

**Testimony of David R. Jones, Esq.
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on
The Earnings and Living Opportunities Act
at
Congressional Field Hearings
U.S. House Subcommittee on Housing and Community Opportunity
City Council Chamber, New York City
July 20, 2009

Thank you for inviting me to testify on the Earnings and Living Opportunity Act to strengthen Section 3 of the 1968 Housing Act. My organization, the Community Service Society, has long been concerned about the scale and effectiveness of Section 3 efforts, particularly at the New York City Housing Authority (NYCHA), where more than a billion in HUD dollars are spent each year on management, operations, and capital improvements. And this year, NYCHA has already received \$423 million in economic stimulus funds, which opens up further opportunities.

In our latest housing policy report, "Making the Connection: Economic Opportunity for Public Housing Residents," we estimate that 51 percent of NYCHA's 231,000 working-age residents participated in the labor force in 2005. At present, between 20,000 and 30,000 residents are unemployed - and now actively seeking work - in a recession economy considered the worst since the Great Depression of the 1930s. Most are Black and Latino women (62%), many under age 24, or men of color between 18 and 34. That over a third (36%) does not have high school diplomas underlines the importance of a GED component in Section 3 efforts.

The Community Service Society supports the *Earnings and Living Opportunities Act* because it will strengthen existing Section 3 provisions in several ways.

- 1) It accords first hiring/training priorities to residents in developments where HUD funds are being expended, and then to those in the broader community. It is hard for residents to watch large-scale improvements carried out in their developments while family members and neighbors have no access to the jobs being created.

- 2) It provides a “private right of action” that enables aggrieved parties to take legal action against agencies or contractors.
- 3) It sharpens the requirements for hiring and training for agencies and contractors receiving HUD funds.
- 4) It creates a Section 3 Office within the office of the HUD Secretary to monitor local Section 3 efforts. It increases local accountability for reporting on and reviewing agency efforts.

However, we urge Congressional drafters to incorporate incentives for housing authorities to intensify Section 3 efforts.

The proposed legislation speaks to “performance incentives” that can be instituted by the HUD Secretary to reward authorities and agencies who demonstrate high Section 3 performance. Oddly, although many housing authorities, like NYCHA, are running at an operating deficit, there is no fiscal incentive to strengthen Section 3 training and employment.

Ideally, a strong Section 3 program is a “win-win” situation for all parties as the economic pie is expanded, as residents have the opportunity to increase their incomes and skills. The housing authority can command higher rents to offset its operating deficits as residents earn more. HUD can also take credit for a wider tenant income mix in public housing and less reliance on HUD operating subsidies.

However, it doesn’t work that way. HUD estimates what a housing authority’s operating budget should look like - based on the size and age of buildings, and other factors. From that, it subtracts estimated rental revenues and allocates the operating subsidies to cover the gap. As a result, a high-performing Section 3 program has virtually no fiscal impact on the authority’s operating funds — the effects are revenue-neutral.

We urge Congress and the Secretary to consider performance incentives that enable housing authorities to retain a reasonable share of increased rental revenue that is attributable to its Section 3 efforts. In the end, what makes Section 3’s opportunity a reality at the local level is largely a matter of local will and initiative. We believe that effective performance incentives would spur housing authorities to expand and strengthen their Section 3 efforts. This would benefit both individual public housing residents as well as the financial stability of the housing authority.

Thank you and I am more than happy to entertain your questions.