

MEMORANDUM

To: Regional Steering Committee on Homelessness and Housing
From: HomeBase
Re: Potential Changes to How HUD Administers McKinney-Vento Grants
Date: April 18, 2008

Introduction

The Regional Steering Committee on Homelessness and Housing (RSC) maintains an ongoing interest tracking possible changes in grant awards and administration from federal entities, such as the U.S. Congress and the U.S. Department of Housing and Urban Development (HUD). As the RSC is both a representative body of diverse community participants and a source of wisdom and guidance on issues of homelessness, staying abreast of funding trends and possible position adjustments is clearly important to its mission. For reference, the RSC has completed similar analyses in the April and October 2007, and July 2006 meetings.

The present memorandum will describe several possible changes in the future regarding how HUD administers McKinney-Vento¹ grants. First, is a background summary of the current status of McKinney-Vento grants and administration, along with the federal entities that have proposed various changes. Second, is an update on the status of H.R. 840 (to amend the McKinney-Vento Act to consolidate the housing assistance programs and for other purposes). Lastly, is a review of proposed HUD legislation that would change factors in the Community Development Block Grant (CDBG) program formula for grants.

Background

McKinney-Vento Homeless Assistance Act of 1987 is the Congressional legislation that authorizes and funds four current grant programs to provide housing and services to the homeless:

1. Emergency Shelter Grants (ESG);
2. Supportive Housing Program (SHP);
3. Shelter Plus Care (S+C); and
4. Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings (SRO).

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

¹ McKinney-Vento Homeless Assistance Act (P.L. 100-77).

annually to eligible applicants, which include states, metropolitan organizations, and public housing authorities. In fiscal year 2007 this amount was approximately \$1.44 billion.²

HUD uses one method to distribute funds for the ESG program, generally between 13% and 15% of the total appropriation, and another method to distribute funds for the SHP, S+C, and SRO programs. The ESG program funds are to support emergency-type homeless situations and are distributed using the CDBG program formula that focuses on the community's needs for development. This formula is designed to distribute funds to both "entitlement areas" (defined as metropolitan cities and urban counties; 70% of funds), and "non-entitlement areas" (states; 30% of funds) for distribution in communities that do not receive funds directly.

The SHP, S+C, and SRO focus on longer-term needs of the homeless and grant funds are distributed through competitive grants that are an aspect of the Continuum of Care (CoC) system. The CoC acts as an intermediary between HUD and the individual homeless program providers and the awarded funds go directly to the providers, not the CoC. HUD's review of the community's application is a multi-step process that involves both formula and competitive elements and examining each program within the CoC.

Recently, Congress, the President's Administration, and HUD have discussed policy changes that could affect how the homeless assistance grants are handled. These proposed changes include H.R. 840, a bill in the 110th Congress that would consolidate the three competitive homeless assistance grants, and HUD's proposed legislation to refine the CDBG formula related to the ESG program. What follows is a closer look at H.R. 840.

H.R. 840: **Homeless Emergency Assistance and Rapid Transition to Housing Act of 2007**

This bill, known as both the HEARTH bill and the Carson bill, was introduced to the 110th Congress on February 6, 2007, and sponsored by Rep. Julia Carson (IN), and co-sponsored by 84 other House of Representative members.³

The last major action on this bill occurred on April 13, 2007, when it was referred to the Subcommittee on Housing and Community Opportunity. As proposed, H.R. 840 would authorize the Homeless Assistance Grants at \$2.5 billion for FY 2008.⁴

What follows is a brief summary of key points of H.R. 840 as it was introduced:

- Requires the establishment of a community homeless assistance planning board for a geographic area to lead a collaborative planning process to design, execute, and evaluate programs, policies, and practices to prevent and end homelessness.

² P.L. 110-5. See CRS Report for Congress – The HUD Homeless Assistance Grants: Distribution of Funds (updated April 19, 2007). <http://openers.cdt.org/document/RL33764/>

³ Co-sponsors from California: Rep. Berman [CA-28]; Rep. Eshoo [CA-14]; Rep. Harman [CA-36]; Rep. Honda [CA-15]; Rep. Lantos [CA-12]; Rep. Lee [CA-9]; Rep. Miller [CA-7]; Rep. Napolitano [CA-38]; Rep. Stark [CA-13]; Rep. Watson [CA-33]; and Rep. Woolsey [CA-6].

⁴ CRS Report for Congress – The HUD Homeless Assistance Grants: Distribution of Funds (updated April 19, 2007). <http://openers.cdt.org/document/RL33764/>

- Authorizes the Secretary of HUD to designate an entity to be a community board if it has engaged in local homeless housing and services planning and has applied for federal funding for homeless assistance prior to enactment of this Act.
- Instructs the Secretary to make available technical assistance to governmental entities and community boards to implement this act.
- Provides for the protection of personally identifying information by victim service providers.
- Sets forth:
 - An emergency shelter grants program;
 - Activities eligible for grants; and
 - A program for continuum of care.

The main idea of H.R. 840, and other reform efforts that have been building for years by both the President’s Administration and HUD, is consolidation. Streamlining and making more efficient the administration of the grant process would go far to distribute the grant funds quicker. A proposed idea to accomplish consolidation is to simply have one “competitive grant,” which would eliminate the distinctions among the three current competitive grant programs (SHP, S+C, and SRO). H.R. 840 would also codify the CoC application system, probably with some changes of the present form, and allow communities greater flexibility in determining funding priorities.

Another practical outcome that could transpire under the proposals in H.R. 840 is HUD would review only the 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. Currently, although the CoC’s submit one application, HUD must still review the individual applications from organizations seeking funding. This change would mean the difference between HUD reviewing hundreds rather than thousands of applications. However, the bill provides an exception that would allow individual organizations to apply directly to HUD in cases where HUD determines that the organizations attempted to participate in the CoC process and were “not permitted to participate in a reasonable manner.” After reviewing the applications, HUD would then award funds directly to Collaborative Applicants to be distributed to individual organizations.⁵

Other changes in H.R. 840 include making homelessness prevention an eligible activity for recipients of competitive grants, and creating a single match requirement of 25%, simplifying the current differing requirements for each of the three programs.

The bill would also add to the definition of “homeless individual”⁶ two categories. The first would be those persons who are sharing housing because they have lost their own housing or for

⁵ CRS Report for Congress – The HUD Homeless Assistance Grants: Distribution of Funds (updated April 19, 2007). <http://openers.cdt.org/document/RL33764/>

⁶ McKinney-Vento Act currently defines “homeless individual” as:

- (a) In general
 - (1) an individual who lacks a fixed, regular, and adequate nighttime residence; and
 - (2) an individual who has a primary nighttime residence that is -
 - (A) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill);

other economic hardship. The second would be individuals who have been released from prison on probation or parole. Please be reminded that the preceding is a review of proposed changes to McKinney-Vento from one legislative effort, H.B. 840. This is, however, an affirmation of an increasingly shared effort to improve McKinney-Vento assistance for the homeless.⁷

What follows is a summary of HUD's proposed changes to the formula used to calculate funds for the ESG program.

HUD's Proposed Legislation Concerning the CDBG Formula

Momentum for change in the formula for CDBG has been building both in Congress and within HUD for several years. In 2006, HUD proposed legislation that would change the factors in the CDBG formula.⁸ In a news release regarding this issue, HUD noted that the current funding formula has not changed since the 1970's while the country has experienced significant demographic and socio-economic change.⁹ Also, HUD has found and tracked examples of areas that are currently under funded based on their actual needs.

The current CDBG formula uses a combination of five factors to award funds to recipient communities. They 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).

Among HUD criticisms of the current formula is that the use of the population variable means that some fast-growing communities with low development needs may still receive increasing CDBG grants. Another HUD criticism is that the poverty variable may provide college towns with a disproportionate share of funds by counting college students as living in poverty. A third potential problem with the formula is that the age of housing and growth lag factors do not necessarily reflect communities' needs for development. For example, in some communities, housing built prior to 1940 has been rehabilitated and gentrified, while in others it has been torn down or subject to neglect. As a result, some communities with refurbished pre-1940s housing may qualify for more CDBG funds than deteriorating communities.¹⁰

(B) an institution that provides a temporary residence for individuals intended to be institutionalized; or

(C) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

(P.L. 100-77, section 11302).

⁷ See S. 1518: "Community Partnership to End Homelessness Act of 2007" ("Reed bill"). This bill would expand the definition of "homeless individual" to include people who move from place to place frequently and are doubled up with another family or living in a hotel (specifically, move three times in one year or twice within twenty-one days), among other changes to McKinney-Vento.

⁸ Community Development Block Grant Reform Act of 2006. <http://hud.gov/content/releases/pr06-05act.pdf>

⁹ HUD News Release, No. 06-065, May 25, 2006: HUD Offers Proposal to Reform Community Development Block Grant Program.

¹⁰ CRS Report for Congress – The HUD Homeless Assistance Grants: Distribution of Funds (updated April 19, 2007).

<http://openers.cdt.org/document/RL33764/>

In May 2006, HUD released proposed legislation that would change factors in the CDBG formula and the way funds are distributed. The proposed legislation would involve the following changes:

- Include the number of female-headed households;
- Include the number of housing units over fifty years old and occupied by households in poverty;
- Include per capita income;
- Exclude college students from the number of households living in poverty; and
- Eliminate the population and growth lag factors.

Conclusion

The trend is clear: change is coming. Between combined efforts of H.B. 840 and HUD's proposed legislation, consolidation and updating McKinney is rising as a priority at the federal level. The process is moving slowly and as always the "devil is in the details" of what the final version of these efforts will be to improve funding and administration of McKinney-Vento grants to aid the homeless.

Acronyms/Abbreviations:

Regional Steering Committee on Homelessness and Housing (RSC)

U.S. Department of Housing and Urban Development (HUD)

Emergency Shelter Grants (ESG)

Supportive Housing Program (SHP)

Shelter Plus Care (S+C)

Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings (SRO)

Continuum of Care (CoC)

For more information, please feel free to contact Michael Land, HomeBase Staff Lawyer, via email at Michael@homebaseccc.org, or by phone at 415.788.7961 x310.