

Testimony

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Committee on Banking, Housing, and Urban Affairs,
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HOMELESSNESS

Consolidating HUD's
McKinney Programs

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Mr. Chairman and Members of the Subcommittee:

We are here today to discuss the potential need to consolidate homeless assistance programs administered by the Department of Housing and Urban Development (HUD). As you know, homelessness in America is a complex issue. On any given night, approximately 600,000 people are homeless. This population includes a variety of different subgroups, such as single adults and families, with a diverse set of needs, such as mental health and substance abuse problems as well as other disabilities. In 1987, the Congress passed the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77) to provide a comprehensive federal response to address the multiple needs of homeless people.¹ HUD is responsible for administering a number of key McKinney Act programs, including the Emergency Shelter Grants program, the Supportive Housing Program, the Shelter Plus Care program, and the Section 8 Single-Room Occupancy program.² For these four programs, HUD provides federal funds to state and local organizations through either formula or competitive grants so that communities can develop housing and services for homeless people. Our comments today will focus on the (1) different program requirements for these four programs and the coordination and administrative challenges that they pose and (2) actions that HUD has taken to overcome these challenges.

In summary:

- Each of HUD's four McKinney programs addresses a distinct need of a specific segment of the homeless population. For example, the Emergency Shelter Grant program is designed to help improve the quality and increase the availability of emergency shelters for homeless people, while the Supportive Housing Program is designed to promote the development of supportive housing and services that will

¹ Since the McKinney Act was passed, some of the original programs have been consolidated or eliminated and new programs have been added.

² HUD is also responsible for several other McKinney and non-McKinney programs that provide housing and services for homeless people. In addition, other federal agencies are responsible for homeless assistance programs authorized by the McKinney Act.

help homeless individuals and families transition from homelessness to living as independently as possible.

- Each of the four programs has its own set of eligibility and funding requirements that are established by the authorizing legislation. For example, Emergency Shelter Grants are awarded to state and local governments through a formula, while the other three programs are competitive project-based grants that have different eligibility criteria. These varying requirements have resulted in challenges for HUD in ensuring that adequate coordination occurs among the programs and that they are delivered efficiently without creating undue administrative burdens for the states and communities.
- HUD has taken actions to overcome the coordination and administrative challenges that these separate programs with varying requirements pose. To improve coordination, HUD developed a Continuum of Care model for homeless assistance that requires communities to implement a coordinated process for identifying the diverse needs of the homeless population in their area and developing systems to respond to these needs. To address the needs identified in their Continuum of Care plans, communities can receive funds from all four of HUD's McKinney programs. To help reduce the administrative burden of applying for the three separate competitive grant programs, HUD streamlined the application process for the three programs and combined them into a single national competition, with a single application process, and similar time frames and rating criteria.
- HUD's actions have improved the coordination of homeless assistance programs within communities and have helped reduce some of the administrative burdens that separate programs cause. However, additional efficiencies can only be achieved if the underlying differences between these programs are addressed. We believe that consolidation of HUD's McKinney programs can help further reduce the administrative burdens on communities if program eligibility and funding requirements are also streamlined and simplified.

Background

Until the 1980s, the needs of the nation's homeless population were primarily addressed by state and local efforts. However, as homelessness continued to grow, the federal government realized that state and local efforts alone were not adequate to respond to the needs of homeless people. In 1987, the Congress passed the Stewart B. McKinney Homeless Assistance Act to supplement existing state and local efforts. The McKinney legislation is the federal government's primary response to homelessness and authorizes a wide variety of homeless assistance programs that are administered by several different agencies across the federal government. Since the legislation was enacted, the Congress has appropriated over \$11 billion for McKinney Act programs.

HUD has responsibility for administering four key homeless assistance programs created by the McKinney Act that are discussed below.

Emergency Shelter Grants program: This program improves the quality of existing emergency shelters for homeless people and makes additional shelters available for this population. In addition, the program is designed to help grantees meet the costs of operating shelters, provide essential social services to homeless people, and prevent homelessness. This program provides formula grants to states, metropolitan cities, urban counties, and territories in accordance with the distribution formula used for HUD's Community Development Block Grant program.³ According to HUD, grantees are generally notified of their annual Emergency Shelter Grant allocation before the start of each calendar year.

Supportive Housing Program: This program promotes the development of supportive housing and services, including innovative approaches to help homeless people transition from homelessness and enable them to live as independently as possible. States, local governments, other governmental entities (such as public housing authorities), private nonprofit organizations, and community mental health associations

³ The Community Development Block Grant is a formula grant program through which HUD provides assistance to communities to help them develop viable communities that provide decent housing and a suitable living environment, and expand economic opportunities, primarily for low to moderate income people.

that are public nonprofit organizations can annually compete for supportive housing grants through a national competition. These grants may be used to provide (1) transitional housing for up to 24 months and up to 6 months of follow-up services for residents who move to permanent housing; (2) permanent housing with appropriate supportive services for homeless people with disabilities to enable them to live as independently as possible; (3) supportive services only, with no housing; (4) safe havens for homeless individuals with serious mental illness;⁴ and (5) innovative approaches to help develop supportive housing that will meet the long-term needs of homeless people. The term for initial grants made under this program is up to 3 years.

Shelter Plus Care program: This program provides rental assistance for hard-to-serve homeless people with disabilities along with supportive services that are funded from other sources. States, units of general government, and public housing authorities are eligible to apply for project grants through a national competition. Grants can be used to provide rental assistance payments for either 5 or 10 years depending on the type of rental assistance requested and the grantee's meeting other program requirements.

Section 8 Single-Room Occupancy Moderate Rehabilitation program: The Single Room Occupancy program brings more standard single-room occupancy units into the local housing supply and makes them available to homeless individuals. These housing units are intended for occupancy by a single person and may or may not contain food preparation or sanitary facilities or both. Under this program, HUD enters into annual contracts with public housing authorities for the moderate rehabilitation of residential properties, so that when the work is done the properties will contain multiple single-room units. The public housing authority is responsible for selecting properties that are suitable for rehabilitation, and for identifying landlords who would like to participate in the program. Under this program, public housing authorities and private nonprofit organizations are eligible to compete for rental subsidies through an annual national competition. Rental assistance payments are provided for a period of 10 years.

⁴ Safe havens are authorized as a separate program under title IV, subpart D, of the McKinney Act. However, because the Congress has not funded this program, HUD has elected to provide funding for safe havens under the Supportive Housing Program.

Programs' Differing Requirements Cause Coordination and Administrative Challenges

Collectively, HUD's McKinney programs provide a wide variety of housing and services that meet the diverse needs of several segments of the homeless population. However, while the differences in these programs help ensure that the diverse needs of a broad spectrum of homeless people are met, they also create coordination and administrative challenges because each program must be implemented according to differing legislative requirements. Table 1.1 compares some of the requirements among HUD's four McKinney programs, including (1) how funding is delivered to states and local organizations, (2) the organizations eligible to apply for funding, (3) the types of activities eligible for funding, (4) the types of services that can be provided, (5) the types of homeless people each program can serve, (6) the time period for which funds are available, and (7) the amount of matching funds required.

Table 1.1: Requirements of Four HUD McKinney Programs

Program Requirement	Emergency Shelter Grants Program	Supportive Housing Program	Shelter Plus Care Program	Single-Room Occupancy Program
Type of funds	Formula grant	Competitive grant	Competitive grant	Competitive grant
Eligible applicants	States Metropolitan cities Urban counties Territories	States Local governments Other governmental agencies Private nonprofit organizations Community mental health centers that are public nonprofit organizations	States Local governments Public housing authorities	Public housing authorities Private nonprofit organizations
Eligible program components	Emergency shelter Essential social services	Transitional housing Permanent housing for people with disabilities Supportive services only Safe havens Innovative supportive housing	Tenant based rental assistance Sponsor based rental assistance Project based rental assistance SRO based rental assistance	Single-room occupancy housing
Eligible activities	Renovation/conversion Major rehabilitation Supportive service Operating costs Homelessness prevention activities	Acquisition Rehabilitation New construction Leasing Operating and administrative costs Supportive services	Rental assistance	Rental assistance
Eligible population	Homeless individuals and families People at risk of becoming homeless	Homeless individuals and families for transitional housing and supportive services Disabled homeless individuals for permanent housing Hard-to-reach mentally ill homeless individuals for safe havens	Disabled homeless individuals and their families	Homeless individuals
Initial term of assistance	1 year	Up to 3 years	5 or 10 years	10 years
Matching funds	States: no match for first \$100,000 and dollar-for-dollar match for rest of funds Local governments: dollar-for-dollar match for all funds	Dollar-for-dollar match for acquisition, rehabilitation, and new construction grants Operating costs must be shared by 25 percent in the first 2 years and 50 percent in the third year A 25 percent match for supportive service grants No match for grants used for leasing or administrative costs	Dollar-for-dollar match of the federal shelter grant to pay for supportive services	No match required

Source: GAO presentation of information from HUD's programs.

Some of the differences between HUD's McKinney programs are essential for providing the various services that the diverse subgroups within the homeless population need.

For example, differences in eligible activities for each program result in the Emergency Shelter Grants program providing funds for homelessness prevention activities and emergency shelters, the Supportive Housing Program funding transitional housing and services, and the Single-Room Occupancy and Shelter Plus Care programs funding permanent housing. Similarly, differences among eligible populations for each program help ensure that the needs of different homeless subgroups are met. For example, special preference is given to homeless families through the Supportive Housing Program; the housing needs of homeless individuals are met through the Single-Room Occupancy program; and homeless people with disabilities, especially those with severe mental illness, chronic substance abuse, and/or AIDS are served through the Shelter Plus Care program.

At the same time, some of these program differences can cause coordination difficulties. Coordinating services within communities can become difficult when organizations are eligible to apply for some McKinney programs but not others. For example, state governments can receive Emergency Shelter, Supportive Housing Program, and Shelter Plus Care grants but not Single-Room Occupancy grants. Similarly, private nonprofit organizations can apply for Supportive Housing Program and Single-Room Occupancy grants but not Emergency Shelter and Shelter Plus Care grants. Coordination can be further complicated by the differences in eligible activities. For example, while Emergency Shelter and Supportive Housing Program grants can be used to provide supportive services, Shelter Plus Care and Single-Room Occupancy grants cannot be used for supportive services. Our past work on homelessness shows that coordination of federal programs is essential to ensuring that the wide variety of federally funded programs are made available to the different homeless sub-populations as cost-effectively as possible.⁵ In addition, most experts on homelessness widely agree that, without well coordinated and integrated programs, the multiple and diverse needs of the homeless population cannot be effectively addressed.

⁵ Homelessness: Coordination and Evaluation of Programs Are Essential (GAO/RCED-99-49, Feb. 26, 1999). Homelessness: State and Local Efforts to Integrate and Evaluate Homeless Assistance Programs (GAO/RCED-99-178, Jun. 29, 1999). Homelessness: Grant Applicants' Characteristics and Views on the Supportive Housing Program (GAO/RCED-99-239, Aug. 12, 1999).

Moreover, differences in McKinney program requirements can also cause administrative difficulties. For example, while grants from the Emergency Shelter Grant program are formula-based and funds are provided as block grants to communities, the other three programs are competitively awarded and communities have to prepare and submit separate applications to HUD for each project. Moreover, each program's different set of matching fund requirements can cause additional administrative difficulties. For example, states that receive Emergency Shelter grants do not have to match the first \$100,000, but they have to provide a dollar-for-dollar match for the remaining funds. If these states also receive Supportive Housing Program grants, they have to match dollar-for-dollar all Supportive Housing Program funds used for acquisition, rehabilitation, and new construction, but they only have to provide a 25 percent match for Supportive Housing Program funds used for supportive services. Our 1999 survey of applicants for Supportive Housing Program funds found that many applicants felt that applying for these grants was not easy. Currently, we are reviewing the administrative difficulties that communities face in completing the application requirements for the three competitive grants administered by HUD. The results of our study will be available by the end of July 2000 and will identify any changes that are needed to improve HUD's grant-making process.

In a January 1995 report to the Congress, HUD concluded that, while the McKinney programs had enabled many types of assistance providers to offer a wide variety of housing and services to a broad spectrum of the homeless population, the number of programs and the differences among them created barriers to their efficient use. In particular, HUD's report found that the differences in target populations, eligible activities, application requirements, and selection criteria made these federal funds difficult to obtain and coordinate for communities. Furthermore, the report found that overlapping regulations and reporting requirements, as well as the unpredictability of the competitive grants, appropriation levels, and varying lengths of the grant awards made it difficult to administer these programs and develop long-term comprehensive strategies for eliminating homelessness. HUD's report echoed the recommendation made by the Interagency Council on the Homeless, in its March 1994 federal plan to break the cycle of

homelessness, for the need to reorganize, consolidate, and simplify the McKinney programs.

For several years, HUD proposed legislation to consolidate its McKinney programs into a single homeless assistance grant program and deliver these funds to communities through block grants. HUD requested this legislation because it believed that consolidation would create a simpler, less paper-intensive system through which localities could develop coordinated community-based efforts to address and prevent homelessness. Although subsequent congressional action resulted in a single appropriation for HUD's four McKinney homeless assistance programs, consolidating legislation has not yet been enacted.

HUD's Actions to Address Coordination and Administrative Challenges

In the absence of consolidating legislation, HUD has taken steps to improve coordination among its McKinney programs and reduce the administrative burden caused by different program requirements. First, HUD implemented a process called the "Continuum of Care" to encourage and enable localities to develop a coordinated and comprehensive community-based approach for program and service delivery for homeless people. The Continuum of Care process is designed to build partnerships among localities, states, nonprofit organizations and the federal government. Funding for the housing and service needs identified by communities within their Continuum of Care plans are available through HUD's McKinney programs. HUD also requires that the planning and implementation of the Continuum of Care process take place within the broader context of the community's 5-year Consolidated Plan. The Consolidated Plan describes how resources from HUD's key community development programs, such as the Community Development Block Grant, will be used to create long-term development within a community. A 1996 evaluation of the Continuum of Care process, completed at HUD's request, concluded, that overall this process has had a positive effect on communities across the nation.

Second, to support the coordination and planning inherent in the Continuum of Care process and streamline and simplify the administration of the McKinney competitive

grant programs, HUD combined the separate competitions for the Supportive Housing Program, Shelter Plus Care, and Single-Room Occupancy programs into one competitive process. Before HUD combined the application process, these three competitive grant programs had different time frames, application processes, and selection criteria. Under the current application process, communities are required to provide a Continuum of Care plan and an individual application for each project in that plan that is requesting funds from any of the three programs. In addition, HUD now uses the same core rating criteria for making award decisions for all three programs. By streamlining the application process, HUD's goal was to lower the costs and problems of program administration for service and housing providers, with the expectation that this would enable providers to spend more of their resources on implementing the programs.

In conclusion, Mr. Chairman, although the wide array of assistance provided by HUD's McKinney Act programs is critical to meeting the diverse needs of homeless people, their complex and differing eligibility and funding requirements cause coordination and administrative challenges for HUD and the communities that rely on these funds. HUD has made a commendable effort in trying to improve coordination and streamline the administrative burden within the existing legislative framework for these programs. However, we believe that the Department will be hard pressed to make additional improvements unless modifications to the McKinney Act are made that would help streamline and simplify these programs. To the extent that further streamlining and simplification can be achieved by consolidating the McKinney programs, it will not only help HUD more efficiently administer these programs but will also help reduce the administrative burden placed on communities that are applying for these funds.

Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions.

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