

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

HOMELESS ASSISTANCE GRANTS

PROGRAM HIGHLIGHTS

	<u>ACTUAL</u> 2002	<u>ESTIMATE</u> 2003	<u>ESTIMATE</u> 2004	INCREASE + DECREASE - <u>2004 vs 2003</u>
(Dollars in Thousands)				
<u>Program Level:</u>				
Obligations				
Homeless Assistance Grants ..	\$994,358	\$1,137,500	\$1,365,000	\$227,500
Shelter Plus Care Renewals ..	<u>56,877</u>	<u>18,000</u>	<u>897</u>	<u>-17,103</u>
Subtotal	1,051,235	1,155,500	1,365,897	210,397
<u>Appropriations: (Enacted or</u>				
<u>Proposed)</u>				
Homeless Assistance Grants	1,122,525	1,129,500	1,325,000	195,500
Shelter Plus Care Renewals ....	... a/	...	<u>[194,000]</u>	<u>[194,000]</u>
Subtotal	1,122,525	1,129,500	1,325,000	195,500
<u>Budget Outlays</u>				
Homeless Assistance Outlays ...	1,019,127	1,056,900	1,174,000	117,100
Shelter Plus Care Renewals	<u>25,172</u>	<u>35,000</u>	<u>37,000</u>	<u>2,000</u>
Subtotal	1,044,299	1,091,900	1,211,000	119,100
a/ Shelter Plus Care renewals in fiscal year 2002 were funded on a priority basis within the HAG account.				

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2004 Budget proposes \$1.325 billion for a consolidated homeless assistance program. Of the \$1.325 billion requested, up to \$194 million will be used for Shelter Plus Care Renewals. HUD proposes that its various current competitive homeless assistance programs be consolidated into a single program. The homeless program will continue to reserve an estimated \$150 million for the formula Emergency Shelter Grant program. This request provides significant support for the Department's ongoing Strategic Objective to end chronic homelessness and move homeless families to permanent housing, as well as to meet the needs of the entire homeless population. The consolidated program will significantly streamline homeless assistance in this nation; better enabling communities to both reduce homelessness in general and to end chronic homelessness over a decade.

The proposed consolidation of HUD's array of homeless assistance programs into a single program will make several significant and systemic improvements. First, HUD's method of providing homeless assistance will be greatly simplified. Second, HUD's approach will be comprehensive. Third, HUD will be able to provide more resources, particularly for permanent housing. Fourth, funds will be available for planning and to serve persons more comprehensively, effectively and in a more timely fashion. These program features are described in more detail.

Simplification. HUD's current array of homeless assistance programs is unnecessarily prescriptive and complex. Since each has a different set of eligible clients, applicants, activities, projects, match requirements and term length, it is possible for communities through streamlining to more creatively and effectively use HUD homeless resources to address their local needs. The new program will provide communities significant flexibility. The program will serve all homeless subpopulations, not just particular ones. The program will have a single menu of eligible activities, not different menus of activities for different types of projects. The new program will have a single match requirement for all activities instead of different match requirements for each activity and program. This simplification and flexibility will allow each community to more effectively and creatively address their local needs.

Comprehensive. HUD's current programs do not provide a complete continuum of assistance. In particular, none of HUD's current competitive programs can be used to prevent homelessness. This is a significant weakness in the current approach. The only funding available for

prevention is through the Emergency Shelter Grants program. Prevention would be one of the eligible activities of the new program. Moreover, preventing homelessness among persons being discharged from public institutions would be emphasized.

More Housing. Any solution to homelessness must emphasize housing. In fiscal year 2004, more housing will be provided. After \$194 million for 1-year renewals of Shelter Plus Care needs, the \$1.115 billion in grant funding requested for 2004 represents a modest increase over the \$1.109 billion requested for 2003. In keeping with Congressional direction that a portion of HUD's homeless funds be used for permanent housing, HUD proposes that at least 30 percent of a grantee's funds be used for permanent housing projects. Additionally, reduced match requirements for housing costs and other housing incentives will result in more housing becoming available for homeless persons.

Better Use of Funds. The current programs provide no funding for strategic local planning and oversight of homeless projects. As a result, many communities are not able to strategically develop effective long-term plans to reduce homelessness and end chronic homelessness. HUD would provide funds to grantees for administration and community planning to help ensure that thoughtful planning of homeless systems and the effective use of HUD funds takes place. Finally, the effective use of funds will be more systematically assessed before projects are renewed. Periodic outcome-based performance evaluations will be required of each project.

EXPLANATION OF INCREASES AND DECREASES

This Budget proposes \$1.325 billion for Homeless Assistance in fiscal year 2004, including \$1.309 billion for homeless assistance grants, \$12 million for technical assistance, \$2.6 million to be transferred to the Working Capital Fund for systems development and \$1.5 million for the United States Interagency Council on Homelessness. Outlays will increase by \$119 million. The additional funds above 2003 will allow an estimated 260,000, (180,000 move to transitional housing and 80,000 move to permanent housing), more people to access the HUD McKinney-Vento programs.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. The existing Homeless assistance programs are authorized under the McKinney-Vento Homeless Assistance Act of 1987, as amended. Authorization legislation will be submitted for the proposed consolidation.

2. Program Area Organization. The need for homeless assistance remains acute. In December 2001, the U.S. Conference of Mayors released a study on "homelessness and hunger" in 27 major cities. This study indicated that requests for emergency shelter increased by 13 percent, with 81 percent of the cities reporting an increase. An average of 37 percent of requests for emergency shelter by homeless people overall and 52 percent of requests by homeless families are estimated to have gone unmet during the last year. In fact, it is estimated that over 600,000 persons are literally homeless on any given night and that over the course of a year more than 2 million persons are homeless.

The current Continuum of Care (CoC) system has helped to address the issues that lead to homelessness through a community-based process that provides a comprehensive response to the different needs of homeless individuals and families. A coordinated housing and service delivery approach helps communities plan for and provide a balanced response to homelessness. Communities have worked to establish more cost-effective continuums that identify and fill gaps in housing and services that are needed to move homeless families and individuals into permanent housing. The CoC system attempts to serve the specific needs of all homeless sub-populations within a particular community. It is an inclusive process that is coordinated with non-profit organizations, State and local governmental agencies, service providers, private foundations, law enforcement, local businesses, and homeless or formerly homeless persons.

A typical local CoC would include such components as outreach and assessment to identify an individual's or family's needs and connect them to appropriate facilities and services; immediate shelter as a safe, decent alternative to the streets; transitional housing with appropriate supportive services, such as job training, job placement, child care, substance abuse treatment, mental health services and instruction in independent living skills; and permanent housing or permanent supportive housing. With a coordinated local approach, the community can design a strategy that works best to assist homeless persons and families in achieving permanent housing and self-sufficiency. This planning model is based on the understanding that homelessness is not caused merely by a lack of shelter, but involves a variety of unmet needs-- physical, economic, and social.

For 2004, HUD seeks to substantively strengthen the continuum approach in order to both reduce homelessness overall and, particularly, to end chronic homelessness. HUD proposes to replace the existing separate competitive programs with a single comprehensive grant program. The comprehensive program would replace the:

- Supportive Housing Program (SHP), with its five sub-programs (Transitional Housing, Permanent Housing for Persons with Disabilities, Supportive Services Only, Safe Havens, and Innovative);

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- Shelter Plus Care, with its 5 sub-programs (Tenant-based, Sponsor-based, Project-based without Rehabilitation, Project-based with Rehabilitation, and SRO);
- Section 8 SRO Program;
- Safe Havens for Homeless Individuals Demonstration Program;
- Rural Homeless Housing Assistance program; and
- Innovative Homeless Demonstration Program.

a. Program Purpose. HUD's homeless assistance programs provide Federal support to one of the nation's most vulnerable populations while working to end chronic homelessness in 10 years. These grants assist localities in establishing systems that can address the needs of different homeless populations while providing coordinated CoC systems that ensure the support necessary to help those who are homeless to attain permanent housing and move toward self-sufficiency.

b. Eligible Participants. Eligible participants will be non-profit organizations, cities, counties, public housing authorities and States. Broad community participation in the development and implementation of a homeless strategy is encouraged to facilitate comprehensive, effective and coordinated approaches to homelessness.

c. Eligible Activities. The new program would have a common set of eligible activities (e.g., acquisition and rehabilitation, new construction, operating costs, leasing, rental assistance, supportive services, and administration, and other activities). This would replace the different sets of eligible activities currently provided by each of the existing HUD homeless assistance programs. These activities could be used to support the following types of eligible projects: prevention, emergency assistance, transitional housing, and permanent housing.

The comprehensive program would also have a single match requirement of the funds drawn. This would greatly simplify the various match requirements currently in place. An example of the current complexity with which grantees must operate are the match requirements contained in the Supportive Housing Program, HUD's largest homeless assistance program. By law, SHP funds can be no more than 50 percent of the total acquisition, rehabilitation and new construction cost (and statutory caps limit how much can be requested for these activities); no match requirement exists for leasing; SHP can pay no more than 75 percent of the total operating costs; and no match requirement is authorized for supportive services (though Appropriations Acts have required in recent years yet another match percentage (25 percent) for supportive services). In addition to simplifying the match requirement, the program would not have cost caps for acquisition, rehabilitation, and new construction of housing. Currently caps serve to limit communities in developing more housing.

d. Program Allocation. Funds will be allocated through a national competition and through a formula for the Emergency Shelter Grants portion of the account.

This Budget also requests \$12 million for technical assistance, a transfer of \$2.6 million to the Working Capital Fund and \$1.5 million for the United States Interagency Council on Homelessness. The \$2.6 million to be transferred to the Working Capital Fund would be used for CPD programs/system development and enhancements.

The \$12 million for technical assistance will be used to educate grantees and recipients on how the new program will work, as well as to address such local issues as capital financing for initial acquisition and rehabilitation and to assist communities with their Homeless Management Information Systems (HMIS).

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STATUS OF FUNDS

1. Authorization. Homeless assistance programs are authorized under the McKinney-Vento Homeless Assistance Act of 1987, as amended. Authorizing legislation is required to implement the new consolidated program.

2. Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year for the Homeless Assistance Grants and Shelter Plus Care Renewals:

	<u>ACTUAL</u> <u>2002</u>	<u>ESTIMATE</u> <u>2003</u>	<u>ESTIMATE</u> <u>2004</u>
	(Dollars in Thousands)		
Unobligated balance, start of year	\$1,483,791	\$1,601,666	\$1,575,666
Appropriation:			
Homeless Assistance Grants	\$1,122,525	\$1,129,500	\$1,325,000
Shelter Plus Care Renewals . . . . .	. . .	. . .	[194,000]
Recovery of Prior Year Amounts	47,584	. . .	. . .
Transferred to other account	-999	. . .	. . .
Total Available	<u>2,652,901</u>	<u>2,731,166</u>	<u>2,900,666</u>
Obligations incurred:			
Homeless Assistance Grants	-994,358	-1,137,500	-1,365,000
Shelter Plus Care Renewals	-56,877	-18,000	-897
Total Obligations	<u>-1,051,235</u>	<u>-1,155,500</u>	<u>-1,365,897</u>
Unobligated balance, end of year:			
Homeless Assistance Grants	1,582,769	1,574,769	1,534,769
Shelter Plus Care Renewals	<u>18,897</u>	<u>897</u>	<u>. . .</u>
Total Unobligated Balance End of Year	<u>1,601,666</u>	<u>1,575,666</u>	<u>1,534,769</u>

b. Obligated Balances. The status of obligated balances for the Homeless Assistance Grants and Shelter Plus Care Renewals is as follows:

	<u>ACTUAL</u> <u>2002</u>	<u>ESTIMATE</u> <u>2003</u>	<u>ESTIMATE</u> <u>2004</u>
	(Dollars in Thousands)		
Obligated balance, start of year	\$2,522,413	\$2,481,765	2,545,365
Obligations incurred:			
Homeless Assistance Grants	994,358	1,137,500	1,365,000
Shelter Plus Care Renewals	<u>56,877</u>	<u>18,000</u>	<u>897</u>
Subtotal	<u>3,573,648</u>	<u>3,637,265</u>	<u>3,911,262</u>
Outlays:			
Homeless Assistance Grants	-1,019,127	-1,056,900	-1,174,000
Shelter Plus Care Renewals	<u>-25,172</u>	<u>-35,000</u>	<u>-37,000</u>
Total Outlays	<u>-1,044,299</u>	<u>-1,091,900</u>	<u>-1,211,000</u>
Adjustment in unexpired accounts.	-47,584	. . .	. . .
Obligated Balance, end of year:			
Homeless Assistance Grants	2,427,931	2,508,531	2,699,531
Shelter Plus Care Renewals	<u>53,834</u>	<u>36,834</u>	<u>731</u>
	<u>2,481,765</u>	<u>2,545,365</u>	<u>2,700,262</u>

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ADMINISTRATIVE EXPENSES

FTE/OBJECT CLASS	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
FTE			
Headquarters	48	54	54
Field	136	152	159
Total FTE	184	206	213
S&E Cost (Dollars in Thousands)			
Personal Services	\$15,974	\$18,332	\$19,476
Travel	184	180	196
Printing	130	100	105
Other Services	522	556	742
Supplies	16	7	7
Total S&E Cost	\$16,826	\$19,175	\$20,526