

CRS Report for Congress

The HUD Homeless Assistance Grants: Distribution of Funds

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Summary

The U.S. Department of Housing and Urban Development (HUD) distributes four homeless assistance grants, each of which provides funds to local communities to finance a range of housing and supportive services options for homeless persons. These four grants — the Emergency Shelter Grants (ESG) program, the Supportive Housing Program (SHP), the Shelter Plus Care (S+C) program, and the Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings (SRO) program — are authorized in the McKinney-Vento Homeless Assistance Act (P.L. 100-77, as amended). Congress appropriates one lump sum for all four grants, and HUD then determines how the funds are allocated among the four programs.

HUD distributes the four homeless assistance grants annually to eligible applicants, which include states, metropolitan areas, counties, nonprofit organizations, and public housing authorities. Funds for the ESG program are used primarily for the short-term needs of homeless persons, such as emergency shelter, while the SHP, S+C, and SRO programs address longer-term transitional and permanent housing needs. HUD uses one method to distribute funds for the ESG program and another method to distribute funds for the SHP, S+C, and SRO programs.

The ESG program distributes funds to states, counties, and metropolitan areas using the Community Development Block Grant (CDBG) program formula. In general, states and communities receive the same proportion of ESG funds that they received in CDBG funds the previous fiscal year. After they receive funds, states and communities then distribute them to homeless service providers, including nonprofit organizations and local government entities.

The SHP, S+C, and SRO grants are distributed through a competitive process called the Continuum of Care (CoC) application system (these three grants are sometimes referred to as the “competitive grants”). Through the CoC process, representatives from local community organizations work collaboratively to develop a plan for addressing homelessness in their area. They then determine which homeless services providers in the community should receive funding and submit a unified application to HUD. HUD then uses a multi-step process to determine which homeless services providers should receive funding. This involves both a formula aspect, through which HUD determines community need using the CDBG formula, and a competitive aspect, through which HUD assigns points for various elements included in the CoC application.

In the 110th Congress, bills have been introduced in both the House and the Senate that would reauthorize the homeless assistance grants and change some aspects of how they are distributed. The Community Partnership to End Homelessness Act (S. 1518) was approved by the Senate Banking, Housing, and Urban Affairs Committee on September 19, 2007. In the House, the Financial Services Committee approved the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act (H.R. 840) on July 31, 2008.

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The HUD Homeless Assistance Grants: Distribution of Funds

Introduction

Homelessness in America has always existed, but it did not come to the public's attention as a national issue until the 1970s and 1980s, when the characteristics of the homeless population and their living arrangements began to change. Throughout the early and middle part of the 20th century, homelessness was typified by "skid rows" — areas with hotels and single-room occupancy dwellings where transient single men lived.¹ Skid rows were usually removed from the more populated areas of cities, and it was uncommon for individuals to actually live on the streets.² Beginning in the 1970s, however, the homeless population began to grow and become more visible to the general public. According to studies from the time, homeless persons were no longer almost exclusively single men, but included women with children; their median age was younger; they were more racially diverse (in previous decades the observed homeless population was largely white); they were less likely to be employed (and therefore had lower incomes); they were mentally ill in higher proportions than previously; and individuals who were abusing or had abused drugs began to become more prevalent in the population.³

A number of reasons have been offered for the growth in the number of homeless persons and their increasing visibility. Many cities demolished skid rows to make way for urban development, leaving some residents without affordable housing options.⁴ Other possible factors contributing to homelessness include the decreased availability of affordable housing generally, the reduced need for seasonal unskilled labor, the reduced likelihood that relatives will accommodate homeless family members, the decreased value of public benefits, and changed admissions standards at mental hospitals.⁵ The increased visibility of homeless people was due, in part, to the decriminalization of actions such as public drunkenness, loitering, and vagrancy.⁶

¹ Peter H. Rossi, *Down and Out in America: The Origins of Homelessness* (Chicago: The University of Chicago Press, 1989), pp. 20-21, 27-28.

² Ibid., p. 34.

³ Ibid., pp. 39-44.

⁴ Ibid., p. 33.

⁵ Ibid., pp. 181-194, 41. See, also, Martha Burt, *Over the Edge: The Growth of Homelessness in the 1980s* (New York: Russell Sage Foundation, 1992), pp. 31-126.

⁶ *Down and Out in America*, p. 34; *Over the Edge*, p. 123.

In the 1980s, Congress first responded to the growing prevalence of homelessness with several separate grant programs designed to address the food and shelter needs of homeless individuals.⁷ Then, in 1987, Congress enacted the Stewart B. McKinney Homeless Assistance Act (McKinney Act), which created a number of new programs to comprehensively address the needs of homeless people, including food, shelter, health care, and education (P.L. 100-77). The act was later renamed the McKinney-Vento Homeless Assistance Act (McKinney-Vento) in P.L. 106-400 after its other prominent sponsor, Bruce F. Vento.⁸

Among the programs authorized in the McKinney Act were four grants to provide housing and related assistance to homeless persons: the Emergency Shelter Grants (ESG) program, the Supportive Housing Demonstration program, the Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) program, and the Section 8 Moderate Rehabilitation Assistance for Single Room Occupancy Dwellings (SRO) program. These four programs, administered by the U.S. Department of Housing and Urban Development (HUD), were created to provide temporary and permanent housing to homeless persons, along with supportive services. Over the years, Congress has changed the makeup of the homeless assistance grants, but there are still four currently funded programs, three of which were part of the original McKinney Act. The four existing grants are the ESG program, the Supportive Housing Program (SHP), the Shelter Plus Care (S+C) program, and the SRO program. This report describes how HUD distributes the four homeless assistance grants.

The Role of Congress and HUD in the Funding Process

Since creating the four homeless assistance grants in 1987, Congress has played a decreasing role in how funds are allocated among them. Initially, from FY1987 to FY1994, Congress appropriated funds separately for each of the four programs. However, beginning in FY1995 and continuing to the present, Congress has appropriated one lump sum for all four programs, and HUD has then determined how those funds are distributed among the ESG, SHP, S+C, and SRO programs. (For a distribution of the grants from FY1987 through FY2007, see **Table 1**.)⁹

⁷ These programs included the Emergency Food and Shelter Program (P.L. 98-8), the Emergency Shelter Grants Program (P.L. 99-591), and the Transitional Housing Demonstration Program (P.L. 99-591). In 1987, all three were incorporated into the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77), although the Transitional Housing Demonstration Program was renamed the Supportive Housing Demonstration Program.

⁸ For information about other programs created by the McKinney Act, see CRS Report RL30442, *Homelessness: Targeted Federal Programs and Recent Legislation*, coordinated by Libby Perl.

⁹ In addition to funds for the four grant programs, the congressional appropriation has also at times contained funds for items like training and technical assistance, data collection, and the Interagency Council on Homelessness. These amounts make up a small percentage of
(continued...)

After Congress makes its annual appropriation for the homeless assistance grants (this amount was approximately \$1.586 billion in FY2008 — P.L. 110-161), HUD first allocates a portion of the total appropriation to the ESG program. This amount is generally between 13% and 15% of the total appropriation. HUD bases this range of funding on the proportion of funds Congress devoted to the program in its FY1994 appropriation. After HUD has set aside the ESG funds from the appropriation, it sets aside funds to renew S+C permanent housing contracts in a separate account.¹⁰ In every HUD appropriations act since FY2001, Congress has required HUD to provide funds to renew existing S+C contracts on an annual basis, as long as HUD determines that the S+C projects are needed and meet program requirements. The amount remaining after the ESG funds and S+C renewal funds are deducted from the total appropriation is then available for the SHP and SRO programs, and for new S+C projects. These remaining funds are not specifically dedicated to any of the three programs.

After determining which funds are available for the ESG program, S+C renewals, and the SHP, S+C, and SRO programs, HUD uses two methods to distribute the funds to grantees — one for the ESG program and another for the three remaining programs. HUD awards the funds allocated to the ESG program through a formula allocation, and the SHP, S+C, and SRO program funds through a competitive application system. For this reason, the SHP, S+C, and SRO programs are sometimes called the competitive homeless assistance grants.

⁹ (...continued)
the total appropriation.

¹⁰ Department of Housing and Urban Development, “Notice of Funding Availability, Continuum of Care Homeless Assistance,” *Federal Register*, vol. 73, no. 133, July 10, 2008, p. 39849 [hereinafter FY2008 NOFA].

**Table 1. Funding for Homeless Assistance Grants,
FY1987-FY2008**

(\$ in thousands)

Fiscal Year	Emergency Shelter Grants (ESG) (a)	Single Room Occupancy (SRO) (b)	Shelter Plus Care ^a (S+C) (c)	Supportive Housing Program ^b (SHP) (d)	Total Funds for HUD Homeless Programs (see note) (e)
1987	60,000	35,000	—	59,000	195,000 ^c
1988	8,000	—	—	65,000	72,000
1989	46,500	45,000	—	80,000	171,500
1990	73,164	73,185	—	126,825	284,004 ^d
1991	73,164	104,999	—	149,988	339,414 ^e
1992	73,164	105,000	110,533	150,000	449,960 ^f
1993	49,496	105,000	266,550	150,443	571,489
1994	113,840	150,000	123,747	334,000 ^g	822,747 ^h
1995	155,218	136,000	164,000	630,000	1,120,000 ⁱ
1996	113,841	48,000	89,000	606,000	823,000
1997	113,727	24,000	61,000	663,000	823,000
1998	164,993	10,000	117,000	596,000	823,000
1999	150,000	17,000	151,000	556,000	975,000
2000	150,000	20,000	95,000	784,000	1,020,000
2001	149,670	14,000	174,000	760,000	1,122,525
2002	150,000	10,400	178,700	788,200	1,122,525
2003	149,025	11,200	237,000	865,400	1,217,037
2004	159,056	12,900	322,800	906,900	1,259,525
2005	158,720	14,000	304,400	860,900	1,229,214
2006	158,400	988	322,900	881,700	1,326,600
2007	160,000	1,600	383,000	942,200	1,441,600
2008 ^j	160,000	—	—	—	1,585,990

Sources: HUD Congressional Budget Justifications FY1988-FY2007 (all grants through FY1994, competitive grants from FY2002 to FY2005, and total funds for HUD homeless programs), HUD Community Planning and Development grantee list FY1993-FY2007 (ESG from FY1993 through FY2007), HUD's Office of Special Needs (competitive grants for FY1987 and from FY1995 through FY2001), and CRS analysis of HUD's award announcement for FY2006 and FY2007 competitive grants, available at [<http://www.hud.gov/offices/cpd/homeless/budget/index.cfm>].

Note: Until FY1995, Congress separately appropriated funds for each of the four homeless assistance grants. Since then, however, Congress has appropriated one amount for all four grants and HUD has divided the funds. Therefore, amounts in columns (a) through (d) in the years FY1987 through FY1994 represent appropriations, and those from FY1995 forward represent funds distributed to grantees. The amounts for each of the four separate grant programs may add up to more or less than the amount in column (e) "Total for HUD Homeless Programs," which is the amount appropriated for HUD homeless program activities in a given fiscal year. In some years, this could be due to the use of carryover funds, and in others, the sum of the four separate grants may add up to less than the total due to allocations to other funds like technical assistance, data collection, or the Interagency Council on the Homeless.

a. The S+C program was authorized in 1990 by P.L. 101-645 and first received funding in FY1992.

b. From FY1987 to FY1993, SHP was a demonstration program. In FY1987, it was called the Transitional Housing Demonstration Program (P.L. 99-591). SHP as it currently exists was authorized in P.L. 102-550.

c. The total includes \$15 million for the Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) program. In 1992, P.L. 102-550 incorporated elements of SAFAH and the Supportive Housing Demonstration Program into the new Supportive Housing Program.

d. The total includes \$10,830,000 for the SAFAH program.

e. The total includes \$11,263,000 for the SAFAH program.

- f. The total includes \$11,263,000 for the SAFAH program.
- g. In P.L. 103-124, Congress provided that of the amount appropriated for SHP, an amount not to exceed \$50 million could be used for the Safe Havens Demonstration Initiative and \$20 million for the Rural Housing Demonstration Program.
- h. The total includes \$100 million for the Innovative Homeless Initiatives Demonstration Program.
- i. The total includes \$25 million for the Innovative Homeless Initiatives Demonstration Program.
- j. FY2008 competitive grants (SHP, S+C, SRO) have not yet been awarded.

The Emergency Shelter Grants Program

The ESG program, the oldest of the four existing homeless assistance grants, was established one year prior to enactment of McKinney-Vento as part of the Continuing Appropriations Act for FY1987 (P.L. 99-591).¹¹ The funds distributed through the ESG program provide for the emergency shelter and service needs of homeless persons. The program uses the Community Development Block Grant (CDBG) program dual formula to distribute funds to both local communities (called “entitlement areas” and defined as metropolitan cities and urban counties¹²) and states (called “non-entitlement areas”) for distribution in communities that do not receive funds directly. The CDBG program formula is meant to distribute funds based on a community’s need for development; the ESG program has used the CDBG formula to target funds for homeless assistance since its inception.

After the CDBG formula determines the amount of ESG funds each state and community receives, they, in turn, allocate the funds to local government entities and nonprofit organizations that provide services for homeless persons. These recipient organizations may use funds for four main purposes: the renovation, major rehabilitation or conversion of buildings into emergency shelters; services such as employment counseling, health care, and education; homelessness prevention activities such as assistance with rent or utility payments; and operational and administrative expenses.¹³ States and communities must ensure that not more than 30% of the total ESG funds they receive is used for services, not more than 30% is used for homeless prevention activities, not more than 10% is used for staff costs, and not more than 5% is used for administrative costs.¹⁴

Distribution of ESG Funds

As a condition for receiving ESG funds, states and communities must present HUD with a consolidated plan explaining how they will address community

¹¹ The ESG program was initially part of H.R. 5313, which was incorporated into H.Rept. 99-1005, the Conference Report to accompany H.J.Res. 738, which became P.L. 99-591.

¹² See 42 U.S.C. 11373(a), which refers to the statute governing the Community Development Block Grant at 42 U.S.C. §§5302(a)(4)-(6). A metropolitan city is the central city within a metropolitan statistical area, or a city of 50,000 or more within a metropolitan statistical area, and an urban county is a county within a metropolitan area that has a population of 200,000 or more, or 100,000 or more if the county contains no incorporated areas.

¹³ 42 U.S.C. §11374(a).

¹⁴ Ibid.

development needs within their jurisdictions. The consolidated plan is required in order for communities to participate in four different HUD grant programs, including ESG.¹⁵ The plan is a community's description of how it hopes to integrate decent housing, community needs, and economic needs of low- and moderate-income residents over a three- to five-year time span.¹⁶ Consolidated plans are intended to be collaborative efforts of local government officials, representatives of for-profit and non-profit organizations, and community members. HUD may disapprove a community's consolidated plan with respect to one or more programs, although communities have 45 days to change their plans to satisfy HUD's requirements.¹⁷ If HUD disapproves the ESG portion of the plan, the applicant community will not receive ESG funds.

If HUD approves a community's consolidated plan, the community will receive ESG funds based on its share of CDBG funds from the previous fiscal year. However, the community must have received at least 0.05% of the total CDBG allocation to the states in order to qualify to receive ESG funds.¹⁸ In cases where a community would receive less than .05% of the total ESG allocation, its share of funds goes to the state to be used in areas that do not receive their own ESG funds.¹⁹ For example, if a community received 0.08% of the total CDBG allocation to the states in FY2000, it would receive that same percentage of ESG funds in FY2001. In FY2008, 361 states, cities, counties, and territories received ESG funds.²⁰ For an overview of how funds are distributed, see **Figure 1**.

After the recipient states and entitlement communities receive their ESG funds, they distribute them to local government entities or nonprofit organizations that provide services to homeless persons. These recipient organizations have been previously determined by the state or local government through an application process in which organizations submit proposals — HUD is not involved in this process. Each recipient organization must match the federal ESG funds dollar for dollar.²¹ The match may be met through the value of donated buildings, the lease value of buildings, salary paid to staff, and volunteer time counted at \$5 an hour.²²

¹⁵ The other programs are the Community Development Block Grant program, the HOME program, and the Housing Opportunities for Persons with AIDS (HOPWA) program.

¹⁶ 24 C.F.R. §91.1(a).

¹⁷ 24 C.F.R. §91.500.

¹⁸ 42 U.S.C. §11373.

¹⁹ 42 U.S.C. §11373(b).

²⁰ HUD Office of Community Development, available at [<http://www.hud.gov/offices/cpd/about/budget/budget08/index.cfm>].

²¹ 42 U.S.C. §11375(a).

²² Ibid.

The Three Competitive Homeless Assistance Grants and the Continuum of Care

The bulk of the funding for the homeless assistance grants is awarded to the three competitive grant programs: the SHP, S+C, and SRO programs. In FY2007 (the most recent year in which the grants were distributed), more than 89% of the total amount of funds distributed to the four grant programs went to the competitive grants. The composition of the homeless programs that are part of the competitive grant process has remained relatively stable since the passage of McKinney-Vento in 1987. The three existing programs have together comprised the competitive grants since FY1992. Both the SHP and the SRO program were part of the original McKinney Act in 1987, and the S+C program was added in 1990 (P.L. 101-645). Congress later made two other programs, the Safe Havens for Homeless Individuals Demonstration Program and the Rural Homeless Housing Assistance Program (both enacted in P.L. 102-550), part of McKinney-Vento, and gave HUD authority to allocate funds to them from the SHP appropriation. However, HUD never allocated funds.

An Overview of the Three Competitive Grants

The three competitive homeless assistance grants each perform somewhat different functions, but all three have a unified focus in that they concentrate on the longer-term needs of homeless individuals and families rather than their emergency requirements. These longer-term needs include transitional housing (up to 24 months), permanent housing, and supportive services. Supportive services are designed to help homeless individuals with a variety of issues that might prevent them from being able to find and maintain permanent housing (for example, employment counseling, health care, and child care). Differences among the programs occur in the eligible uses of funds, the way in which housing to homeless persons is provided, match requirements by grant recipients, and the eligible populations served. (For a breakdown of some of these distinctions, see **Table 2.**)

The Supportive Housing Program. The SHP provides funds for transitional housing for homeless individuals and families for up to 24 months, permanent housing for disabled homeless individuals, and supportive services.²³ In FY2007, slightly more than 71% of total HUD competitive grant funds went to recipients as SHP grants.²⁴ Eligible applicants for SHP grants include states, local government entities, public housing authorities (PHAs), private nonprofit organizations, and community mental health centers.²⁵ Grant recipients can provide housing together with services, or can choose to provide services only (without a housing program component). Specifically, funds may be used to acquire and/or

²³ At least 10% of total SHP funds must be used for supportive services, at least 25% must be used for projects that serve families with children, and at least 25% must be used for projects that serve homeless persons with disabilities. 42 U.S.C. §11389(b).

²⁴ HUD FY2007 Summary of Competition Awards Report, available at [http://www.hudhre.info/documents/2007_NationalHomelessAwardsSummary.pdf].

²⁵ 42 U.S.C. §11382(1).

rehabilitate buildings that will be used either to provide supportive housing or buildings that will be used to provide supportive services only. Funds may also be used to *construct* buildings that will be used for supportive housing (but not supportive services only).²⁶

In addition to financing physical structures, grantees may use funds to provide services like case management, health care, child care, housing assistance, nutritional counseling, and employment assistance. Grant recipients may provide these services themselves, or through contracts with outside providers. In addition, grant recipients may use funds to pay for up to 75% of their annual operating expenses and to help implement a Homeless Management Information System (HMIS)²⁷ to keep track of the homeless individuals served within their community.

Recipients of SHP grants are required to meet match requirements. All of the matching funds must be provided by cash sources,²⁸ but the level of non-federal funds required varies with the type of activity undertaken. Funds that are to be used for acquisition, rehabilitation, or new construction must be matched with an equal amount of the grant recipient's own funds.²⁹ Those SHP grantees that receive funds for supportive services must provide at least a 20% match with funds from other sources, while grantees that receive funds for operating expenses must provide at least a 25% match of these funds on their own.³⁰

The Shelter Plus Care Program. The S+C program provides permanent supportive housing through rent subsidies for disabled homeless individuals and their families. In FY2007, approximately 29% of total competitive grant funds went to S+C grantees.³¹ The S+C rent subsidies may be tenant-based vouchers, project-based rental assistance, or sponsor-based rental assistance.³² Eligible applicants for the S+C grants are states, local government entities, and PHAs.³³ The S+C program requires grant recipients to match the amount of grant funds they receive for rental assistance with an equal amount of funds that they will use to provide supportive

²⁶ 42 U.S.C. §11383.

²⁷ HMIS is a data collection, organization, and storage initiative to track and count homeless persons. For more information see CRS Report RL33956, *Counting Homeless Persons: Homeless Management Information Systems*, by Libby Perl.

²⁸ 24 C.F.R. §583.145.

²⁹ 42 U.S.C. §11386(e).

³⁰ FY2008 NOFA, pp. 39842-39843.

³¹ HUD FY2007 Summary of Competition Awards Report, available at [http://www.hudhre.info/documents/2007_NationalHomelessAwardsSummary.pdf].

³² 42 U.S.C. §§11404-11406b. In sponsor-based housing, recipient states, local governments, or PHAs contract with private nonprofit organizations or community mental health agencies to operate the housing. 24 C.F.R. §582.100(c).

³³ 42 U.S.C. §11403g(2).

services.³⁴ The services under S+C are similar to those provided in the SHP, and include activities like physical and mental health care, substance abuse counseling, child care services, case management, and educational and job training.³⁵ Grant recipients can fulfill their match requirement with cash, the value of a lease, salary expenses for employees, or the time of volunteers.

The Single Room Occupancy Program. The Single Room Occupancy (SRO) program provides permanent housing to homeless individuals in efficiency units similar to dormitories, with single bedrooms, community bathrooms, and kitchen facilities. In FY2007, 0.12% of total competitive funds awarded went to SROs.³⁶ The SRO program does not require homeless residents to have a disability and does not fund supportive services. Eligible applicants for SRO grants are PHAs and private nonprofit organizations.³⁷ SRO units are funded as part of HUD's Section 8 Moderate Rehabilitation program, which requires grant recipients to spend at least \$3,000 per unit to rehabilitate property to be used for SRO housing in order to bring the property into compliance with HUD's housing quality standards.³⁸ Grant recipients are reimbursed for the costs of rehabilitating SRO units through Section 8 rental assistance payments that they receive over a ten-year contract period. The costs of rehabilitation are amortized and added to a base rental amount. The maximum amount that a building owner can spend per unit and still be reimbursed is \$21,500 as of FY2008 (this amount is updated annually).³⁹ After the ten-year rental contracts expire, they are not renewed through the homeless assistance grant competition, but through a separate HUD account on an annual basis.⁴⁰

Resident Contributions To Housing Costs

In the SHP, S+C, and SRO programs, residents are asked to pay a portion of their income toward rent, if they are able. In all three programs, rent may not exceed the greater of 30% of adjusted income, 10% of gross income, or if a family receives welfare benefits, the portion of the benefit designated for housing costs.
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³⁴ 42 U.S.C. § 11403b(a).

³⁵ 24 C.F.R. §582.5.

³⁶ HUD FY2007 Summary of Competition Awards Report, available at [http://www.hudhre.info/documents/2007_NationalHomelessAwardsSummary.pdf].

³⁷ 42 U.S.C. §11401(j).

³⁸ 24 C.F.R. §882.802.

³⁹ HUD publishes the maximum amount of expenditures annually, taking account of changes in construction costs. See FY2008 NOFA, p. 39849.

⁴⁰ Ibid.

Table 2. Characteristics of the SHP, S+C, and SRO Programs

Program Characteristics	Supportive Housing Program (SHP)	Shelter Plus Care (S+C)	Single Room Occupancy (SRO)
Eligible Uses of Funds	<ul style="list-style-type: none"> - Transitional Housing - Permanent Housing - Supportive Services - Operating Expenses 	<ul style="list-style-type: none"> - Permanent Housing 	<ul style="list-style-type: none"> - Permanent Housing
Eligible Applicants	<ul style="list-style-type: none"> - States - Local Government Entities - PHAs - Private Nonprofits - Community Mental Health Centers 	<ul style="list-style-type: none"> - States - Local Government Entities - PHAs 	<ul style="list-style-type: none"> - PHAs - Private Nonprofits
Eligible Populations	<ul style="list-style-type: none"> - Families and Individuals (Transitional Housing and services only) - Disabled Individuals 	<ul style="list-style-type: none"> - Disabled individuals and their families 	<ul style="list-style-type: none"> - Individuals
Match Requirements	<ul style="list-style-type: none"> - Dollar for Dollar (Acquisition, Rehabilitation, or Construction) - 20% (Services) - 25% (Operating Expenses) 	<ul style="list-style-type: none"> - Equal amount of funds for services 	<ul style="list-style-type: none"> - No match requirement
FY2007 Percentage of Competitive Funds	71.01%	28.87%	0.12%

Source: The McKinney-Vento Homeless Assistance Act, Title IV, Subtitles C, E, and F, 42 U.S.C. §§11381-11389, 11401, and 11403-11407b. CRS analysis of HUD FY2007 competitive grant announcement, available at [<http://www.hud.gov/offices/cpd/homeless/budget/2007/index.cfm>].

Distribution of the Competitive Grants

The three competitive grants are distributed to eligible applicant organizations through a complex, multi-step process that involves both formula and competitive elements. HUD first uses the CDBG formula to determine the need levels of local communities (generally, a combination of cities and counties); the need level is effectively the maximum amount of funding that a given community can receive. HUD then determines through a competition whether applicant organizations that provide services to homeless persons qualify for funds. In the early years that the homeless assistance grants existed, individual homeless services providers applied to HUD directly for funds. However, since FY1996 HUD has required applicants to participate in a collaborative community process called the Continuum of Care (CoC) application system if they want to receive SHP, S+C, or SRO funds. For an overview of how funds are distributed, see **Figure 1**, at the end of this section.

The Continuum of Care. HUD developed the CoC as both a way for communities to plan services that will address the needs of homeless persons, and the method through which service providers apply for HUD funds.⁴¹ Under the CoC strategy, local communities establish CoC advisory boards made up of representatives from local government agencies and service providers who meet to establish local priorities and strategies to address homelessness in their communities. The CoC plan that results from this process is meant to contain elements that address the continuum of needs of homeless persons: prevention of homelessness, emergency shelter, transitional housing, permanent housing, and supportive services provided at all stages of housing.⁴² The CoC system was created in 1993 as the Innovative Homeless Initiatives Demonstration Program, a grant program that provided funding to communities so that they could become more cohesive in their approach to serving homeless people.⁴³ Since then, nearly every community in the country has become part of a CoC, with approximately 468 CoCs in existence as of 2008, including those in the territories.⁴⁴

Since the FY1996 grant application process for the competitive homeless assistance grants, the CoC system has also been the vehicle through which local service providers apply for HUD competitive grants.⁴⁵ The process of applying for the competitive homeless assistance grants begins at the local level when individual applicant organizations apply to their CoC advisory boards to be included in a unified CoC application to HUD for funding. Continuums have flexibility in how they set up their application processes, called the “review and ranking” process, and may have written guidelines available for applicants. HUD requires that the process be fair, and CoCs must explain in their grant applications to HUD the methods they use to ensure fairness, together with a list of any complaints they received from applicant organizations.⁴⁶ Applicant organizations may also address fairness and other concerns directly to HUD.

⁴¹ The development of the Continuum of Care system is described in *Priority: Home! The Federal Plan to Break the Cycle of Homelessness*, The U.S. Department of Housing and Urban Development, 1994, pp. 73-75.

⁴² Barnard-Columbia Center for Urban Policy, *The Continuum of Care: A Report on the New Federal Policy to Address Homelessness*, U.S. Department of Housing and Urban Development, December 1996, p. 9.

⁴³ See U.S. Department of Housing and Urban Development, “Funding Availability for Fiscal Year 1994 for Innovative Project Funding Under the Innovative Homeless Initiatives Demonstration Program,” *Federal Register* vol. 58, no. 243, December 21, 1993, pp. 67616-67618.

⁴⁴ “HUD-Defined CoC Names and Numbers Listed by State,” Revised April 2008, available at [<http://www.hud.gov/offices/adm/grants/nofa08/coclisting.pdf>].

⁴⁵ U.S. Department of Housing and Urban Development, “Continuum of Care Homeless Assistance; Funding Availability,” *Federal Register* vol. 61, no. 52, March 15, 1996, pp. 10865-10877.

⁴⁶ Exhibit I of Continuum of Care application, available at [<http://www.hud.gov/offices/adm/hudclips/forms/files/40090-1.doc>]. This document is from the 2007 application. For FY2008 funds, HUD implemented an online application system, and application materials are not available.

Each CoC selects the homeless assistance projects that it thinks should be funded and prioritizes them in a list that is included in an overall CoC application to HUD. The CoC application packet accompanying the list has multiple parts. It includes an overall CoC application with information about the CoC structure and assessment of community needs, and individual applications for each listed project that the CoC recommends for funding. Continuums send the entire application packet to HUD, which in turn determines the projects that will be funded, and how much funding each will receive. Note that HUD determines funding at the individual *project* level, not the CoC level, although HUD considers factors involving the CoC in making its decisions.

HUD Determination of CoC Pro Rata Need. Before the CoC applications even arrive at HUD, the agency goes through a process where it calculates each community's "pro rata need." Pro rata need is meant to represent the dollar amount that each community (cities and counties) needs in order to address homelessness. HUD determines a pro rata need amount for each community and then adds together the individual need amounts of the communities within a CoC to arrive at a pro rata need amount for the entire Continuum. This CoC pro rata need amount is essentially the maximum amount of HUD homeless assistance grant funds for which a CoC can qualify. Pro rata need does not include amounts needed to renew S+C contracts or amounts for new Samaritan Bonus or Rapid Re-Housing projects (these two latter projects are described in the next sections of this report). CoCs qualify for either a "preliminary pro rata need" (PPRN) level or a "hold harmless need" (HHN) level.

Preliminary Pro Rata Need. To calculate preliminary pro rata need, HUD takes the proportion of funds each community is entitled to under the ESG program (which uses the CDBG formula), and multiplies this proportion by the total amount of competitive funds available to grantees (after subtracting the amount needed for S+C renewals) to arrive at a dollar amount of preliminary pro rata need. For example, if a city is eligible for 0.08% of total ESG funds, and \$1.1 billion is available for the competitive homeless assistance grants in a given year, the dollar amount of preliminary pro rata need assigned to that community is \$960,000. The preliminary pro rata need amount for each city and county within a CoC is then added together to arrive at a total preliminary pro rata need amount for the CoC.

Hold Harmless Pro Rata Need. HUD applies a hold harmless level of need in cases where the total cost of a CoC's one-year renewal of SHP contracts exceeds the preliminary pro rata need amount. In these cases, an amount equal to the difference between preliminary pro rata need and the cost of SHP renewals is added to preliminary pro rata need to bring the CoC up to a hold harmless level (effectively this means that the cost of SHP one-year renewals is the hold harmless level). For example, a Continuum's total cost of renewing SHP contracts is \$4 million, but the preliminary pro rata need is only calculated to be \$2.3 million. The difference between these two amounts (\$1.7 million) is added to preliminary pro rata need (\$2.3 million) to arrive at the hold harmless need level of \$4 million. Beginning with the FY2005 grant competition, CoCs may choose to reallocate their hold harmless need from existing SHP projects to new projects under any of the three competitive grants. In the FY2008 competition, CoCs may also choose to reallocate SHP renewal funds to an HMIS project.

Final Pro Rata Need. Final pro rata need (FPRN) is the higher of PPRN or HHN. Whether the CoC is in PPRN status or HHN status, in order to receive sufficient funding for existing projects that must be renewed, the CoC must prioritize those renewal projects within the final pro rata need level, or they will not receive sufficient funding.

Threshold Review. When CoC applications arrive at HUD, the agency first goes through a threshold review of the individual project applications within each CoC application. In this process, HUD looks at various eligibility factors to ensure that every participant in the proposed projects (from applicant organizations to clients who will be served) are eligible for the homeless assistance grants for which they are applying. The following list is illustrative of the factors that HUD considers, and does not include every element that HUD reviews.⁴⁷

- HUD confirms that applicants are eligible by law to operate the program for which they are seeking funds. For example, only PHAs and private nonprofit organizations may operate an SRO project.
- Individual applicants must show an ability to provide matching funds for their projects.
- The applications must demonstrate that the proposed projects are eligible for funding, for example that the population to be served is eligible for assistance, that the projects will be accessible to persons with disabilities, that they are cost effective, and that the applicant organizations are participating (or will participate) in any local Homeless Management Information System.
- HUD assesses the potential quality of proposed projects by ensuring that the type of housing and its location fit the needs of participants, and that participants will be assisted with a variety of services.
- In order to receive funding, projects must comply with civil rights and fair housing requirements, employ, to the extent feasible, low- and very low-income persons, meet environmental requirements, and request funding in accordance with each grant's guidelines.

Scoring the Applications. In the final step, HUD reviews each individual project application and assigns points to each project that the Continuums have recommended for funding. Until the FY2008 competition, HUD awarded a total of 100 points in two categories: points for need (40 points) and for CoC factors (60 points). Need was based on each individual project's ranking within a CoC's application, while CoC factors were based on various characteristics and performance outcomes of CoCs. However, in the FY2008 competition, HUD eliminated points for need; instead, need is accounted for in the pro rata need determination process. The entire 100 points are now awarded on the basis of CoC factors. Note that even though points are based on CoC applications, points are awarded to individual

⁴⁷ For all of the eligibility factors, see FY2008 NOFA, pp. 39846-39849.

projects within the CoC application. This means that each project receives the same score.

The points that are awarded to projects on the basis of CoC factors are used to determine which projects will be funded. Projects that score above a certain point threshold will receive full funding up to their final pro rata need. In cases of ties, HUD has established a tie-breaking system.⁴⁸ The threshold number of points varies from year to year. In most years, 80-85 points have been required for a project to receive full funding. For example, in the 2006 competition, 86 points were needed.⁴⁹ However, in FY2007, only projects that scored 90.25 points or more received full funding.⁵⁰ Certain projects — SHP projects that CoCs propose for renewal, projects that CoCs propose to fund with reallocated SHP funds, and new HMIS projects — may still be funded even if they do not receive enough points to meet the threshold funding level, as long as the projects fall within their CoC's final pro rata need level. The SHP contract extensions may be made for up to one year in these cases.⁵¹

Points for Continuum of Care Factors. The CoC factors that HUD scores may vary from year to year. In the most recent Notice of Funding Availability for FY2008, there are five categories in which projects are scored.⁵²

- **CoC Housing, Services, and Structure:** HUD awards points for the existence of an inclusive and outcome-oriented community process to develop a CoC strategy, and a fair and impartial project review and selection process. The strategy should be comprehensive, addressing the continuum of services, and designed to serve all homeless subpopulations. In addition, the CoC should have created, maintained, and built upon housing and services available to meet the needs of homeless persons. A total of 14 points may be awarded in this category.
- **Homeless Needs and Data Collection:** This category awards points on the basis of a CoCs understanding of the number of homeless individuals in the CoC's area and their needs, as well as a CoC's progress in implementing an HMIS to track and provide an unduplicated count of homeless persons. A total of 24 points may be awarded in this category.
- **CoC Strategic Planning:** HUD awards points in this category to Continuums with 10-year plans to end chronic homelessness, and

⁴⁸ Ibid., p. 39853.

⁴⁹ Statement of Mark Johnston, Deputy Assistant Secretary for Special Needs, HUD Office of Community Planning and Development, FY2007 Continuum of Care NOFA Webcast, March 27, 2007, available at [<http://www.hud.gov/offices/cpd/homeless/index.cfm>].

⁵⁰ HUD SuperNOFA Broadcast slides, February 21, 2008, p. 8, available at [http://www.hudhre.info/documents/2007_debrief_broadcast.ppt].

⁵¹ FY2008 NOFA, p. 39852.

⁵² Ibid., pp. 39850-39852.

those with discharge policies for persons leaving institutional care (for example, correctional facilities, hospitals, or foster care). The category also considers whether CoCs propose projects that address unmet needs in the community, are able to estimate the cost to renew SHP and S+C projects for the next 5 years, and are able to leverage funds from other sources. A total of 16 points may be awarded in this category.

- **CoC Performance:** The factors considered in this category include steps that CoCs have taken to meet their goals, whether CoCs have increased the number of permanent housing beds for chronically homeless individuals, whether there has been a decrease in chronic homelessness, the success that homeless individuals have in remaining in permanent housing, the success of homeless individuals in gaining employment and access to available government programs and funds, the record of CoC projects in hiring low- and very low-income employees, the implementation of energy-efficiency measures in housing and community facilities, and the existence of a local plan to remove regulatory barriers to affordable housing. A total of 28 points may be awarded in this category.
- **Emphasis on Housing Activities:** Within this category, HUD awards points to Continuums based on the percentage of funds to be used to provide housing (versus services). CoCs need not use all funds for housing in order to receive the maximum number of available points. A total of 18 points may be awarded in this category.

Allocation of the Grants. Despite the fact that Continuums of Care serve as intermediaries between HUD and individual homeless service providers during the application process, funds go directly to service providers, not to the CoC. Projects receive funding for between one and ten years depending on the type of project and whether it is a new contract or a renewal. New SHP projects are funded for two or three years, while renewals are funded for one to three years.⁵³ Initial S+C contracts run for five years, renewals are made for one year at a time, and SRO projects are funded for ten years (renewals take place outside the homeless assistance grant application process).⁵⁴ Grant recipients enter into a grant agreement with HUD, and, if the grant involves construction, work must begin within 18 months of HUD's grant award letter and be completed within 36 months.⁵⁵ Activities that are not contingent on construction must begin within 12 months of receipt of the grant award letter.

⁵³ Ibid., p. 39848.

⁵⁴ Ibid., p. 39845.

⁵⁵ Ibid., p. 39854.

Special Activities

A Continuum of Care may qualify for funds in addition to those available through the final pro rata need process through either the Samaritan Housing Initiative or the Rapid Re-Housing Demonstration Program. Although the Samaritan Bonus has been part of the CoC competition since FY2005, until the FY2008 competition, funds for the bonus had been computed as part of the pro rata need process. FY2008 is the first year in which funds for the Samaritan Bonus are awarded separately. FY2008 is also the first year of the Rapid Re-Housing Demonstration Program. Congress included \$25 million for Rapid Re-Housing in the FY2008 Consolidated Appropriations Act (P.L. 110-161). Both programs are described below.

Samaritan Housing Initiative. HUD's Samaritan Bonus must be used by CoCs specifically to create new permanent supportive housing for chronically homeless individuals. A chronically homeless person is defined as an individual with a disabling condition who has been continuously homeless for one year or has had four episodes of homelessness in the last three years.⁵⁶ In the past, CoCs could not create more than one project with Samaritan Bonus funds, but in FY2008, CoCs may propose and receive funding for one or more projects. A CoC may qualify for additional funds under the Samaritan Bonus up to a maximum of 15% of its preliminary pro rata need or \$6 million, whichever is lower. For example, if a Continuum has a preliminary pro rata need of \$2 million with a hold-harmless level that brings its need level up to \$3 million, it may receive a Samaritan Bonus of \$300,000 (15% of \$2 million). In the FY2007 competition, 199 CoCs received the Samaritan Bonus totaling \$94 million.⁵⁷

Rapid Re-Housing Demonstration Program. Rapid Re-Housing is a process targeted to assist homeless families with dependent children that have one or more moderate barriers to achieving and maintaining permanent housing. Through supportive services to address these barriers, together with short-term housing assistance, the hope is that families will be able to maintain permanent housing. Among the moderate barriers that families must face in order to be eligible for Rapid Re-Housing services are (1) temporary financial strain, (2) inadequate employment or loss of employment, (3) inadequate childcare resources, (4) an ability to overcome a low level of education or command of the English language, (5) legal problems that can be addressed by a service provider, (6) minimal mental health issues or prior substance use, and (7) poor rental and credit history.⁵⁸

Rapid Re-Housing grantees will provide supportive services and transitional housing assistance to help families move to permanent housing as quickly as possible. Under the Rapid Re-Housing grant, service providers may provide transitional housing for one of two time periods, to be determined by the service

⁵⁶ 24 C.F.R. §91.5.

⁵⁷ HUD SuperNOFA Broadcast slides, February 21, 2008, p. 15, available at [http://www.hudhre.info/documents/2007_debrief_broadcast.ppt].

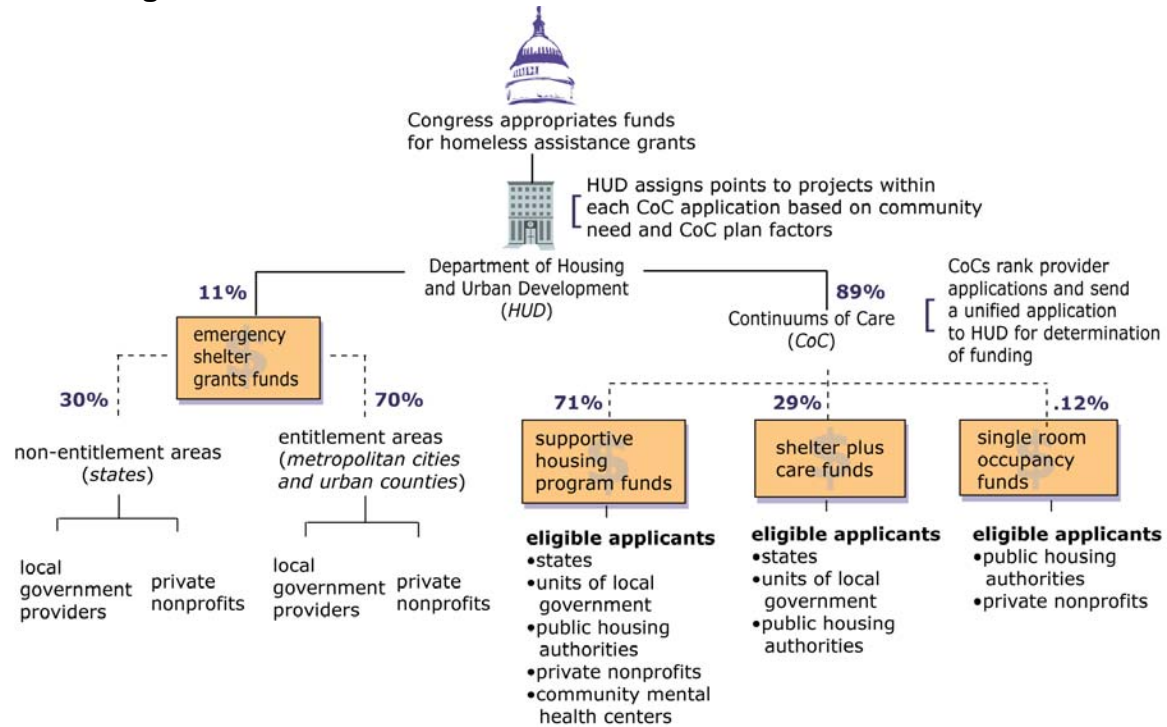
⁵⁸ FY2008 NOFA, p. 39846.

provider at the time it assesses the needs of a given family. These two time periods are either 3-6 months or 12-15 months. Grantees may not use more than 30% of funds for supportive services.⁵⁹

Rapid Re-Housing grants are awarded through a separate, 100-point competition in which each CoC may apply for only one grant. HUD will do a threshold review, much like the one HUD uses to determine eligibility of projects in the competition for the three competitive grants. Then, eligible applicants are scored on five factors: (1) experience in operating rapid re-housing projects, (2) the ability to assess the needs of families, (3) the applicant's relationship with other service providers in the community, (4) the ability to maintain affordable housing stock, (5) the existence of centralized intake, and (6) a threshold level of shelter beds that are reported in a homeless management information system within the CoC.⁶⁰ A CoCs score on the application for Rapid Re-Housing funds will be added to its CoC score in the competitive grant process to determine which projects will be funded.

⁵⁹ Ibid., p. 39843.

⁶⁰ Ibid., p. 39852.

Figure 1. Distribution of the HUD Homeless Assistance Grants

Source: Chart prepared by CRS on the basis of 42 U.S.C. §11373, “HUD FY2008 Notice of Funding Availability,” Federal Register, vol. 73, no. 133, July 10, 2008. Percentages are based on the FY2007 distribution of the Homeless Assistance Grants.

Legislation and Other Issues

Funding for the four homeless assistance grants was last authorized in FY1994 (P.L. 102-550). Since then no significant legislative changes have been made to any of the programs. In the ensuing years, however, there have been discussions in both Congress and the Administration about changing policies that would affect how the grants are distributed. These include consolidating the three competitive homeless assistance grants and giving more discretion to local communities, changing the way that renewals of the competitive SHP and S+C contracts are treated, and making changes to the factors in the CDBG formula.

McKinney-Vento Reauthorization Legislation in the 110th Congress

Two bills have been introduced in the 110th Congress that would reauthorize the McKinney-Vento homeless assistance grants. In the Senate, the Community Partnership to End Homelessness Act (S. 1518) was approved by the Committee on Banking, Housing, and Urban Affairs on September 19, 2007. In the House, the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act (H.R. 840) was approved by the House Financial Services Committee on July 31, 2008. Both bills would authorize the Homeless Assistance Grants at \$2.2 billion, beginning in FY2010 under H.R. 840 and FY2008 under S. 1518. Many of the differences between the two bills as introduced were resolved when the House Financial Services Committee marked up H.R. 840. This section describes the contents of the two bills after markup by their respective committees.

Consolidation of the Competitive Homeless Assistance Grants.

Both S. 1518 and H.R. 840 would remove the distinctions among the three competitive homeless assistance grants. Applicants would no longer have to apply for one of three grants, depending on the type of housing and services they wanted to provide. Instead, one consolidated grant would provide funds for permanent housing, transitional housing, supportive services, and homelessness prevention activities). In S. 1518, the consolidated program would be renamed the “Community Homeless Assistance Program;” in H.R. 840, it would be called the “Continuum of Care Program.”

Both S. 1518 and H.R. 840 would maintain some aspects of the current Continuum of Care application system and codify the system in law. Under both proposals, HUD would review applications from Collaborative Applicants — local entities that would determine funding priorities and jointly submit a single application to HUD on behalf of all local applicant organizations (much like the Continuum of Care). Currently, although CoCs submit one application, HUD must still review the individual project applications from organizations seeking funding. This change from separate project applications to a single CoC application would mean the difference between HUD reviewing hundreds rather than thousands of applications. However, H.R. 840 and S. 1518 would also allow individual organizations to apply directly to HUD for funds in certain circumstances. After reviewing the applications, HUD would then award funds directly to Collaborative Applicants to be distributed to individual organizations rather than to each individual

service provider (although in S. 1518, Collaborative Applicants would have to meet certain additional requirements in order to qualify to disburse funds).

Both bills would require certain set-asides to provide housing for homeless populations. H.R. 840 and S. 1518 would require that at least 30% of funds (not including those for permanent housing renewals) be used to provide permanent supportive housing to disabled individuals or families with an adult member who has a disability. This requirement would be reduced proportionately as communities increase permanent housing units for those individuals and families. S. 1518 and H.R. 840 would also both require that at least 10% of funds be used to provide permanent housing for families with children. Communities that are successful in reducing or eliminating homelessness through permanent housing would receive bonuses that they could use for any purpose, including homelessness prevention. The two bills would also institute a new program that would allow certain high-performing communities to have greater flexibility in the way that they use their funds. To be designated high-performing, a community would have to meet requirements regarding the average length of homelessness in their communities, repeat instances of homelessness, outreach activities, and effectiveness in reducing homelessness. Communities could then use funds for any eligible activity, without regard to the bill's requirements for permanent housing.

Although both H.R. 840 and S. 1518 would initially continue to use pro rata need to determine how funds are distributed, S. 1518 would require HUD to create a new formula for determining need within two years after the bill's enactment. HUD would be required to consider using the following factors in its formula: the number of homeless individuals in a geographic area, housing shortages, severe housing problems among extremely low-income households, and poverty rates. Another difference between the bills is that S. 1518 would renew all permanent housing contracts through the Section 8 project-based account, whereas H.R. 840 would make renewal through Section 8 optional if sufficient funds were available for year-long renewals of all Section 8 project-based contracts.

Definition of “Homeless” and “Chronically Homeless”. Both H.R. 840 and S. 1518 would expand the definition of “homeless individual” in that is codified in the McKinney-Vento Homeless Assistance Act.⁶¹ Under current law, a homeless individual is defined as an individual who lacks a fixed, regular, and adequate nighttime residence and who resides in a temporary shelter (including welfare hotels, congregate shelter, and transitional housing for the mentally ill), an institution (with qualifications), or a place not designed for human habitation.

S. 1518 would change the current definition of homeless individuals to include those residing in campgrounds and in transitional housing (not just transitional housing for the mentally ill, as in current law), as well as persons living in hotels or motels paid for by a government entity. In addition, S. 1518 would include in the definition persons or families who are sharing housing, but only if they (1) lack the resources to pay for decent and safe housing, (2) are permitted to remain in the shared housing for a short period of time, (3) have moved three or more times in the past

⁶¹ 42 U.S.C. §11302.

year or at least two times within the last 21 days, and (4) are not able to make a significant financial contribution toward the shared housing. S. 1518 would also include among homeless individuals those persons residing in a hotel or motel, with the same reservations as those sharing housing, however.

H.R. 840 makes similar changes to the definition of homeless individual. Initially, the version of H.R. 840 introduced in the House would have expanded the definition of homeless individual to include persons who are sharing housing due to economic hardship; those living in hotels, motels, or campgrounds due to a lack of alternative accommodations; and those living in substandard housing. However, at markup, the House Financial Services Committee adopted a definition of homelessness in H.R. 840 similar to the definition in S. 1518. A person or family would be considered homeless if they are being evicted from their residence within 14 days, if they are residing in a hotel and do not have the resources to stay for more than 14 days, or if they are living with another family and there is credible evidence that they will not be able to stay for more than 14 days. The bill would also consider homeless anyone who is fleeing a situation of domestic violence or other life-threatening condition. In addition, H.R. 840 would allow communities to serve families with children or unaccompanied youth who are defined as homeless under other federal programs under certain circumstances (for example the Education for Homeless Children and Youth program, Head Start, and the Runaway and Homeless Youth program).

Both H.R. 840 and S. 1518 would expand the current definition of “chronically homeless,” which is defined in regulation.⁶² Under the regulation, the term currently is defined as an *unaccompanied individual* who has been homeless continuously for one year or on four or more occasions in the last three years, and who has a disability. The two bills would include in the definition homeless *families* with an adult member who has a disability. In addition, the definition in both H.R. 840 and S. 1518 would include persons released from institutions as long as, prior to entering the institution, they otherwise met the definition of chronically homeless, and had been institutionalized for fewer than 90 days.

Homelessness Prevention. Both S. 1518 and H.R. 840 would expand the opportunities for grantees to engage in homelessness prevention activities. Currently, only ESG funds may be used for homelessness prevention. H.R. 840 and S. 1518 would expand the eligible activities and funding level of the Emergency Shelter Grants Program and would rename it the “Emergency Solutions Grants Program.” Both bills would allocate 20% of funds made available by Congress for the homeless assistance grants to the newly named program (currently somewhere between 11% and 15% of funds are reserved for the ESG program). H.R. 840 and S. 1518 would expand the list of supportive services that could be provided with ESG program funds, and would allow funds to be used for short- or medium-term rental assistance and housing relocation and stabilization services for individuals and families at risk of homelessness. Under the updated ESG program in S. 1518, not more than 60% of funds could be used for emergency shelter and supportive services related to emergency shelter and street outreach, reserving 40% of funds for rental assistance

⁶² 24 C.F.R. §91.5.

and rehousing services for those at risk of homelessness. Under H.R. 840, at least 50% of funds would be reserved for activities such as rental assistance and housing relocation for persons at risk of homelessness.

Rural Homelessness. In the area of rural homelessness, both H.R. 840 and S. 1518 would retain portions of McKinney-Vento’s rural homelessness grant program (Title IV, Subtitle G of McKinney-Vento), a program that has not been funded, as the Rural Housing Stability Assistance Program. The program would reserve not less than 5% of Community Homeless Assistance Program/Continuum of Care Program (CHAP/CoC) funds for rural communities and allow grantees in rural communities to apply separately for funds that would otherwise be awarded as part of the consolidated grant program. Unlike the CHAP/CoC program, however, rural communities would be able to serve persons who do not meet HUD’s definition of “homeless individual”; S. 1518 provides that HUD may award grants for the costs of assisting those in the worst housing situations in their geographic area, those in imminent danger of losing housing, and the lowest-income residents in the community. H.R. 840, would allow rural communities to assist those at risk of homelessness, those in imminent danger of losing housing, and the lowest-income residents in the community. Under H.R. 840, the term “at risk of homelessness” means an individual or family with income at or below 30% of area median income, who has insufficient income to attain housing stability, who has moved frequently for economic reasons, and who lives in unstable housing (examples of unstable housing are enumerated in the bill).

Renewals of the Competitive Homeless Assistance Grants

In recent years Congress has shown some concern about the cost of renewing existing permanent supportive housing contracts through the S+C and SHP programs, while also funding new permanent housing units.⁶³ Currently a large percentage of competitive homeless assistance grant funds are used to renew existing SHP and S+C contracts. For example, in FY2007 more than 85% of competitive grant funds were used to renew existing contracts. (For the percentage allocation of the FY2007 competitive grants see **Figure 2**.) Since FY2001, Congress has set aside funds for S+C renewals in order to protect the existing permanent housing contracts, but SHP renewals are not similarly protected. They are simply part of the competition for all remaining funds.

Congress has also shown concern over sufficient funds for both new and renewal projects due to the need for additional housing facilities to meet the needs of chronically homeless individuals.⁶⁴ The “chronically homeless” are defined as

⁶³ In order to better anticipate the need for renewal funds, beginning in FY2002, Congress asked HUD to estimate five-year projections for renewing SHP and S+C contracts. Conference Report to accompany H.R. 2620, *Department of Veterans’ Affairs, Housing and Urban Development, and Independent Agencies Appropriation Act*, 107th Cong., 1st sess., November 6, 2001, H.Rept. 107-272. HUD has provided these estimates in its FY2003, FY2006, and FY2007 Congressional Budget Justifications.

⁶⁴ See, for example, Senate Committee on Banking, Housing and Urban Affairs, (continued...)

disabled individuals who have been homeless continuously for a year or more, or have had at least four episodes of homelessness in three years.⁶⁵ In 2002, President Bush established an initiative to end chronic homelessness within ten years, and as a result, many states and communities are making efforts to provide housing for chronically homeless individuals. It is estimated that 150,000 to 200,000 new housing units are needed in this effort. In FY2007, 25% of competitive grants — approximately \$330 million — funded projects for chronically homeless individuals.⁶⁶ In the same year, HUD estimated that 20,000 chronically homeless individuals moved into permanent supportive housing.⁶⁷

HUD has changed the way it calculates pro rata need in order to help CoCs to free up funds for new permanent housing projects. With the FY2005 competition for available funds, HUD enabled CoCs to eliminate funding for existing SHP projects from their priority lists while still qualifying for the hold harmless level of pro rata need funds that would have been required to renew those SHP projects. This enables the funds that otherwise would have been directed toward renewals to be used to create new permanent housing projects.⁶⁸ Although this allows CoCs to defund projects that they do not think should receive grants, it does not address what CoCs can do about renewing projects they think are worth funding while also funding projects that would create new housing.

⁶⁴ (...continued)

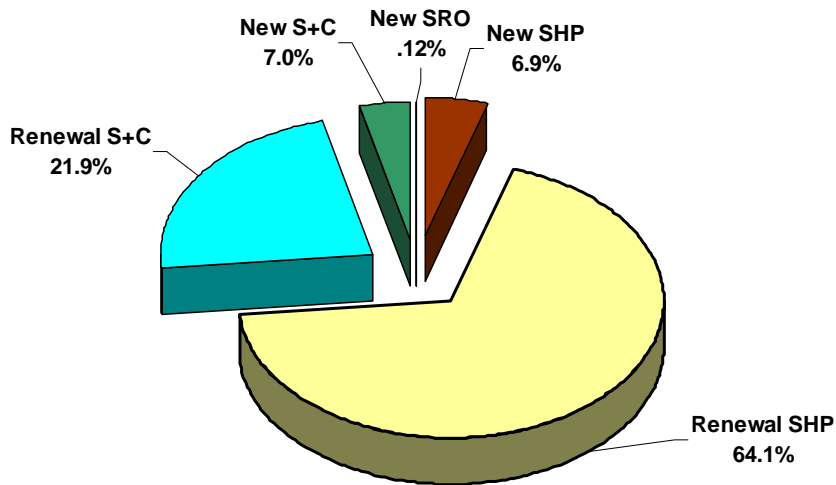
Subcommittee on Housing and Urban Development, *HUD's Fiscal Year 2003 Budget and Legislative Proposals*, 107th Cong., 2nd sess., February 13, 2002, S. Hrg. 107-839, pp. 14-16, available at [http://banking.senate.gov/_files/107839.pdf].

⁶⁵ *Federal Register* vol. 71, p. 6961.

⁶⁶ HUD FY2007 Summary of Competition Awards Report, available at [http://www.hudhre.info/documents/2007_NationalHomelessAwardsSummary.pdf].

⁶⁷ HUD SuperNOFA Broadcast slides, February 21, 2008, p. 16, available at [http://www.hudhre.info/documents/2007_debrief_broadcast.ppt].

⁶⁸ U.S. Department of Housing and Urban Development, "Notice of Funding Availability, Continuum of Care Homeless Assistance," *Federal Register*, vol. 70, no. 53, March 21, 2005, pp. 14283-14284.

Figure 2. FY2007 Percentage Allocation of Competitive Grants

Source: HUD FY2007 Summary of Competitive Awards Report, available at [http://www.hudhre.info/documents/2007_NationalHomelessAwardsSummary.pdf].

Emphasis on Housing

The Continuum of Care system was designed to give communities freedom to determine the needs of their homeless individuals and to support programs that meet those needs. However, both HUD and the Administration, through its initiative to end chronic homelessness, have come to favor, to some degree, the use of HUD funds for the provision of housing, and specifically housing for the chronically homeless individuals.⁶⁹ In FY2007, more than 60% of competitive grant funds went to provide housing for homeless persons.⁷⁰ Of the Continuum of Care funds distributed in FY2007, nearly 25% funded projects for chronically homeless individuals.⁷¹ According to HUD, the emphasis on housing activities is due to the fact that it is the only agency that provides funds for housing, while other agencies provide funds for supportive services.⁷²

⁶⁹ A chronically homeless person is defined as an individual with a disabling condition who has been continuously homeless for one year, or has had four episodes of homelessness in the last three years.

⁷⁰ HUD SuperNOFA Broadcast slides, February 21, 2008, p. 14, available at [http://www.hudhre.info/documents/2007_debrief_broadcast.ppt].

⁷¹ Ibid., p. 15.

⁷² Statement of Mark Johnston, Deputy Assistant Secretary for Special Needs, HUD Office of Community Planning and Development, FY2006 Continuum of Care NOFA Webcast, March 28, 2006.

The CoC application process awards additional CoC points to project applicants in Continuums that emphasize housing needs over supportive services. Through FY2007, the number of points in the “emphasis on housing” category increased as a proportion of total points. Beginning with the FY2002 competition, 8.3% of available points were awarded in this “emphasis on housing” category, in FY2003 and FY2004, emphasis on housing made up 16.7% of total points, and in competitions from FY2005 through FY2007, 20% of points were awarded in this category. In FY2008, the 18 points available for emphasis on housing activities represent 18% of total points. Applicants receive more points the higher the percentage of funds their CoC proposes to devote to housing activities.

The President’s initiative to end chronic homelessness has brought focus upon the need for housing due, in part, to research showing that providing permanent supportive housing for severely mentally ill individuals who are chronically homeless is less expensive than allowing them to remain on the street.⁷³ HUD has incorporated the needs of chronically homeless individuals in the Continuum of Care application system for the competitive homeless assistance grants. HUD awards CoC points to applicants if their CoCs have developed 10-year plans to end chronic homelessness.⁷⁴ In addition, under the Samaritan Housing Initiative, CoCs can receive additional funds for permanent supportive housing projects for chronically homeless individuals.

The Role of the Community Development Block Grant Formula

Recently, both HUD and Congress have considered the possibility of changing factors in the CDBG formula. The CDBG formula has determined how ESG funds are distributed since the inception of the program in 1986, and has been used in the distribution of the competitive grants since at least FY1995. Over the years, the effectiveness of using the CDBG formula to target funds to services for homeless persons has been questioned. Two General Accounting Office (now Government Accountability Office) reports from the late 1980s noted that the CDBG formula might not be the best way to target funds to areas that most need homeless assistance funds.⁷⁵ Congress, too, has questioned the relationship between the formula and homelessness. In FY2001, the Senate Appropriations Committee noted that “the CDBG formula has no real nexus to homeless needs,” and urged HUD to hasten its

⁷³ See Dennis P. Culhane, Stephen Metraux, and Trevor Hadley, “Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illnesses in Supportive Housing,” *Housing Policy Debate*, vol. 13, no. 1 (2002), p. 107, available at [http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_1301_culhane.pdf].

⁷⁴ FY2008 NOFA, p. 39851.

⁷⁵ U.S. General Accounting Office, *Homelessness: Implementation of Food and Shelter Programs Under the McKinney Act*. GAO/RCED-88-63. December 1987, p. 33, available at [<http://archive.gao.gov/d29t5/134578.pdf>], and *Homelessness: HUD’s and FEMA’s Progress in Implementing the McKinney Act*. GAO/RCED-89-50. May 1989, pp. 46-48, available at [<http://archive.gao.gov/d25t7/138597.pdf>].

development of a method for counting homeless individuals.⁷⁶ HUD responded with a report that proposed alternative methods for determining community need for homeless assistance.⁷⁷ Nonetheless, HUD continues to use the CDBG formula, and changes to it would result in a different funding distribution for homeless assistance funds.

The Current CDBG Formula. The CDBG program was enacted to target funds to communities that are in need of community development. It awards funds to metropolitan cities and urban counties (70% of funds) and to the states for use in areas that do not receive funds directly (30% of funds).⁷⁸ The CDBG formula uses a combination of five factors to award funds to recipient communities. (The CDBG formula uses four separate methods to award funds; this paper does not discuss the details of these methods.) The five factors are population, the number of persons in poverty, housing overcrowding (homes in which there is more than 1.01 persons per room), the age of housing (the number of housing structures built prior to 1940), and the extent of growth lag in a given community (the lack of population growth in a community compared to the growth rate it would have had if it had grown at the rate of other communities).⁷⁹ The factors are measured as ratios between the recipient community and all grant recipients. The CDBG formula was last changed in 1977 (P.L. 95-128).

Proposed Changes to the CDBG Formula. In 2005, HUD issued a report that both analyzed the effectiveness of the CDBG formula in targeting communities that are in need of development and proposed alternative factors for the formula.⁸⁰ The HUD report reviewed several shortcomings of the formula. Among its criticisms was that the use of the population variable means that some fast-growing communities with low development needs may still receive increasing CDBG grants.⁸¹ Another criticism was that the poverty variable may provide college towns with a disproportionate share of funds by counting college students as living in poverty.⁸² A third potential problem with the formula the report noted was that the age of housing and growth lag factors do not necessarily reflect communities' needs for development. In some communities, housing built prior to 1940 has been rehabilitated and gentrified, while in others it has been torn down or subject to

⁷⁶ S.Rept. 106-410. The statement was made regarding the competitive homeless assistance grants.

⁷⁷ U.S. Department of Housing and Urban Development. Office of Community Planning and Development. *Report to Congress: Measuring "Need" for HUD's McKinney-Vento Homeless Competitive Grants*, 2001.

⁷⁸ 42 U.S.C. §§5306(a) - (d).

⁷⁹ 42 U.S.C. § 5306.

⁸⁰ Todd Richardson, *CDBG Formula Targeting to Community Development Need*, U.S. Department of Housing and Urban Development, February 2005, available at [<http://www.huduser.org/Publications/pdf/CDBGAssess.pdf>].

⁸¹ *Ibid.*, p. 46.

⁸² *Ibid.*, p. 47.

neglect.⁸³ As a result, some communities with refurbished pre-1940s housing may qualify for more CDBG funds than deteriorating communities that have demolished their older housing.

Shortly after the release of HUD's report, Congress held a series of hearings about the CDBG program and discussed the formula, among other issues.⁸⁴ A House of Representatives' report issued in January 2006 made a number of recommendations, including that there be periodic review of the CDBG formula, and that HUD and GAO together should discuss methods for determining need and alternative formula criteria.⁸⁵ In May 2006, HUD released proposed legislation that would change factors in the CDBG formula and the way funds are distributed.⁸⁶ The proposed legislation would have added three new factors: the number of female-headed households, the number of housing units over fifty years old and occupied by households in poverty, and per capita income. It also would have excluded college students from the number of households living in poverty, and the population and growth lag factors would have been eliminated. Congress did not consider legislation in the 109th Congress that would have made these changes to the formula, and as of the date of this report, no legislation has been introduced in the 110th Congress.

⁸³ Ibid., pp. 48-50.

⁸⁴ House Committee on Government Reform, Subcommittee on Federalism and the Census, *A Top to Bottom Review of the Three-Decades-Old Community Development Block Grant Program: Is the CDBG Program Still Targeting the Needs of Our Communities*, 109th Cong., 1st sess., March 1, April 26, and May 24, 2005 (Washington: GPO, 2005).

⁸⁵ House Committee on Government Reform, Subcommittee on Federalism and the Census, *Bringing Communities Into the 21st Century: A Report on Improving the Community Development Block Grant Program*, 109th Cong., 2nd sess., H.Rept. 109-365 (Washington: GPO, 2006) p. 66.

⁸⁶ The proposed legislation, The Community Development Block Grant Reform Act of 2006, is available at HUD's website [<http://www.hud.gov/content/releases/pr06-056act.pdf>].