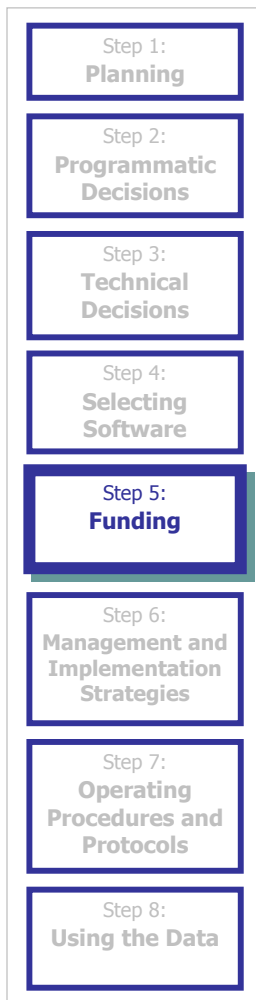


Step Five: Funding an HMIS



This step provides a framework to help communities think about the various funding demands and potential resources available to finance the planning, implementation, and operation of an HMIS. This task is complicated by the fact that no set formulas are available to estimate overall or annual costs. Instead, HMIS-related costs vary tremendously based on a community's structure, capacity, and design decisions (see Steps Two and Three). The information provided in this step illuminates the types of costs a community should anticipate and helps stakeholders understand how design and infrastructure decisions affect costs. Similarly, there are no universal funding sources that can be used to support HMIS implementation. However, this step provides information on several frequently accessed resources that a community may want to explore along with suggestions on how to justify the use of each of them.

HMIS Funding Phases

Phase 1—System planning: Planning costs are those incurred while a community establishes the HMIS vision, design preferences, and system requirements. These costs typically include staffing and facilitation of planning committees, meeting expenses, and participant/consumer stipends to support community visioning, goal-setting, conceptual system design, and development of preliminary systems requirements documents.

Phase 2—System selection and implementation: Implementation costs encompass personnel, equipment, software, overhead, and other expenses related to selecting and implementing an HMIS. Staffing needs may include project management, network administration, programming, training and technical assistance, consumer representation/training, and administrative support. Equipment costs include central server(s), site computers, and telecommunications and security hardware. Software costs include purchase or licensing, customization, installation, training, and support. Other expenses include meeting facilitation,

legal consultation, security analysis, and other contractual expertise needed during specification development. Implementation costs will vary widely based on the breadth, depth, and function of the HMIS.

Phase 3—System operation and sustainability: Ongoing costs for operating and using the HMIS will include personnel, contractual services, equipment maintenance, data storage/hosting costs, and overhead expenses. Personnel or contractors can provide system programming, technical assistance and training, data hosting, data analysis, and reporting. The majority of these costs will be incurred centrally although data entry, equipment maintenance, and hardware costs will also be incurred at the program site level. Phase 3 costs are often mitigated by in-kind contributions, particularly if aspects of central server administration can be provided by local government or other partners.

Exhibit #1 Categories of HMIS-related Costs⁷

Potential Cost Items	Planning	Implementation	Operations
Personnel and/or Service Contractors			
Project management	X	X	X
Meeting facilitation	X	X	X
Consumer involvement specialists	X	X	X
Technical consultation	X	X	X
Legal advice	X	X	
Security assessment and set-up		X	
Security testing		X	X
Disaster and recovery			X
System administration		X	X
Programming (customization, interface development, data conversion)		X	X
Data storage/hosting		X	X
Data analysis			X
Technical assistance and training (agency and consumer)		X	X
Administrative support	X	X	X
Equipment			
Central server(s)		X	X
Personal computers and printers		X	X
Networking/ telecommunications		X	X
Security		X	X
Software			
Purchase, development or licensing (server and client licensing)		X	X
Customization		X	
Installation		X	
Support and maintenance		X	X
Training (vendor-sponsored)		X	
Supporting tools (data analysis, reporting)		X	X
Operating Expenses			
HMIS space and overhead	X	X	X
Online connectivity (Internet access)		X	X
Agency participant stipends		X	X
Miscellaneous expenses (meetings, travel, communications)	X	X	X

⁷ Cost categories are fully explained in “MIS Cost Estimation Guidelines.” See supporting materials.

Design Decisions and Community Opportunities Impact Funding Needs

Within each community, there are many structural issues and design decisions that can affect cost. Some of these include the level of existing infrastructure, system administration decisions, the types of programs and geographic area covered, the overall vision and function for the system, the level and type of security measures, whether agency participation is voluntary or mandatory, and the extent of change that will be required of participants. For each of these issues, many beneficial options have an adverse impact on costs. The size of the community and number of participating programs will also contribute to cost. However, their impact will not be as much of an indicator as these other factors. A community can realize significant cost-effectiveness by working with other jurisdictions to share expenses. These cost-savings can far outweigh the cost of the added complexity.

- ◆ Existing infrastructure: Communities can implement an HMIS using existing technology or they can create that infrastructure through the HMIS initiative. Communities that employ existing technology have lower costs than those that create it. For instance, if most of the agencies already have computer equipment and use of a central server from the local government or a community agency, these items will not need to be included in the budget. Conversely, if the community has little or no computer equipment or experience using it, both equipment and extensive basic training will be needed.
- ◆ System administrator: Private nonprofit organizations, government agencies, or independent third parties—such as research institutes or private contractors—can administer systems. Expenses may vary depending on the type of agency, the level of expertise required to administer the system, and the amount of in-kind support that can be provided by the administering body and other partners.
- ◆ Project scope: Communities can choose to focus solely on homeless shelters and service providers in their system or to encompass a wide variety of social service and housing agencies that provide services to homeless as well as housed clients. Broader reaching systems are more expensive, but more partners are available to share costs. Similarly, the system can collect data for a limited jurisdiction—such as a small city—or it can extend to cover a complete county, region, or State. The broader the area, the greater the complexity, security needs, and cost; yet, broader systems can achieve greater efficiency at the central organizational level, and there can be greater opportunity for regional system planning and referrals.
- ◆ System vision and functionality: Some communities implement HMIS to meet local reporting needs. Others aim to improve service delivery throughout the region. The breadth of this vision affects cost. Systems built solely to standardize reporting tools across community programs are simpler and less costly to run but cannot realize many of the other potential HMIS benefits. Those incorporating an I&R function will incur additional costs for database development and maintenance but will reap additional benefits for consumers and case managers. Those attempting to link service providers for streamlined case management and improved service provision are more expensive, but offer greater potential.
- ◆ Security measures: Depending on the type and extent of the security design, HMIS security measures can require substantial start-up and ongoing operational resources. Security is an area in which a community should not under-invest. However, different technology approaches (e.g., Web-based access) may have variable security cost impacts, and system design approaches (shared case management) may affect the level of security required. Follow-up security testing and programming expenses should be anticipated.

- ◆ Type of participation: Government-run systems often mandate participation of publicly funded programs. Systems that allow for voluntary participation can be more costly as they must use outreach strategies and incentives to attain support from all of the local service programs. This work can require a great deal of staff time and energy, but volunteer partners may be more invested. In either case, strategies to assist participants in offsetting start-up and operations costs are important.
- ◆ System change: The level of consensus building and adaptation required within a community can dramatically change the type and costs of planning. Stakeholders may need external facilitation, structured planning and decisionmaking exercises, and designated consensus-building staff to guide the community through the design, implementation, training, and operation stages. Remember that the need for outreach, cultivation of buy-in, and training does not end once the system is in place. Budget planners must account for these costs in ongoing operations budgets as well.

Planning groups must evaluate decision options in relation to community needs and should be open to certain compromises to achieve economies of scale. Design decisions may be limited by resource availability or design can drive resource development. An HMIS requires substantial investment to implement and maintain. This investment is all the more reason to identify community partners, take an adequate period of time to conduct community visioning, and clearly articulate the community's requirements to ensure that the system meets local needs.

Potential HMIS Funding Sources

Many communities face challenges identifying and securing funds for HMIS planning, implementation and operation. In most cases, no single source will fund all phases or all aspects of an HMIS. Some communities have received funding from resources such as those listed below:

Federal grants

The most frequent Federal source for HMISs is the HUD Continuum of Care (CoC) Supportive Housing Program (SHP). With recent changes in program rules, costs associated with **implementing and operating** HMIS are eligible. Communities can now apply for HMIS funding as a stand-alone SHP, cost share by adding an HMIS line item to all other SHP new and renewal projects, or use a hybrid of these methods.

SHP funds can be used to support implementation and operational HMIS costs but cannot be allocated to planning costs. The HUD Community Development Block Grant (CDBG) has also been used in many communities to pay for planning, implementation, and operations. HUD Emergency Shelter Grant (ESG) funds can be used to implement and operate an HMIS at the shelter level (and to support HMIS participation by homeless prevention agencies that may not be eligible through SHP). If the HMIS can produce the required reports, ESG administration funds can be used to support central implementation and operation costs. Also, HUD Housing for Persons with Aids (HOPWA) funds can be used to support an HMIS for HOPWA-funded agencies if the funds are appropriately prorated. Other Federal program or administration funds may be available to cover appropriate costs if the HMIS helps the funded agency meet their program and client reporting requirements.

Other Federal agencies have competitive grant programs that can be used to fund technology innovation or improved access to care. One example is the Technology Opportunities Program of the Department of Commerce.

Funding justification for Federal funds: As discussed in the introduction, the FY01 Senate Report 106-410 outlines the Federal Government's interest in HMIS technology. Once implemented, an HMIS can be used to aggregate appropriate client-level data at local, regional, and national levels to better understand homelessness and the effectiveness of various service strategies. Beyond HUD, many other Federal departments are interested in homelessness and direct resources to address it. Therefore, information generated by an HMIS can lead to more informed public policymaking and resource allocation across many Federal policy areas.

◆ Navigating SHP funding for an HMIS

HUD's SHP is one of the most viable Federal funding options for the implementation and operation of an HMIS. Many communities have successfully accessed SHP grants, and recent changes in the CoC application and project eligibility have made it even easier to use SHP funds for HMIS projects. However, it is important to recognize that HUD may change eligibility requirements with each annual CoC Notice of Funding Announcement (NOFA). Therefore, prior to pursuing this form of funding, a community should review all requirements to make sure that it is eligible for the funds.

A community can apply for a one-, 2, or 3-year SHP grant to fund all costs associated with the implementation and operation of an HMIS. Based on the regulations and 2002 CoC NOFA, communities can submit a stand-alone HMIS SHP application, a shared-cost strategy across all SHP applications, or a hybrid of the two.

- Stand-alone HMIS application. A stand-alone HMIS application strategy is used when a community wants to apply for a single grant to cover all the costs associated with implementing and/or operating a community HMIS. In this funding strategy, the community would structure an application to focus solely on costs associated with the HMIS. In this case, a stand-alone project is considered a Supportive Services Only (SSO) project and requires the standard cash match. The application must be ranked by the local community and competes with all other shelter and service projects for CoC funds.
- Shared Cost HMIS application. Given the competitive nature of the CoC process in most parts of the country, a community can choose to share the costs of implementing and/or operating an HMIS among all SHP applicants. The SHP application allows individual agencies within a continuum the opportunity to include a portion of the overall costs in the project budget as a supportive service costs. This budget line item is subject to the standard supportive service matching requirement. This strategy should only be used if the community as a whole defines an HMIS approach and a lead agency is designated to coordinate the funding from the various agencies and to manage HMIS expenditures.
- Hybrid funding strategy. In most cases, the HMIS funding strategy will require a hybrid approach with a combination of project-specific grants, cost sharing, and funding from other sources. In some cases, this means that all agencies submitting new applications will be asked to budget for HMIS operating costs. For renewal projects, limited by renewal funding caps, a grantee may find difficulty procuring additional funds for an HMIS. When HMIS expansions are required, it may be more practical and less cumbersome to develop a stand-alone HMIS application to fund part of the anticipated HMIS expenses. As with stand-alone applications, bear in mind that a hybrid approach will require community consensus about whether or how the HMIS application should be ranked in relation to the other renewal and new project proposals.

- SHP administration funds. Applicants may request up to 5 percent of each project award for administrative costs, such as accounting for the use of the grant funds, preparing HUD reports, obtaining audits, and other costs associated with administering the grant. State and local government applicants and project sponsors must work together to determine a plan for distributing administrative funds among the applicant and project sponsor (if different). HUD allows communities to use SHP administration funds for HMIS activities that relate to reporting; however, these funds cannot be used to meet the 20 percent match required for an HMIS stand-alone SSO project or a shared cost project.

State and local government grants

Many State and local governments have been supportive of HMIS planning and implementation. Although CDBG and ESG are technically Federal resources, these funds are allocated through a State or local government. ESG funds may be used to support HMIS operations. A number of communities have used CDBG funds to support the planning and/or staffing of an HMIS, particularly in conjunction with the annual CoC planning. Many State governments have shown interest in spearheading statewide or regional systems. In these cases, a lead State agency often provides financial and/or in-kind support to help plan, implement, and administer an HMIS. Frequently, State or local government in-kind support includes staffing, technical system administration, equipment, and space for personnel and system.

Funding justification for state and local funds: States also may be interested in statewide or aggregate local HMIS data to inform resource allocation and policymaking in conjunction with other State welfare, healthcare, education, and housing policies. State agencies and local governments responsible for administering Federal HUD grants may support an HMIS initiative because the data collected through HMIS can fulfill the annual planning and reporting requirements of CDBG, HOPWA, ESG, and CoC grants, including the 5-Year Consolidated Plan and Annual Action Plans. Aside from policy and reporting benefits, local officials are often motivated by an interest in improving service delivery.

Private foundation grants

Private foundations with funding interests in homelessness, systems integration, access to care, capacity building, and technology are often viable funding sources. Ongoing private grants can be used for all phases of HMIS development. One-time grants may be useful for targeted technical assistance and training for agencies and consumers, consumer initiatives to promote involvement and capacity building, and one-time equipment, software, and database development costs. Often one-time or short-term grants are easier to obtain than ongoing operations grants from private funding sources.

Funding justification for foundation funds: Foundations are often receptive when an HMIS can be used to directly improve service delivery, such as through I &R, shared case management, or benefits screening function. Organizational capacity-building grants are often available through community foundations. Some foundations may be interested in local policy studies on homelessness and the use of HMIS for program evaluation purposes.

Cost sharing

Cost sharing is an emerging way of funding HMIS in communities where the participating agencies are supportive of the initiative and/or are mandated to participate. This is generally not effective for large capital expenses but a portion of operating costs can be generated through user fees from participating agencies. Many agencies already pay minimum dues to service organizations and are able to handle an additional small expense. Some communities structure cost sharing as a fixed fee per site (e.g., \$1,000 annually or a specified amount per user). Others use a percentage or sliding scale based on organizational size (e.g., one-quarter of one percent of the organization's annual budget). Others ask agencies to be responsible for equipment maintenance, data entry, and connectivity (Internet or dial-up access) costs.

Communities interested in sharing costs through the HUD SHP grant can structure a larger portion of the HMIS budget in terms of shared agency costs, since agencies will not need to fundraise for those revenues.

Funding justification for cost sharing: Many communities believe that agencies will be more invested in a system if they contribute to support its operation. Costs can also be more easily managed if all partners take responsibility for a small portion. Depending on the function of the HMIS, the agency may receive many direct benefits from the system (I&R, case management tracking, reporting, and program evaluation capabilities). If these modules cost more to implement, it may be in the agency's best interests to share in the costs.

Supporting Material

- ◆ *Homeless Management Information Systems (HMIS) Cost Estimation Guidelines: Cost Framework and Submission Recommendations*, Center for Social Policy, McCormack Institute, University of Massachusetts-Boston/Aspen Systems, Inc. (January, 2002). Available on HUD's HMIS Web site at <http://www.hud.gov/offices/cpd/homeless/hmis/index.cfm>.