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Testimony

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Implementation of Programs Under Titles III and
IV of the Stewart B. McKinney Homeless Assistance
Act

Statement of
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Before the Subcommittee on Housing and Community
Development
Committee on Banking, Finance, and Urban Affairs
House of Representatives



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Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to appear before you to discuss the issue of homelessness. Recognizing that the causes of homelessness, and therefore the solutions, are varied, the Stewart B. McKinney Homeless Assistance Act of 1987 authorized over \$400 million for fiscal year 1987 and over \$500 million for fiscal year 1988, in homeless assistance funds for several federal programs.

While a number of programs were established at the Departments of Education and Health and Human Services, the act directed GAO to examine one program in the Federal Emergency Management Agency (FEMA)--the Emergency Food and Shelter Program--and four programs in the Department of Housing and Urban Development (HUD). These four programs are: the Emergency Shelter Grants Program, the Supportive Housing Demonstration Program, the Supplemental Assistance for Facilities to Assist the Homeless, and the Section 8 Assistance for Single Room Occupancy Dwellings.

Specifically, section 105 of the act directed the General Accounting Office (GAO) to evaluate the disbursement and use of funds under titles III and IV and report to the Congress 4 and 12 months after the date of enactment. Today I would like to briefly summarize the findings of our first report,¹ which was recently issued, and outline our proposed efforts for the second review which we have just begun.

We found that homeless funds appropriated prior to the McKinney Act for FEMA and HUD were used predominantly for food, rent and utility assistance, and operations and maintenance of shelters. None of the McKinney Act funds had been disbursed in time for us to examine their use.

Our second review will address questions including the funding of capital improvements of shelters owned by religious organizations; the targeting of programs to segments of the homeless population, as required by the McKinney Act; and the different distribution of funds that results from HUD and FEMA formulas.

GAO's FIRST REVIEW

In our first review, we examined planned disbursements for those programs established prior to the McKinney Act. No funds appropriated pursuant to the McKinney Act had been disbursed by

¹Homelessness: Implementation of Food and Shelter Programs Under the McKinney Act, GAO/RCED-88-63, Dec. 8, 1987.

September 30, 1987, that is, in time for us to examine them in this review. (See Exhibit I.) We also reviewed the HUD and FEMA actions in implementing the McKinney Act programs. (See Exhibit II.)

FEMA's Emergency Food and Shelter Program

I would like to talk first about FEMA's Emergency Food and Shelter Program. The program, established in 1983, provides funds to shelters and other service organizations for items such as food, consumable supplies for shelters, and rental and utility assistance to households. The program received two appropriations totaling \$115 million early in fiscal year 1987. Final reports on the use made of these funds were not due from the shelters in time for us to examine them. However, we did examine the service providers' planned uses of the funds. This information showed that the largest use of the funds--nearly 46 percent--was for food, and 39 percent was for rental, mortgage, and utility assistance.

Pursuant to the McKinney Act, the program has received two appropriations--\$10 million in July 1987 and \$113.9 million in December. As of January 21, 1988, \$5.5 million of the \$10 million had been disbursed to the recipients, but no disbursements of the \$113.9 million had been made.

HUD's Emergency Shelter Grants Program

HUD's Emergency Shelter Grants Program is designed to address the nation's shortage of shelter capacity. It is similar to FEMA's program in terms of funding shelters' operating expenses, but it differs most notably by also providing funds for the renovation, major rehabilitation, or conversion of buildings to be used as shelters.

The program was established in October 1986, prior to passage of the McKinney Act, with an initial appropriation of \$10 million. All funds had been made available to the cities, counties, and states by the end of April 1987.

To determine the proposed use of the funds, we examined the plans required of the participating cities, counties, and states. We found that planning documents submitted by the states were generally not detailed enough to categorize the use of the funds. Those few states that did identify how the funds would be used indicated a general emphasis on capital expenditures. Thirty-six cities and counties were allocated funds directly from HUD and thus also had to submit plans. The 36 cities' proposed uses of their portion of the initial \$10 million appropriation showed 46 percent for conversion or renovation of shelter space, and 42 percent for operations and maintenance expenses.

The program is intended to provide some emphasis on renovation and conversion of shelters, and as I mentioned, about half the funds were planned for use in this manner. A HUD official suggested that the amount of funds planned for rehabilitation versus operational activities may have been influenced by, among other things, the relatively small amounts available to each community in the initial \$10 million appropriation.

As of December 31, 1987, recipients had drawn \$4.2 million from the established letters of credit, but the entire \$10 million had been obligated, such as by awarding contracts or placing orders.

The Emergency Shelter Grants Program was changed by the act to require applications to be based on a Comprehensive Homeless Assistance Plan, or "CHAP". The CHAPs are required to contain a description of the need, an inventory of facilities and services; a strategy to match the needs with available services, and recognize the needs of homeless families with children, the elderly, mentally ill and veterans; and an explanation of how the federal assistance will enhance these efforts.

According to HUD, all 50 states, Puerto Rico, 3 of 5 eligible territories, and all but 7 of the eligible 322 cities and counties submitted applications. Of these 369 applications, all but 1 had been approved as of January 14, 1988.

In July 1987, HUD received a \$50 million appropriation pursuant to the McKinney Act, and as of December 31, 1987, \$324,500 had been disbursed to the recipients.

On December 22, 1987, an additional \$8 million was appropriated for this program. HUD must notify eligible recipients of the amounts available to them within 60 days of the date the appropriation becomes available. As of January 21, 1988, no funds had become available because, according to a HUD official, HUD had not received its apportionment for the appropriation.

HUD's Supportive Housing Demonstration Program

Another HUD program, the Supportive Housing Demonstration Program, includes the Transitional Housing Demonstration Program, which was established in October 1986 to fund innovative programs to prepare homeless persons for independent living. The transitional housing demonstration funds can be used either as advances for capital improvements or as grants for operating costs. Of the \$5 million appropriated prior to the McKinney Act for HUD's Transitional Housing Demonstration Program, \$4.9 million was awarded to 11 recipients from among 95 applicants. Recipients proposed using 83 percent, or \$4.1 million, of the awards for

operating costs, while 17 percent, or about \$800,000, was to be used for the acquisition or renovation of housing facilities. As of January 19, 1988, nearly \$700,000 had been sent to the recipients.

The McKinney Act placed the Transitional Housing Demonstration Program under the Supportive Housing Demonstration Program, which also included the funding of permanent housing for handicapped homeless persons, and developing innovative approaches to meet the special needs of the deinstitutionalized, families with children, and individuals with mental disabilities and other handicaps. The act also extended the length of the commitment required of any funding recipient.

This program received \$80 million pursuant to the McKinney Act. The act stipulated that no less than \$20 million be allocated to transitional projects serving families with children, and not less than \$15 million to permanent housing for the handicapped. Additionally, \$30 million is to be allocated to transitional housing for deinstitutionalized individuals.

On December 23, 1987, HUD announced the awarding of \$54.3 million in grants for the transitional housing portion of the program, which included \$19.2 million for mentally disabled, and \$20.2 million for families with children. No disbursements have yet been made. Applications for permanent housing projects for the handicapped are due by March 31, 1988.

This program received an additional appropriation of \$65 million on December 22, 1987, of which \$750,000 was transferred to the Interagency Council on the Homeless. HUD is currently preparing a notice of funds availability for the remaining \$64.25 million.

HUD's Supplemental Assistance for Facilities to Assist the Homeless

The third program, HUD's Supplemental Assistance for Facilities to Assist the Homeless, augments projects in the two previously cited HUD programs, facilitates the use of public buildings to aid the homeless, and provides funding for particularly innovative and comprehensive approaches to homeless assistance. It received a \$15 million appropriation pursuant to the McKinney Act. Although there was some slippage in publishing the proposed regulations and notice of funds availability, much of this time was regained in processing the applications. As a result, on December 23, 1987, the \$15 million was awarded to 38 applicants. As of January 20, 1988, agreements with the recipients were still being prepared; no disbursements had been made.

HUD's Section 8
Assistance for Single Room
Occupancy Dwellings

Finally, HUD's Section 8 Assistance for Single Room Occupancy Dwellings provides rental assistance for homeless tenants of single room occupancy buildings as a means of encouraging their owners to renovate such buildings.

HUD issued a notice of funds availability for the program on October 15, 1987, calling for applications by November 16, 1987. About 100 applications were received, and HUD has awarded the entire \$35 million appropriated--\$3.5 million each year for 10 years--to 19 public housing authorities in 18 states and Puerto Rico to rehabilitate 1,048 units, as of January 20, 1988. Most of the agreements between the public housing authorities and the owners of the single room occupancy units regarding rental assistance and renovation were executed by HUD's January 4, 1988, deadline and the first year's funds have been transferred to HUD regional offices for disbursement to the housing authorities. The renovation work is to be completed within 6 months of execution of the agreements. Although the Congress authorized another \$35 million for this program in fiscal year 1988, no funds have been appropriated.

GAO's SECOND REVIEW

In our second review, we intend to examine in greater detail several matters we observed in our first review as well as others that you may deem appropriate. I would like to discuss some of these.

HUD Funding Restrictions to Religious Organizations

First, you are well aware, there has been some disagreement between HUD and the Congress on the extent of restrictions needed over the use of federal funds for capital expenditures on properties owned by religious organizations. HUD has determined that it would violate the First Amendment prohibition against advancing a particular religion if public funds were used in certain ways. Accordingly, HUD has restricted the use of emergency shelter and supportive housing demonstration funds for capital improvements at facilities owned by religious organizations.

We hope to provide the Congress with some measure of the impact this restriction has had, either in discouraging religious organizations from participating in HUD's programs, or in persuading them to seek operating and maintenance funds, which are not subject to such restrictions.

Target Groups

Second, we hope to determine, for selected geographic areas, the extent to which these programs are reaching the various segments of the homeless population to which the McKinney Act provides some emphasis, such as the elderly, handicapped, families, Native Americans, and veterans.

Differing Fund Allocation Procedures

Third, there is a difference between HUD's and FEMA's allocation procedures. HUD's Supplemental Assistance for Facilities to Assist the Homeless, the Supportive Housing Demonstration, and the Section 8 programs will respond to applications for specific projects. However, HUD's Emergency Shelter Grants and FEMA's Emergency Food and Shelter programs distribute their funds nationwide on the basis of formula allocations. Different formulas are used in each program, and each results in markedly different allocations.

Although poverty rates may determine a locality's eligibility for FEMA funds, the amount of funds it receives is based on unemployment statistics. HUD's funds, by law, are distributed using the Community Development Block Grant formulas. These formulas consider a combination of population, poverty, overcrowded housing, age of housing and population growth. To illustrate the results of the two different allocation methods, New York State received 6.9 percent of the pre-McKinney FEMA funds and 10.7 percent of the HUD emergency shelter grants in fiscal year 1987.

We hope to determine if there is any empirical data available suggesting the degree to which either method reflects homelessness or need. And perhaps more importantly, to evaluate the criteria used by the states and state boards in distributing the funds allocated to them.

Comprehensive Homeless Assistance Plan

And finally, your letter inviting us to appear at this hearing specifically expressed an interest in the effectiveness of the Comprehensive Homeless Assistance Plan. CHAPs were not required for the pre-McKinney funds that we were limited to looking at in our first report. However, we have reviewed some of them, and noted that in some cases they were general in nature, in relation to the specific information required by the McKinney Act.

By reviewing homeless assistance efforts in selected locations, we hope to determine whether the CHAPs are resulting in tangible benefits commensurate with their cost of preparation, and whether any modifications would further enhance their value.

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Mr. Chairman, this concludes my prepared statement. I would be glad to respond to any questions that you or members of the Subcommittee might have.

Status of Fiscal Year 1987 McKinney Program Fundsas of December 31, 1987

(dollars in millions)

<u>Program</u>	<u>Appropriation</u>	<u>Awarded</u>	<u>Disbursed</u>
FEMA's Emergency Food and Shelter Program	\$ 10.0	\$10.0	\$5.5 ¹
HUD's Emergency Shelter Grants Program	50.0	50.0 ²	0.3
HUD's Supportive Housing Demonstration Program	80.0	54.3	0.0
HUD's Supplemental Assistance for Facilities to Assist the Homeless	15.0	15.0	0.0
HUD's Section 8 Assistance for Single Room Occupancy Dwellings	35.0	35.0	0.0
Total	<u>\$190.0</u>	<u>\$164.3</u>	<u>\$5.8</u>

¹ As of January 20, 1988.

² Some funds are being reallocated.

Actions Taken to Implement McKinney Act Programs

<u>Program/ Agency</u>	<u>Action</u>	<u>Date Mandated</u>	<u>Actual Date</u>
EFS/FEMA	Award to National Board	30 days after appropriation (8-10-87)	8-3-87
	Disbursement	3 months after funds are available	Various
ESG/HUD	Draft regulations	60 days after act (9-20-87)	11-6-87
	Allocation	60 days after appropriation (9-9-87)	8-31-87
SHD/HUD	Draft regulations	90 days after act (10-20-87)	10-26-87
SAFAH/HUD	Draft requirements	30 days after act (8-21-87)	10-19-87
	Select awardees	90 days after notice of funds availability	12-23-87
SRO/HUD	None mandated by act	--	--