can enter into contracts that are renewable subject to the availability of funds. Indeed, there is precedent for this approach in New York's TANF program. The State has incorporated a renewal clause of up to three years into its Supplemental Housing Intervention Program (a TANF-funded program that offers services to homeless families and families at risk of homelessness) that is contingent on the appropriation of funds. Unfortunately, the looming expiration of the TANF program at the federal level creates an additional wrinkle. To the extent that service contracts are executed prior to the reauthorization of TANF, they are likely to include a contingency clause to address possible changes in federal requirements.

5. Reporting and Administrative Requirements

PRWORA not only restricts who may benefit from TANF and MOE funds and how they may be spent; it also imposes rigorous reporting and cost allocation requirements on States. These reporting requirements are, in turn, imposed on the human services agencies that contract with States and local governments to provide TANF-funded services. Agencies must report quarterly regarding families and individuals served, their eligibility for TANF, the progress of activities under the program, and expenditures for administration.

To the extent that a supportive housing provider serves both TANF-eligible and ineligible individuals, the provider must allocate its costs to ensure that TANF or MOE funds are claimed only with respect to eligible families. For example, as discussed below, one New York City supportive housing provider intends to serve a mixed population of families with children and senior citizens. Since many of the senior citizens will not have minor children in their households, they will not be eligible for TANF- or MOE- funded services. The provider will have to allocate costs between the two populations and claim TANF or MOE dollars only in connection with the families.

Likewise, to the extent that a provider offers services properly funded with TANF dollars along with services that are not, it must ensure that TANF dollars are claimed only for TANF-eligible

¹⁰⁷ U.S. Dept. of Health and Human Services, TANF Program Policy Questions, available at <http://www.acf.dhhs.gov/programs/ofa/polquest/index.htm>, Q23.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

activities. For example, a TANF-funded supportive housing provider that offers both medical and non-medical substance abuse treatment would have to allocate its TANF funding only to the non-medical treatment expenses. It could use MOE or Medicaid to underwrite the medical expenses. Similarly, a provider that furnishes childcare on an ongoing basis would have to ensure that TANF funds are allocated only to the child care costs of employed parents and to the short-term child care needs of unemployed parents. Other funding streams, such as MOE or the Child Care Block Grant could be tapped to support the long-term childcare costs of unemployed parents.

None of the TANF restrictions or requirements represents an insurmountable obstacle to the use of TANF and/or MOE funds for the operating and service costs of a supportive housing program. Overall, TANF and MOE would be a valuable resource for a supportive housing program.

V. Examples of Supportive Housing

A. TANF-Funded Initiatives in Other States

Although several states have been using federal TANF or state Maintenance of Effort (MOE) funds, alone or in combination with other funds, to establish programs to provide housing assistance to families, only Minnesota has initiated a TANF-funded program that combines housing with case management and an array of services. However, the use of TANF and MOE funds, thus far, for rent subsidies and housing-based services demonstrates the growing recognition by policymakers that affordable housing, like other support services such as job training, child care, medical care and transportation, is a critical need in the move towards economic self-sufficiency.¹¹¹

Since the passage of PRWORA, several states and counties have developed programs that use TANF or state MOE funds to provide housing assistance to families. Five states and two additional counties provide tenant-based housing vouchers that subsidize rents for families in the private market in their current apartment or new rental. Programs in Minnesota and North Carolina give a subsidy to particular property owners, who rent their units to eligible low-income families and may provide families with additional work-related services.¹¹²

Minnesota's Hearth Connection provides rental subsidies, as well as case management and other services, to homeless and at-risk families. The three-year, \$3 million project provides both direct services and referrals through case management; funds for emergency needs; funds for the purchase of additional services; and rental subsidies pending receipt of Section 8 housing vouchers. The program estimates that the rental subsidies will average six months per family. The families must all be on TANF cash assistance when they begin the program, but are expected to leave cash assistance by the time their subsidy expires.

B. Supportive Housing Family Projects in New York State

CSH has been working with a number of providers to design supportive housing projects for families and youth that would access TANF/MOE funds if made available in the New York State budget. The following projects are currently in development:

¹¹¹ Sard, Barbara and Lubell, Jeff, *The Increasing Use of TANF and State Matching Funds to Provide Housing Assistance to Families Moving from Welfare to Work*, Center on Budget and Policy Priorities, February 2000.

¹¹² *Id.*

Broadway Housing Communities (BHC). BHC has commenced construction on a 70-unit, Manhattan project for families and individuals in the greatest need with priority to the West Harlem community. A licensed childcare center, cultural arts, and technology programs will serve residents and the larger community. The tenancy will be comprised of families and individuals at the lowest-income levels. Grandparents raising grandchildren, and those with special needs will be extended special priority. The Center for Urban Community Services (CUCS) will operate on-site supportive services for residents and community youth. The project was made possible with development expertise from West Side Federation for Senior and Supportive Housing and the Association to Benefit Children.

Diversity Works. This project is being developed through a joint venture which teams an experienced nonprofit development and service organization, the Lower Eastside Service Center, with an experienced service provider, Phase: Piggy Back, who works with families with histories of substance abuse and other special needs. This Bronx project will serve 39 homeless families who are either at-risk of disruption, or who are reunifying after involvement in the foster care system. The project will offer semi-permanent housing, as well as comprehensive services, including job training, for its residents.

New Destiny Housing. The aim of Safe Horizon (formerly, Victim Services) is working to develop its ‘Bronx House’, a 27-unit, 70-bed licensed transitional residence for low-income individuals and families who are survivors of domestic violence. The project will contain space for day care, offices and communal activities. New Destiny has already raised \$6 million in capital funding from the New York State Office of Temporary Disabilities, the Federal Home Loan Bank, the Bronx Borough President’s Office, and private contributions.

YWCA of Broome County, Binghamton. This agency is expanding and enhancing its existing facility to serve 54 homeless women, including permanent housing for families and women living with mental illness and/or substance abuse; transitional housing for women, some with children, moving out of substance abuse rehabilitation programs; and emergency and transitional housing for teenage women, many of whom will have children.

C. Supportive Housing for Young Adults

As with family supportive housing, several projects designed to serve young adults aging out of foster care, or otherwise homeless, are in development or operational:

Common Ground Community. Common Ground, a leading supportive housing provider in New York City, is forging ahead in developing the Chelsea Foyer, which will adapt the European Foyer to New York City’s young people. Their proposed employment-focused program will serve youth between the ages of 18 and 24 – adolescents who have aged out of child welfare services and runaway homeless youth. The project will serve forty youth at a time. The City Department of Housing Preservation and Development provided the capital and the Administration for Children’s Services intends to release a Request for Proposals for operating and service dollars for the Chelsea Foyer. A variety of other funding sources are also being explored to provide service and operating dollars.

Edwin Gould Academy. This co-educational, residential school for adolescents in the foster care/juvenile justice system is collaborating with Housing and Services, Inc., an established developer of housing for low-income, homeless and elderly individuals, to plan and develop a 50-

unit permanent housing project for young adults aging out of foster care. They are planning the construction of a building that will contain 50 studio and one-bedroom apartments. They recently received an allocation of Low-Income Housing Tax Credits for this project.

The Lantern Group's Schafer Hall. Funded by the New York City Department of Housing Preservation and Development. This 91-unit supportive housing project, of which 25 units are dedicated to youth, opened in late. Capital financing was provided through the New York City Department of Housing Preservation and Development and Low-Income Housing Tax Credits. New York's Administration for Children's Services has entered into a Memorandum of Understanding with the Lantern Group to provide rental subsidies to the youth. CSH provided pre-development funds and technical assistance in program design. CSH is introducing the Lantern Group to child welfare providers and assist in program design.

Discipleship Outreach Ministries/Turning Point's Henry Street Housing. This program has been operating for six years with limited case management and services. Funded by the New York City Department of Housing Preservation and Development, it has 30-units of permanent supportive housing project for formerly homeless and at-risk young adults that could be converted to a Foyer. With only one case manager, it sorely needs the resources to develop an employment-focused program and to hire the necessary staff.

Conclusion

In an era of time-limited welfare and high housing prices, supportive housing offers an effective model and affordable means to address the various challenges faced by homeless families and young adults with special needs. Capital funds are somewhat available to provide them with affordable housing. But, without an array of services, they are likely to lose even affordable homes and return to shelters. TANF and MOE funds could fill a critical gap in financing for a supportive housing program geared toward families and young adults with special needs. It would fund on-site case management, basic education and vocational training, linkages to health and mental health care providers, alcohol and substance abuse counseling, and parenting skills and personal budgeting classes. With a commitment of TANF and/or MOE funds to supportive housing, troubled families and young adults will have an opportunity to breach the cycle of addiction, illness, homelessness, and unemployment that plagues so many.

Perhaps more important to government policy makers, families and youth with special needs present an enormous cost to society. For states and localities, the economic burden on child welfare, mental health, criminal justice, public health care and shelter systems is compounded by the devastating effects on the children. By helping to stabilize at-risk and families and youth, improving their developmental environment, and providing them with employment and life skills training, supportive housing could contribute enormously to a reduction in youth and adult homelessness and society's future costs.