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CUTS IN FEDERAL HOUSING ASSISTANCE ARE UNDERMINING COMMUNITY PLANS TO END HOMELESSNESS¹

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Executive Summary

Five years ago, the Bush Administration announced a commitment to end chronic homelessness and reduce other types of homelessness within ten years.² If successful, this important initiative would alleviate the severe hardships endured by many of the approximately 3 million Americans who experience homelessness every year, including 150,000 to 200,000 chronically homeless adults with mental illness or other debilitating conditions.

Pledging a commitment to a robust federal-state-municipal partnership and new resources to meet their needs, the Administration has strongly encouraged states and localities to develop local plans to achieve these goals. Communities have responded energetically. More than 200 states and localities have taken on the challenge of developing plans to end homelessness. About half of these plans have been completed, and many communities have begun to implement their plans.

KEY FINDINGS

- **Cuts in federal low-income housing programs are undermining community plans to fight homelessness, which affects approximately 3 million Americans (including 1 million children and 150,000 to 200,000 chronically homeless adults with disabilities) each year.**
- **More than 200 communities have begun to develop such plans and many are already implementing them — largely at the urging of the Administration, which has set a goal of ending chronic homelessness and reducing other types of homelessness and promised new federal resources to help meet these goals.**
- **Yet the Administration and Congress have cut funding for HUD programs by \$3.3 billion (after adjusting for inflation) over the past two years. These cuts have weakened key programs on which local homelessness plans rely, including HOME, CDBG, and Housing Choice Vouchers.**
- **These cuts also have more than offset a modest increase in funding for the McKinney-Vento homeless assistance programs, which have grown by \$70 million since 2002.**

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² This commitment was made in the Administration's fiscal year 2003 budget request, which was released in early 2002.

Most state and local plans meet or complement the Administration's goals. The great majority target chronic homelessness, although most plans also aim to reduce homelessness among other segments of the population, such as families with children. To achieve these goals, state and local plans typically emphasize strategies generally endorsed by the U.S. Department of Housing and Urban Development (HUD), including:

- Preventing homelessness by targeting housing assistance and other types of aid to individuals and families who are at risk of homelessness, such as those who are facing eviction or are exiting institutions such as the child welfare system or corrections facilities.
- Increasing the availability of permanent affordable housing by expanding rental assistance, developing new affordable housing (especially "supportive housing," which combines affordable housing with the supportive services that many homeless people need), improving housing placement services for homeless individuals and families, and preserving the existing stock of affordable housing (such as public and other federally assisted housing).
- Improving access to supportive services by expanding case management and increasing the availability of treatment for mental illness and drug or alcohol addiction.

To implement these strategies effectively, communities will require resources, and many are planning to make substantial investments of local resources to achieve their goals. Yet most state and local plans underscore that, if they are to succeed, the federal government must be a reliable and strong partner in this regard.

In particular, most community plans were developed under the assumption that existing federal housing programs would continue to assist at least the same number of low-income households. In addition, many communities, after a thorough evaluation of local affordable housing and homeless assistance resources, have concluded that federal low-income housing assistance must be expanded if they are to be able to make real progress in achieving the goals set out by their plans.

For example, the Chattanooga, Tennessee plan aims to create 1,400 new units of affordable housing over ten years, nearly all of which will require rental assistance. While some new rental assistance will be funded by local sources, the lion's share is expected to come from federal programs — from the Housing Choice Voucher Program, in particular, as well as the programs authorized under the McKinney-Vento Homeless Assistance Act of 1987 ("McKinney-Vento"). In addition, a share of the 1,400 new units will consist of new permanent supportive housing for chronically homeless individuals who will need intensive support services if they are to remain stably housed. The development of these units will require capital investments, and, like most developers of permanent supportive housing, the City of Chattanooga will have to rely on a variety of sources for this capital, including funding from the federal HOME Investment Partnerships and Community Development Block Grant (CDBG) programs.

The Chattanooga plan is not unique in its reliance on a wide range of federal low-income housing assistance programs, and this should come as no surprise. HUD and independent sources such as the Government Accountability Office (GAO) have long acknowledged that community efforts to address homelessness depend on federal assistance beyond that provided by the McKinney-Vento homeless assistance programs. Indeed, this was Congress' expectation when the McKinney-Vento

programs were launched in 1987 with the dual purpose of alleviating emergency needs and developing and testing new approaches to assisting homeless people more effectively.

Yet in spite of their importance to plans to end homelessness, mainstream low-income housing assistance programs have fared poorly in the federal budget in recent years. Since the reemergence of federal budget deficits in 2003, the Administration and Congress have reduced funding for a number of domestic programs, including most low-income housing assistance programs. By 2006, funding for HUD programs had declined by \$3.3 billion (or 8 percent) in comparison to 2004, once adjustments for inflation are made.³

These cutbacks have affected nearly every low-income housing assistance program important to state and local plans to end homelessness. CDBG, HOME, and public housing have been hit the hardest, with their funding declining by 20 percent, 16 percent, and 11 percent, respectively, from 2004 to 2006. Yet the Housing Choice Voucher Program and most other HUD programs have suffered losses as well. The result has been a noticeable reduction in housing assistance resources available to local communities, including the loss of more than 150,000 housing vouchers since 2004.

These losses are already undermining communities' ability to meet their goals. For example, as part of its plan to end long-term homelessness by 2010, the State of Minnesota and its partners in local government and the private sector will invest considerable resources to develop and operate 4,000 new units of permanent supportive housing. Since the Minnesota plan was adopted in 2004, however, the state has lost more than 700 federal housing vouchers. Although housing agencies support the plan and have contributed some project-based vouchers, continued funding shortfalls and misguided policy changes have forced housing agencies to cut back on their programs, exacerbating the scarcity of rental assistance available across the state. The state has been able to meet the production goals under the plan primarily by making a significant commitment to temporary rental assistance from state sources. Yet unless permanent federal rental assistance is made available, it will be increasingly difficult to maintain progress on implementing the plan. As temporary rental assistance expires, the units provided under the plan will no longer be affordable to this extremely low income population and they may again confront homelessness.

One bright spot in the HUD budget has been the McKinney Homeless Assistance Grant Program, whose funding grew by nearly \$70 million (or 5.3 percent) in real terms between fiscal years 2002 and 2006.⁴ While this growth has been welcome, it has fallen far short of meeting the needs of most state and local plans to end homelessness. McKinney has funded about 37,000 new units of permanent supportive housing over the previous four years, for instance, which is below the rate needed to house the existing population of 150,000 to 200,000 chronically homeless individuals by 2012.

³ The President had proposed additional cuts in funding for HUD programs in 2007. As this paper goes to press, Congress is considering final legislation to fund HUD and most other federal agencies for 2007. Indications are that Congress will provide substantial increases in funding for Section 8 and public housing, though most other HUD programs will be funded at 2006 levels – and below those levels, once inflation is taken into account.

⁴ The McKinney Homeless Assistance Grant Program includes a set of programs authorized under the McKinney-Vento Homeless Assistance Act. These programs include: the Emergency Shelter Grant Program, the Supportive Housing Program, the Shelter Plus Care Program, the Section 8 Moderate Rehabilitation for Single-Room Occupancy Program, and the Safe Havens program.

The City of Chattanooga provides an illustration of the limits of the McKinney programs. Over the past three years, Chattanooga has been very successful in the competition for McKinney homeless assistance funding, securing rental assistance for 135 new units of permanent supportive housing. Yet this total gain is far short of the 140 new units *per year*, on average, required by the Chattanooga plan to end chronic homelessness. Because of the recent cutbacks in federal low-income housing assistance, moreover, Chattanooga is unlikely to have made up for this shortfall from other sources. The Chattanooga Housing Authority, for example, has lost more than 650 federally-funded housing vouchers since early 2004.

Even if McKinney funding were to grow at *twice* the recent rate of growth, the resulting resources would not even offset the impact of the cuts that have already been made as well as the deep cuts in funding for mainstream federal low-income housing assistance programs that the Administration is likely to propose over coming years.⁵ The effect of cuts in Housing Choice Vouchers is only the most visible example. Cuts in funding for HOME, CDBG, public housing, and other mainstream housing assistance programs mean less capital to develop new supportive housing, less rental assistance to re-house homeless people, and fewer units of public and other affordable housing available to prevent households with very low incomes from becoming homeless. Unless these cutbacks are reversed — and these programs are strengthened in coming years — community plans to end homelessness are not likely to succeed in meeting their worthy goals.

Homelessness Causes Severe Hardships for Millions of Americans

Every year, approximately 3 million people suffer homelessness in the United States, including 1 million children.⁶ About half of the homeless population has experienced repeated episodes of homelessness.⁷ Approximately 150,000 to 200,000 adults are chronically homeless, i.e., they have disabilities and have suffered repeated or long periods of homelessness.⁸

⁵ The Administration's 2007 budget proposed substantial cuts in domestic discretionary programs over the five-year period, 2007 to 2011, including deep cuts in housing assistance. See Jim Horney, Arloc Sherman, and Sharon Parrott, "Program Cuts in the President's Budget: Cuts Grow Deeper Over Time and Will Hit States Hard," February 23, 2006; available at <http://www.cbpp.org/2-23-06bud.htm>.

⁶ See Martha Burt *et al.*, *Helping America's Homeless: Emergency Shelter or Affordable Housing?*, Urban Institute, 2000. This study is based on an analysis of the 1996 National Survey of Homeless Assistance Providers and Clients. Although the data are old, this source is widely considered the most comprehensive and rigorous survey of homeless persons using homeless assistance services. (Because the survey is limited to people using services, however, it almost certainly undercounts the actual homeless population.) Burt *et al.* extrapolated from two point-in-time counts to arrive at a range of 2.3 to 3.5 million persons experiencing homelessness over the course of one year, including 892,000 to 1,351,000 children. The figures cited in the text above represent the mid-points of these ranges. The National Alliance to End Homelessness has released a new report based on 2005 data collected by HUD from continuums of care. While this data is not directly comparable to Burt *et al.*'s analysis (different methods and sources), it yielded a point-in-time count of homeless persons that was within the range of the two point-in-time counts analyzed in Burt *et al.*. See "Homelessness Counts," National Alliance to End Homelessness, 2007; available at <http://www.naeh.org/>.

⁷ According to Burt *et al.*, about one-fifth of homeless families with children and one-third of homeless single adults have experienced at least three episodes of homelessness.

⁸ As HUD defines "chronically homeless," the term applies only to unaccompanied adults. HUD point-in-time data from 2005 indicate that about 171,000 people were chronically homeless in the United States. See "Homelessness Counts," National Alliance to End Homelessness, 2007. For two reasons, the HUD data likely undercount the population of people experiencing long-term or repeated homelessness. First, HUD's data represent counts of people

Nearly all homeless households suffer from deep poverty. The median income of single homeless persons was only \$217 per month in 1996 (or \$287 per month, in 2007 dollars); for homeless families with children, it was \$432 per month (\$571 per month, in 2007 dollars).⁹ These levels are well below half of the federal poverty line.¹⁰

High housing costs also contribute to homelessness. In 2007, HUD estimates that the average cost of a modest two-bedroom apartment is \$848 per month, well beyond the means of families living in poverty.¹¹

The wide gap between housing costs and poor families' incomes is the primary reason why so many Americans are homeless. Recent Census data show that 61 percent of renter households below the poverty line pay more than half of their income to cover housing costs.¹² When housing costs consume such a large share of household income, families struggle to pay for food, transportation, child care, medical care, and other basic needs; often they must forego one necessity to pay for another. Such families are more likely to fall behind on the rent, placing themselves at risk of eviction and homelessness.¹³

Besides deep poverty and high housing costs, a variety of other factors also contribute to homelessness. One set of factors concerns a person's ability to earn income, such as education, job skills, and work experience. Many homeless individuals have poor job skills and weak employment histories; others have disabilities that may restrict or eliminate their ability to work.

A second set of factors includes personal vulnerabilities such as health problems, mental illness, substance abuse, and domestic violence.¹⁴ Such problems can affect an individual's ability to earn

seeking services from homeless assistance providers and thus exclude anyone who did *not* seek services at the time the count was made. Second, the data are based on HUD's definition of "chronically homeless," which excludes families with children and other non-singleton households even if they have members with debilitating conditions and have experienced long-term or repeated homelessness.

⁹ See Burt *et al.*, Table 3.5. The table presents separate figures for men and women in each category, which we used to calculate an overall average for each category (i.e., single, families with children).

¹⁰ The stated median incomes for homeless singles and families are 33 percent and 40 percent of the poverty line, respectively. This income data is based on reports of income received during the previous 30 days.

¹¹ To be able to afford a housing cost of \$848 per month, a household must earn nearly \$34,000 per year, according to federal housing affordability standards. In 2007, the poverty line for a family of four is \$20,000 per year. The median rent figure is based on HUD's 2007 "Fair Market Rent" estimates, which include the costs of rent and basic utilities for recently-rented, non-luxury units. See the introduction to the National Low Income Housing Coalition's study, "Out of Reach 2006," available at <http://www.nlihc.org/oor/oor2006/>.

¹² See the 2005 American Housing Survey, Table 4-13.

¹³ Of course, low wages, as well as low levels of public assistance benefits, also contribute to these severe housing cost burdens. Nationwide, the "housing wage" — i.e., the minimum full-time wage required to enable a person to afford rent and utilities for a modest two-bedroom apartment — is more than \$16 per hour in 2007, more than three times the minimum wage. See "Out of Reach 2006," National Low Income Housing Coalition; available at <http://www.nlihc.org/oor/oor2006/>.

¹⁴ According to Burt *et al.*, nearly half of homeless adults report chronic health problems, while 40 percent report mental illness and 50 percent report drug or alcohol problems (these groups overlap). These figures are based on point-in-time surveys, however, and the incidence of these problems among the 3 million people who experience homelessness over the course of a year is likely to be significantly lower.

income and generate substantial expenses, such as medical bills. They also may contribute to the loss of housing in other ways. For example, landlords may evict tenants out of concerns about persistent drug use.

A third set of factors arises out of the failures of the social safety net. Many homeless people were unable to obtain the assistance they needed, while for others, the assistance they obtained failed to prevent them from becoming homeless. In one study, for example, about half of the homeless families with children surveyed were receiving welfare benefits and about one-quarter of homeless individuals were receiving disability benefits, yet these benefits were clearly inadequate.¹⁵

The shortage of low-income housing assistance is another critical weakness of the safety net. As noted below, research shows that having rental assistance significantly reduces the chances that a low-income family will become homeless, yet only a fraction of eligible households receive assistance because of funding limitations.¹⁶ The scarcity of housing assistance also prolongs homelessness. Families often cannot exit homelessness without housing assistance, yet the waiting lists for assistance are long in many communities.

Housing Assistance and Supportive Services Are Effective at Reducing Homelessness

Effective strategies to reduce homelessness combine two key elements. The first is housing assistance, which helps people secure affordable permanent housing. The second is supportive services, which mitigate vulnerabilities that may contribute to homelessness (such as health problems) and help homeless people restore or increase their incomes (such as through job training).

- **Housing assistance.** Because of the large gap between housing costs and their meager incomes, nearly all homeless households require housing assistance to secure stable, permanent housing. Some need assistance for only a short period, such as while they search for a new job following a layoff, but many more require assistance for extended periods because they have weak job skills or debilitating conditions that hinder their ability to find work. Research shows that rental assistance — that is, housing subsidies that are based on income and are “deep” enough to ensure that housing is affordable even for very poor tenants — can both prevent homelessness and help homeless people obtain permanent housing.¹⁷
- **Supportive services.** These include services that help individuals to find work, increase their incomes, and manage their finances better, as well as services that mitigate physical and mental health problems, the consequences of domestic violence or abuse, and other vulnerabilities that are common among homeless individuals.

¹⁵ See Burt *et al.*, 2000, Table 3.5.

¹⁶ Only about one quarter of eligible low-income renter households receive federal housing assistance.

¹⁷ A recent evaluation of the federal Welfare to Work program, for example, concluded that housing vouchers substantially reduced the incidence of homelessness among poor families. See “Effects of Housing Vouchers on Welfare Families,” HUD Office of Policy Development and Research, 2006. Numerous studies have also shown that housing assistance is effective in helping most homeless individuals and families to maintain stable housing. See, for example, Mary Beth Shinn *et al.*, “Predictors of Homelessness from Shelter Request to Housing Stability among Families in New York City,” in *American Journal of Public Health*, 88(10), 1998.

Addressing Chronic Homelessness

As noted above, approximately 150,000 to 200,000 single adults are chronically homeless. Chronically homeless people experience repeated or very long episodes of homelessness, often living on the street and in emergency shelters for many years. Most have debilitating health conditions, drug or alcohol addictions, or serious mental illness such as schizophrenia; many have multiple conditions. Many chronically homeless individuals receive treatment in emergency rooms, hospitals, and mental health and substance abuse facilities but are still unable to maintain stable housing.

Permanent supportive housing combines affordable rental housing with intensive support services ranging from case management to mental health care. A number of studies have shown that it reduces homelessness among the chronically homeless, even among those who have lived on the streets for years and suffer from serious mental illness or addiction problems. Up to 80 percent of chronically homeless persons placed into permanent supportive housing remain stably housed for at least one year.¹⁸ In light of such promising results, HUD and many state and local plans to end homelessness have focused on permanent supportive housing as the cornerstone of their strategies to help the chronically homeless population.¹⁹

Administration Has Promised New Resources to Help Communities Fight Homelessness

In 2001, then-HUD Secretary Mel Martinez publicly endorsed the goal of ending chronic homelessness and reactivated the U.S. Interagency Council on Homelessness (USICH) to coordinate federal efforts toward this goal.²⁰ HUD's proposed budget for fiscal year 2003 (submitted to Congress in February 2002) put forth as key objectives the elimination of chronic homelessness in ten years and the movement of more homeless individuals and families into permanent housing. Since then, these objectives have appeared in every strategic plan document produced by HUD.

HUD and USICH have engaged in an active campaign to persuade states and localities to develop plans to end chronic homelessness. To his credit, USICH executive director Phillip Mangano has toiled energetically to convince state and local leaders to initiate their own plans, offering a variety of

¹⁸ For a review of the research literature, see Dennis Culhane *et al.*, "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing," in *Housing Policy Debate*, Vol. 13, Issue 1, 2002. More recent studies include: Tia E. Martinez and Martha R. Burt, "Impact of Permanent Supportive Housing on the Use of Acute Care Health Services by Homeless Adults," in *Psychiatric Services*, vol. 57, no. 7, 2006; and "Predicting Staying In or Leaving Permanent Supportive Housing That Serves Homeless People with Serious Mental Illness," HUD Office of Policy Development and Research, 2006.

¹⁹ Most attempts to count the chronically homeless population have arrived at a figure between 150,000 and 200,000 chronically homeless persons (see note 8). Accordingly, many have concluded that at least 150,000 new units of permanent supportive housing will be required to end chronic homelessness. See, for example, *A Plan, Not a Dream: How to End Homelessness in Ten Years*, National Alliance to End Homelessness, 2000, available at <http://www.naeh.org/content/article/detail/585>. Producing 150,000 new supportive housing units by 2012 is a necessary but not sufficient condition for ending chronic homelessness. First, it assumes that much of the existing permanent supportive housing stock, most of which is occupied by people with disabilities who were never chronically homeless, is eventually made available to chronically homeless individuals. Second, it leaves aside the fact that the chronically homeless population is not static; additional housing assistance resources will be needed to assist people with mental illness and other disabilities who may become chronically homeless in the near future.

²⁰ Keynote speech at the annual conference of the National Alliance to End Homelessness, July 20, 2001.

federal resources (including help with plan development) to interested communities. For its part, HUD has created strong incentives to encourage communities to get on board. Beginning in fiscal year 2004, for example, HUD modified the competitive selection criteria for McKinney grants to favor continuums of care that have adopted ten-year plans to end chronic homelessness. (A “continuum of care” is a local collaboration of service providers and other agencies that plan for and provide homeless assistance, and serve as the potential grantee for McKinney homeless assistance funding).

The Administration has stressed that the federal government will be a strong partner in local efforts to end homelessness and will provide new resources to meet the needs identified in community plans. At a 2003 meeting of the U.S. Conference of Mayors, for example, Executive Director Mangano challenged the mayors of the nation’s 100 largest cities to produce new plans to end homelessness over the following year. The time was ripe for a new commitment to end homelessness, argued Mr. Mangano, in part because new federal resources were in the pipeline to help:

Why are such plans [i.e., to end homelessness] more viable now? . . . [One reason is] new resources. Anyone who studied the President’s budget for 2003 knows that new resources were on the table to help — new housing resources in the Section 8 and HOME programs, new funds for re-entry of ex-prisoners, new funding for those aging out of foster care, increases in nearly every targeted homeless program. . . .²¹

The Administration has thus encouraged communities to develop plans to end homelessness, promoted itself as a strong partner in these efforts, and promised new resources to help communities to implement their plans.²² As the next section shows, these efforts, combined with those of homelessness advocates and state and local officials, have succeeded in gathering together a remarkable amount of political will to address the problem of homelessness. Yet the efforts have also created legitimate expectations that the federal government will follow through with resources to help communities to meet the goals set out in their plans. To see whether these commitments have been met, we will first review a sample of community plans in order to better understand the types of federal assistance they regard as essential to meeting their goals. Next, we will review recent actions and initiatives taken by the Administration and Congress, and then evaluate whether the needs of community plans are being met.

Success of Community Plans Depends on Strengthening of Federal Housing Assistance

Community planning to address homelessness is not new. The McKinney-Vento Homeless Assistance Act, enacted in 1987 following the reemergence of homelessness as a persistent problem in the United States, requires communities to develop comprehensive homeless assistance plans as a

²¹ Philip Mangano, “Plenary Remarks at the Winter Meeting of the U.S. Conference of Mayors,” January 23, 2003; available at <http://www.ich.gov/library/mayors.pdf>. The Conference of Mayors accepted Mr. Mangano’s challenge, adopting a resolution supporting the development of community plans to end homelessness. Later that year, the National League of Cities and the National Association of Counties adopted similar resolutions.

²² Congress has also expressed support for the goals of plans to end homelessness. See, for example, Senate Report 108-143.

condition of receiving grants under the Act.²³ Yet most planning efforts of the 1980s and 1990s focused on improving the coordination of temporary assistance to homeless persons, rather than on developing comprehensive strategies to end or reduce homelessness.²⁴

Over the past four years there has been dramatic growth in community homelessness plans that are notable both in their ambitions — to eliminate homelessness or reduce it substantially — and in the detailed strategies they set out to achieve their goals.²⁵ Following the Administration’s lead, more than 200 states and localities have begun developing plans to end homelessness since 2002; nearly half of the plans are completed and many communities are already implementing their plans.²⁶ Governors, mayors, business and other civic leaders, and networks of housing and homeless assistance providers have participated in this wave of planning, and substantial state and local funding and other resources have been committed. The result has been a remarkable mustering of political and civic resources to address the scandal of homelessness.

The great majority of community plans incorporate the Administration’s goal of ending chronic homelessness. Yet most take a broader approach, setting goals to end or significantly reduce homelessness among other segments of the population, such as families with children.²⁷ This is understandable; the chronically homeless make up only a small proportion of the homeless population in most communities, and well-designed community plans to end homelessness are based on a rigorous assessment of local needs. Moreover, other segments of the homeless population (e.g., children or adults with mental illness) are highly vulnerable even if they have been homeless for relatively short periods.

To reduce homelessness, most state and local plans emphasize general strategies endorsed by HUD’s own strategic plan, including:

- Preventing homelessness by targeting housing resources and other types of assistance on individuals and families who are at risk of homelessness, such as those who are facing eviction or exiting institutions such as the child welfare system or corrections facilities.

²³ See Sections 102 and 401 of the McKinney-Vento Act, 42 U.S.C. 11301 and 11361.

²⁴ Some communities were more ambitious. In the mid-1990s, for instance, a coalition of community groups and other stakeholders in Philadelphia developed a comprehensive plan to end homelessness; see the Greater Philadelphia Urban Affairs Coalition, *A Blueprint to End Homelessness in Philadelphia*, 1997; available at: <http://www.naeh.org/section/tools/communityplans>.

²⁵ A broad range of individuals and organizations have promoted the development of plans to end homelessness at both local and national levels. However, a lead role was played by the National Alliance to End Homelessness, which published a model ten-year plan to end homelessness in 2000 and has led a successful campaign to promote the ten-year-plan concept with the Bush Administration, state governments, and local communities.

²⁶ These figures are derived from the list of communities with ten-year plans maintained by the Interagency Council on Homelessness, as of November 2006; the list is available at: <http://www.ich.gov/slocal/index.html>.

²⁷ About one-third of plans target only the chronically homeless population. For a general review of completed community plans, see National Alliance to End Homelessness, *A New Vision: What is in Community Plans to End Homelessness?*, November 2006; available at: <http://www.naeh.org/content/article/detail/1398>. Much of the general information about the characteristics of community plans is taken from this source.

- Increasing the availability of permanent affordable housing by expanding rental assistance, developing new affordable housing (especially supportive housing for homeless people with disabilities and other special needs), improving housing placement services for homeless individuals and families, and preserving the existing stock of affordable housing (such as public housing and other federally assisted housing).
- Improving access to supportive services by expanding case management and increasing the availability of other services, such as treatment for mental illness and drug or alcohol addiction.²⁸

To implement these strategies effectively, communities will require resources, and many are planning to make substantial investments of local resources to achieve their goals. Yet most also assume that federal resources will be available to implement their plans.

In particular, most community plans were developed under the minimum assumption that existing federal housing programs would continue to assist at least the same number of low-income households. In addition, many communities, after a thorough evaluation of local affordable housing and homeless assistance resources, have concluded that federal low-income housing assistance must be expanded if they are to be able to make real progress in achieving the goals set out by their plans. To illustrate these points, we will review two highly regarded community plans to end homelessness, one adopted by the City of Chattanooga, the other by the State of Minnesota.

The Chattanooga Plan

Roughly 4,000 people suffer homelessness in the Chattanooga, Tennessee area over the course of a year; about 15 percent of them are chronically homeless. More than half of the homeless people are single adults; the remainder are mostly members of families, including about 1,000 children. According to estimates from service providers, about one-third of the homeless adults suffer from mental illness, and more than half have substance abuse problems. Most of those with mental health or substance abuse problems are single adults. Forty percent of the homeless families report recent experiences with domestic violence.

Chattanooga's *Blueprint to End Chronic Homelessness in Ten Years*, which was approved in 2004 under the supervision of former mayor and current U.S. Senator Robert Corker, has received national attention for its high quality, is ambitious but not unrealistic. Like most community plans, it aims both to eliminate chronic homelessness and to reduce homelessness among other populations substantially. It recommends expanding access to affordable permanent housing, increasing access to services and supports, improving efforts to prevent homelessness, and implementing better regional planning and coordination (primarily through the creation of an interagency council on homelessness). The linchpin of the plan is the creation of 1,400 units of new affordable permanent housing over ten years through the development of new housing and the expansion of rental assistance.

²⁸ This list is based on the review of community plans by the National Alliance to End Homelessness. Many plans have additional features, such as improved data-gathering to help identify and track homeless populations and thereby enhance the management and evaluation of homeless assistance programs. HUD's most recent strategic plan emphasizes similar strategies. See *HUD Strategic Plan, FY 2006 – FY 2011*, p. 31, available at <http://www.hud.gov/offices/cfo/reports/cforept.cfm>.

New Permanent Supportive Housing

Under the Chattanooga plan, newly developed housing units will consist primarily of permanent supportive housing to meet the needs of chronically homeless individuals and others with significant disabilities. Research has shown that chronically homeless individuals usually suffer from mental illness or addictions to drugs or alcohol, and they are much more likely to maintain stable housing if they receive treatment and other supportive services.

The development of new housing units requires capital to cover the cost of acquisition, rehabilitation, or construction. Most supportive housing projects must rely on multiple funding sources to cover these capital costs, including a variety of federal, state, and local sources. The McKinney-Vento Supportive Housing Program, for example, will cover no more than 50 percent of capital costs, and most McKinney grants cover far less than that. (One review of 109 supportive housing developments found that McKinney provided only 2 percent of the capital funding for the developments, while the Low-Income Housing Tax Credit [LIHTC], CDBG, and HOME programs supplied 33 percent, 10 percent, and 2 percent of the capital funding, respectively.²⁹)

Altogether, the Chattanooga plan identifies eight federal sources of capital funding that it intends to use to develop new permanent supportive housing, including LIHTCs, HOME, CDBG, Section 202 and 811 supportive housing programs, and subsidized grants and loans from the regional Federal Home Loan Bank.

Expansion of Rental Assistance

According to the Chattanooga plan, the limited availability of rent subsidies prevents many homeless people from returning to permanent housing.³⁰ Rental assistance is essential to helping homeless persons secure stable housing, because most have little or no income or rely on modest disability benefit payments from the Supplemental Security Income (SSI) program.³¹ Rental assistance fills the gap between people's meager incomes and the costs of renting housing.

Ongoing rental assistance will be required for almost every one of the 1,400 new units that Chattanooga aims to create, including the newly developed permanent supportive housing. To meet this need, the Chattanooga plan intends to rely on a combination of local resources and several types

²⁹ In total, nearly half of the capital costs were covered by federal funding sources. McKinney typically funds a much larger share of the operation and supportive services costs for permanent supportive housing, as opposed to the capital costs. For example, the same review shows that McKinney accounts for 32 percent of the funding for the 109 projects' operating costs. See Martha Burt, "Taking Health Care Home: A Baseline Report on PSH Tenants, Programs, Policies, and Funding," Corporation for Supportive Housing, 2005, p. 22. Nationally, only about one-quarter of CDBG funds are used to develop affordable housing, and only a small proportion of this percentage is targeted to housing for homeless persons. Nevertheless, as the Burt study shows, CDBG provides funds that are critical to homeless assistance efforts in some communities.

³⁰ City of Chattanooga, *Blueprint to End Chronic Homelessness in Ten Years*, p. 31. Another critical barrier is access to supportive services, according to the plan.

³¹ See the Chattanooga *Blueprint*, pp. 37-38. As the Chattanooga plan notes, a person relying on SSI disability benefits can afford to pay only a fraction of the median rent of \$442 per month in the Chattanooga region. In 2004, the average monthly SSI disability benefit was only \$564, according to *Priced Out in 2004*, published by the Technical Assistance Collaborative (<http://www.tacinc.org/Pubs/PricedOutin2004.htm>). Under federal standards of affordability, an individual living on the average SSI disability benefit can afford to pay less than \$170 per month for rent and utilities.

of federal resources. The latter include the Collaborative Grant to Help End Chronic Homelessness,³² HUD's Shelter Plus Care program (the city has obtained renewable funding from this program and plans to seek more funding from this and other McKinney programs), and new Housing Choice Vouchers. In addition, Chattanooga aims to target more of its existing vouchers and public housing units on homeless persons.

Chattanooga's plan thus presumes both that the rental assistance resources the community has already secured will continue to be funded and that substantial additional rental assistance will be forthcoming from the Housing Choice Voucher Program and the McKinney-Vento Homeless Assistance program — as well as from a new, locally funded, short-term rental assistance program. (Chattanooga has invested considerable resources in its homeless assistance programs. According to the plan, only about 40 percent of the region's homeless assistance activities are funded through federal programs; most of the remaining funding comes from private philanthropic sources).

The plan will likely be forced to rely on the Housing Choice Voucher Program for the lion's share of this rental assistance, given the intense competition for funding from the Collaborative Grant and the McKinney programs and the fact that the locally funded program is certain to be modest. Indeed, while Chattanooga has done well in recent competitions for targeted homeless assistance funding — securing a total of 135 new units of rental assistance over the past three years — this success has fallen short of the approximately 140 new units *per year* required under the city's plan to end homelessness.

The plan acknowledges concerns about the availability of federal voucher resources. It mentions that, as of 2004, more than 1,400 families were already on the local waiting list for housing vouchers, and the list was closed to new applicants. Moreover, the Chattanooga Housing Authority last received new vouchers in 2002, the most recent year in which Congress has authorized funding for new vouchers. Nevertheless, the plan optimistically asserts that the Administration and Congress are certain to reverse course and expand the voucher program: “As ending chronic homelessness has been identified as a federal priority, it is anticipated that in the near future the federal government will...provide states and localities with additional Section 8/Housing Choice vouchers, the most essential and effective tool for ending homelessness.”³³

³² This program, a pilot launched as part of the Administration's chronic homelessness initiative, was intended to demonstrate the viability of collaborative federal grants for the development of permanent supportive housing for chronically homeless individuals. Under the program, Chattanooga received a five-year HUD grant for rental assistance. While HUD has indicated that this rental assistance will be renewable, the Chattanooga plan assumes that it will be replaced by Housing Choice Vouchers at the end of the grant period. In addition, the award also included non-renewable funding to develop an assertive community outreach team and for other supportive services to be provided along with the permanent housing for the chronically homeless. However, the service funding expired on September 30, 2006, and Chattanooga has reportedly had difficulty securing replacement funding, which calls into question the program's long-term viability. This exemplifies the difficulty of replacing federal funding with alternative sources. As will be explained below, Chattanooga may have equal difficulty replacing the rental assistance with vouchers at the end of the 5-year grant period.

³³ City of Chattanooga, *The Blueprint to End Chronic Homelessness in Ten Years*, p. 40. In addition to the development of new permanent supportive housing and an expansion of rental assistance, the Chattanooga plan emphasizes the preservation of existing affordable housing, such as public housing and private housing subsidized by project-based Section 8 assistance. Noting that the region had lost 738 public housing units in the previous five years and that many other assisted units remained at risk, the plan sets a goal of one-to-one replacement for lost units and prioritizes the funding of modest repairs to maintain the affordability of private units.

The Minnesota Plan

Minnesota has a history of innovative and successful anti-poverty programs, including homeless assistance programs.³⁴ Its homelessness plan, approved in 2004, is ambitious: it aims to end long-term homelessness in the state by 2010.³⁵

The strength of the plan is its business-like approach. The state collected detailed information on the number, characteristics, and needs of Minnesota's long-term homeless population. It found that 2,800 households (including 500 children) experience long-term homelessness annually. Among the adults and unaccompanied youth who head these households, more than half have serious or persistent mental illness, nearly half have chronic health problems, one-third have substance abuse problems, and about one-quarter have a history of being victimized by domestic violence. Some are burdened by more than one of these problems.

Based in part on this survey, the state set the goal of creating 4,000 new units of affordable permanent housing by 2010; two-thirds of these units will be for single adults and unaccompanied youth, while one-third will be for families with children. Access to supportive services will be provided with the housing, in a variety of configurations. The state then developed a detailed estimate of what it would cost to create this housing, including capital costs, operating costs (i.e., rental assistance), and supportive services. Finally, the state identified specific sources of funding to cover these costs, as well as strategies to reduce costs where possible, and outlined an implementation schedule.

Minnesota has committed substantial resources to the plan, including \$210 million in appropriations and \$90 million in bonds financed by the state. It intends to leverage these commitments with investments from federal programs and local governments, as well as private philanthropies.

A critical assumption of the plan is that federal resources will be available to cover a large share of the costs of rental assistance. This is especially true for ongoing costs after 2010, when state-funded commitments for rental assistance will terminate. (The state estimates that the average chronically homeless household can afford to pay only about \$160 per month for housing costs, well below the actual operating cost of housing. Providing these households with rental assistance will cost an average of \$33 million per year after 2010.) Minnesota expects Housing Choice Vouchers or other federal rental assistance to replace the state funding, but remarks that applicants already face up to a seven-year wait to obtain a voucher. The state concludes, "At the current funding levels for the Section 8 program, [local housing agencies] cannot be expected to be able to meet the rental assistance needs identified in the plan."³⁶ In other words, federal rental assistance must be expanded if the plan is to succeed.

³⁴ For instance, Hennepin County's homelessness prevention programs, the Minnesota Family Homeless Prevention and Assistance Program, and assistance programs run by Lutheran Social Service of Minnesota have all been recognized for "best practices" by the National Alliance to End Homelessness.

³⁵ As understood within the Minnesota plan, the population suffering "long-term" homelessness includes those experiencing "chronic" homelessness, as defined by HUD, but also includes families with children and other non-singleton households that have experienced repeated or extended episodes of homelessness.

³⁶ State of Minnesota, *Ending Long-Term Homelessness in Minnesota*, p. 61.

This brief discussion shows that the success of both the Chattanooga and Minnesota plans will depend on the availability of new federal housing assistance resources, especially rental assistance, as well as stable funding of HOME, CDBG, and other core housing assistance programs.³⁷ It is important to note that, when these plans were developed (2003-2004), it was not unrealistic to assume that additional federal resources would be forthcoming. After all, during the previous six years (1996 to 2002), Congress had funded more than 300,000 new housing vouchers.

Funding Cuts Are Weakening Key Federal Housing Assistance Programs

In 2003, the same year HUD initiated its ten-year effort to end chronic homelessness, the Administration proposed, and Congress passed, the second in a series of large tax cuts (the first had been enacted in 2001). Due in great part to these tax cuts, sizeable federal budget deficits returned in fiscal years 2003 and 2004. More importantly, the long-term fiscal outlook worsened dramatically. In 2001, the Congressional Budget Office (CBO) had forecast that the government would amass \$5.6 trillion in total surpluses over the 2002 – 2011 period. CBO now projects budget *deficits* of \$2.8 trillion over the same period. In other words, the federal budget outlook has experienced an \$8.4 trillion negative swing over the past five years.³⁸

Following the re-emergence of large deficits, the Administration proposed to cut funding for many domestic programs in fiscal years 2005 and 2006, including most low-income housing assistance programs. In response, Congress has reduced overall HUD funding each year since 2004, even as it has mitigated some of the Administration's deeper cuts (rejecting, for example, its proposal to eliminate CDBG in 2006).

For 2006, funding for discretionary (i.e., non-entitlement) HUD programs was nearly \$3.3 billion (or 8 percent) below the 2004 level, adjusted for inflation.³⁹ As Figure 1 shows, the funding cuts have affected nearly every federal low-income housing assistance program that is important to community efforts to address homelessness.⁴⁰

³⁷ Indeed, the discussion understates the role of federal housing assistance in these plans, as it focused on only a few of the most critical housing components. Other components, such as strategies to prevent at-risk individuals and families from becoming homeless and to preserve existing stocks of affordable housing, will also require substantial federal resources.

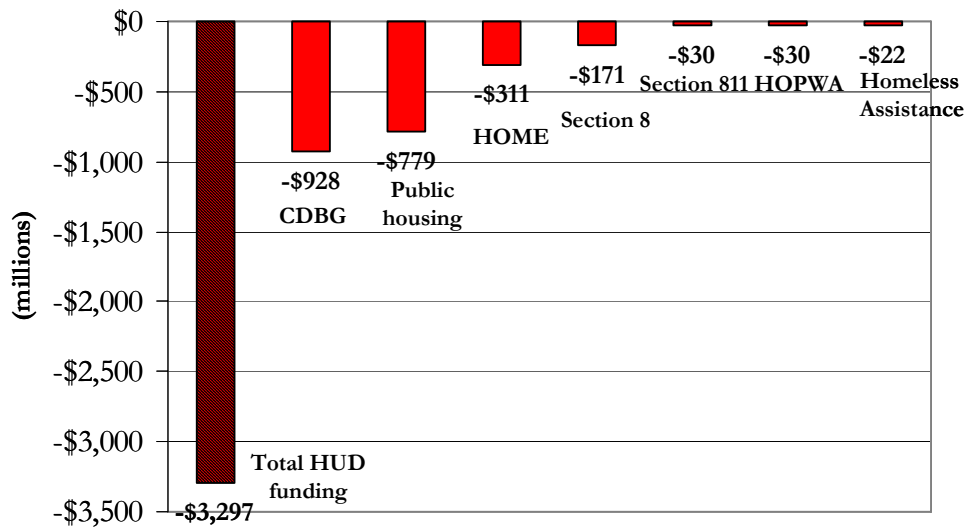
³⁸ For more information on the federal budget outlook, see "The Federal Budget Outlook," Center on Budget and Policy Priorities; available at <http://www.cbpp.org/budget-slideshow.htm>.

³⁹ Nearly all HUD programs are "discretionary," which means that Congress sets their funding levels on an annual basis through appropriations legislation. "Mandatory" (or entitlement) programs make up a very small share of HUD's budget (about 5 percent in fiscal year 2006). The figures in this paragraph are for gross discretionary budget authority for HUD programs, prior to the application of rescissions, receipts, and other offsets. For further explanation, see Douglas Rice and Barbara Sard, "The Effects of the Federal Budget Squeeze on Low-Income Housing Assistance," CBPP, February 1, 2007.

⁴⁰ The President had proposed additional cuts in funding for HUD programs in 2007. As this paper goes to press, Congress is considering final legislation to fund HUD and most other federal agencies for 2007. Indications are that Congress will provide substantial increases in funding for Section 8 and public housing, though most other HUD programs will be funded at 2006 levels – and below those levels, once inflation is taken into account.

FIGURE 1

**Change in Funding for Selected Low-Income Housing Assistance Programs,
Fiscal Year 2004 to Fiscal Year 2006
(2006 dollars)**



Sources: *The Budget of the U.S. Government, Fiscal Year 2007*, with inflation adjustments by CBPP. In the chart, “Section 8” combines the Tenant-Based and Project-Based Rental Assistance programs.

These cutbacks will make it much more difficult for community homelessness plans to succeed. For instance, communities such as Portland, Oregon have been using HOME funds to provide rental assistance to help homeless people move into permanent housing.⁴¹ As explained above, HOME and CDBG funds are also important sources of capital for the development of permanent supportive housing for homeless people with disabilities.⁴² And, of course, McKinney homeless assistance provides critical resources for a wide range of local homeless assistance efforts — and is the Administration’s primary tool to implement its plan to end chronic homelessness.

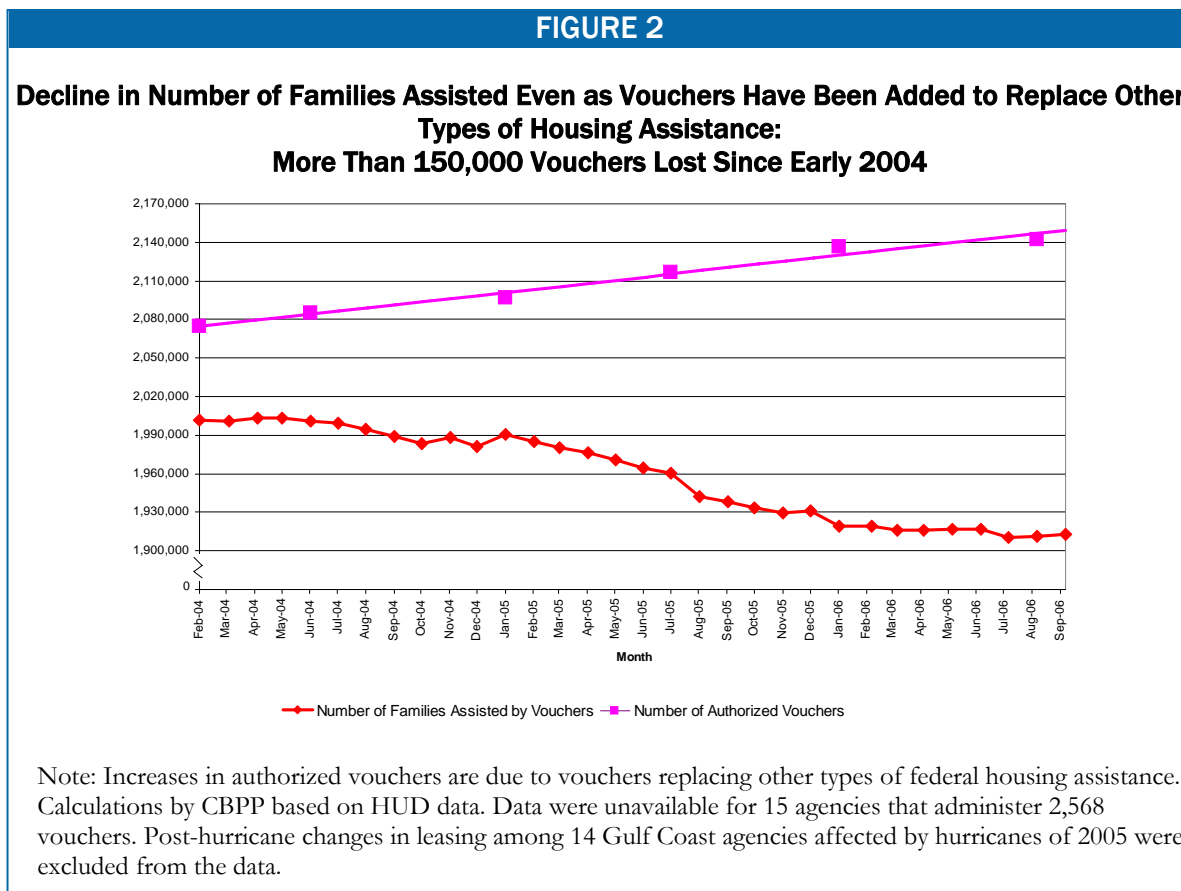
Yet since 2004, Congress and the Administration have cut funding for CDBG, HOME, and McKinney grants by 20, 16, and nearly 2 percent, respectively, in inflation-adjusted terms. In other words, just as communities have been calling on these resources to implement their plans to end homelessness, the resources have been drying up.

In the Housing Choice Voucher Program, the effects of funding shortfalls have been exacerbated by a series of misguided changes in the formula used to allocate funding among the public housing

⁴¹ For a general discussion of the use of HOME funding for tenant-based rental assistance, see “States, HOME, and Tenant-Based Assistance,” Council of State Community Development Agencies; available at: <http://www.coscda.org/publications/TBA.htm>.

⁴² Every community also uses HOME, and many use CDBG, funds to expand the general stock of affordable housing, which reduces the housing cost pressures that put low-income at risk of homelessness. The figure on sources of capital financing for permanent supportive housing is taken from Martha R. Burt, “Taking Health Care Home: Baseline Report on PSH Tenants, Programs, Policies, and Funding,” Corporation for Supportive Housing, 2005.

agencies (PHAs) that administer the program. These changes, initiated in 2004, have produced financial instability and shortfalls at PHAs nationwide, forcing many to take drastic steps such as “shelving” vouchers when they become available after families leave the program. As a result, the number of households receiving voucher assistance has dropped by more than 150,000 over the past two and a half years, a decline that is unprecedented in the program’s history.⁴³



This loss of vouchers will create substantial difficulties for community plans to end homelessness. Most communities already have long waiting lists for voucher assistance; eligible families may wait for many years before they obtain a voucher. The waiting period has almost certainly lengthened during the past two and a half years, as fewer vouchers have been reissued when families left the

⁴³ In early 2004, approximately 2,001,000 families received tenant-based voucher assistance, according to HUD data. Thirty months later, in the third quarter of 2006, only 1,911,000 families were receiving voucher assistance — a decline of 90,000 families — despite the awarding during this period of more than 60,000 additional vouchers to assist families that had lost other forms of federal housing assistance, such as families being displaced from public housing that was being demolished. Once adjustment is made for the 60,000 vouchers that replaced other forms of housing assistance, it becomes clear that about 150,000 vouchers formerly in use have been lost. Voucher decline figures were calculated by CBPP based on data from HUD’s Voucher Management System. Figures do not include data for 15 agencies that administer 2,568 vouchers. Figures exclude post-hurricane losses at 14 Gulf Coast agencies affected by the 2005 hurricanes. See Barbara Sard and Martha Coven, “Fixing the Housing Voucher Formula: A No-Cost Way to Strengthen the ‘Section 8’ Program,” CBPP, November 2, 2006. Also see Douglas Rice and Barbara Sard, “The Effects of the Federal Budget Squeeze on Low-Income Housing Assistance,” CBPP, February 1, 2007, for a discussion of the voucher losses. Both papers are available at: <http://www.cbpp.org/pubs/housing.htm>.

program. As a result, homeless individuals and families are likely to have even greater difficulty obtaining vouchers, even in regions where they receive preference over other applicants.

The loss of vouchers also means that PHAs are likely to commit fewer vouchers to supportive housing developments for homeless individuals with disabilities.⁴⁴ One reason is that most agencies simply have fewer vouchers available to allocate to projects. Another is that PHAs are reluctant to commit vouchers to supportive housing projects, which usually require long-term commitments, when the voucher program's recent financial instability suggests they may not be able to honor the commitment.⁴⁵

The experiences of Chattanooga and Minnesota illustrate the impact that these voucher cuts have had. In Chattanooga, the number of families assisted by vouchers declined by more than 650 (one fifth of all vouchers administered by the Chattanooga Housing Authority) between 2004 and 2006, even though the city's homelessness plan called for *expanding* rental assistance by 1,400 units over a ten-year period. In Minnesota, the number of vouchers in use has fallen by more than 700 since 2004, exacerbating the scarcity of vouchers available for the state's homelessness plan. In 2006 Minnesota met its goal under its plan by committing financing to more than 400 units of permanent supportive housing for long-term homeless individuals and families. Yet it has been unable to secure long-term rental assistance commitments for many of the units. As a result, the state is being forced to choose between financing units that may not be able to house this extremely low income population over the long-term or delaying progress on the implementation of the plan until adequate permanent rental assistance is secured. If temporary rental assistance expires, those who have been housed under the plan could again confront homelessness.

The Minnesota plan states:

The expectation is that, in time, there will be sufficient non-state resources, primarily from a variety of federal sources [such as Section 8 vouchers and Shelter Plus Care] that will address ongoing operating costs. ... Without this federal assistance, long-term homelessness will reappear shortly after the state-funded assistance ends (p. 61).

In other words, in spite of the plan's excellent design and the investment of hundreds of millions of state and local dollars, the plan will not be fully implemented and individuals and families will remain or become homeless again without strong new investments in Housing Choice vouchers and other forms of rental assistance.

⁴⁴ Under the project-based voucher component of the Housing Choice Voucher Program, housing agencies are permitted to commit 20 percent of their voucher program funding to subsidize rentals in particular buildings. An initial contract for project-based voucher assistance can be for up to ten years, with subsequent five-year extensions. For more information on project-based vouchers, see HUD's web page on the topic: <http://www.hud.gov/offices/pih/programs/hcv/project.cfm>.

⁴⁵ A cost-free way to reverse the loss of vouchers and restore stability to the Housing Choice Voucher Program is to fix the voucher funding formula. Fortunately, the 110th Congress is expected to consider such reforms. For an analysis of existing proposals, see Barbara Sard and Martha Coven, "Fixing the Voucher Funding Formula: A No-Cost Way to Strengthen the 'Section 8' Program"; available at <http://www.cbpp.org/11-1-06hous.htm>.

Targeted Homeless Assistance Funding, While Important, Cannot Meet the Need

What is HUD's plan for achieving its goal of ending chronic homelessness? HUD's strategies must be inferred from its strategic plan documents and various policy initiatives HUD has undertaken. The most important of these have involved changes in HUD's incentives and selection criteria concerning the annual competition for funding under the McKinney Homeless Assistance Grant programs. Specifically, HUD (with the support of Congress) has sought to:

- *Increase funding for McKinney programs.* From fiscal year 2003 to fiscal year 2007, the Bush Administration proposed annual increases in McKinney funding of nearly \$120 million (9 percent), on average.⁴⁶
- *Boost the percentage of McKinney grant funding devoted to transitional and permanent housing by reducing funding awards for supportive services.* Between 1998 and 2005, funding for housing-related activities increased from 43 percent to 54 percent of all competitively awarded McKinney homeless assistance grant funding.⁴⁷
- *Target a growing share of McKinney funding for housing on the development of new permanent supportive housing for chronically homeless individuals.* In recent years, HUD has funded approximately 9,200 new units of permanent supportive housing annually; in 2005, about half of the new units were set aside for chronically homeless individuals.⁴⁸

HUD, in collaboration with the U.S. Department of Health and Human Services (HHS) and other agencies, has also initiated a series of small pilot programs that have awarded grants integrating HUD funding for permanent supportive housing with funding provided by other federal agencies for social services.⁴⁹ These pilots have been intended to demonstrate, in part, that funding from HHS and other federal agencies can effectively substitute for the withdrawal of McKinney funding for services.

In short, HUD's homelessness strategy has been largely restricted to policy and funding initiatives within the McKinney homeless assistance programs, even though HUD itself acknowledges that a variety of housing assistance programs for low-income families — including HOME, CDBG,

⁴⁶ These figures do not include adjustments for inflation and thus overstate the real gain. In addition, as explained below, Congress has granted funding increases of only \$50 million per year over this period, in part because it has struggled to plug other holes in the HUD budget.

⁴⁷ See HUD's congressional budget justifications for 2007; available at http://www.hud.gov/offices/cfo/reports/2007/main_toc.cfm.

⁴⁸ These bullets describe only the main housing-related strategies HUD has introduced to help meet the goals of plans to end homelessness. HUD has also encouraged communities to do more both to prevent homelessness (e.g., through better planning for persons discharged from hospitals, prisons, and other institutions) and to improve the planning and administration of homeless assistance (e.g., through the implementation of congressionally mandated Homeless Management Information Systems to collect data on homeless populations).

⁴⁹ These pilots include the Collaborative Grant to Help End Chronic Homelessness and Housing for People Who Are Homeless and Addicted to Alcohol programs. The former awarded \$35 million to 11 localities in 2003; under the latter program, 11 communities received grants totaling \$10 million in 2005. Incidentally, Chattanooga received awards from both competitions.

HOPWA (Housing Opportunities for Persons with AIDS), Housing Choice vouchers, and public housing — also play an important role in helping communities to address homelessness.⁵⁰

McKinney Funding Has Fallen Short of Needs for HUD's Chronic Homelessness Initiative

One of the relative bright spots in recent HUD budgets has been the McKinney Homeless Assistance Grants Program. The Administration has proposed increases in funding for McKinney programs in four of its last five budgets, and Congress has usually obliged, although it has frequently trimmed the Administration's requests in order to plug other holes in HUD's budget request. As a result, funding for McKinney programs increased by over \$200 million (or 18 percent), in nominal terms, over the four-year period from 2002 to 2006.

Upon closer inspection, however, this record is more modest than it appears. Once inflation is taken into account, McKinney funding has grown by less than \$70 million (or 5.3 percent) over the period, in real terms — and the 2006 funding level remains below the level in fiscal year 2003, adjusted for inflation.⁵¹

More to the point, McKinney funding has fallen far short of what is needed to meet the goals of the Administration's chronic homelessness initiative. As noted above, many experts believe that 150,000 to 200,000 new units of permanent supportive housing will be needed if efforts to end chronic homelessness are to succeed. Yet McKinney has funded only about 37,000 new units over the four years from 2003 through 2006.⁵² HUD's latest strategic plan calls for the development of about 40,000 additional units targeted to chronically homeless individuals by 2011 (i.e., about additional 8,000 units per year). Even if HUD were to achieve this goal and also fund an additional 8,000 units in 2012, this effort would yield only 85,000 total new units of permanent supportive housing, far less than the number required if the chronic homelessness initiative is to succeed by 2012, HUD's target date.

Substantial increases in funding for McKinney programs will be required to improve HUD's progress in meeting the goals of the chronic homelessness initiative. For instance, to increase the ten-year production of new permanent supportive housing to just over 120,000 units by 2012, funding for McKinney programs would have to rise by nearly 8 percent (more than \$120 million) per year over the next six years.⁵³ This would be close to double the recent rate of increases in McKinney funding.

⁵⁰ See the *HUD Strategic Plan, FY 2006 – FY 2011*, p. 31.

⁵¹ While modest increases in McKinney funding have been the norm over the past four years, the Administration proposed, and Congress enacted, a 4.7 percent *cut* in McKinney funding in fiscal year 2005. As a result of this cut, the funding level for McKinney assistance in fiscal year 2006 had not yet regained its level in fiscal year 2003.

⁵² This figure is based on HUD data provided by the National Alliance to End Homelessness. It is likely that no more than half of these units will be occupied by chronically homeless individuals. In its *Annual Performance Plan, Fiscal Year 2007*, HUD reported that 4,397 permanent supportive housing units funded in 2005 were targeted to chronically homeless individuals, which is about half of the total number of permanent supportive housing units funded by McKinney in that year. Since 2005 was the first year that HUD incorporated into the McKinney competition strong incentives for the development of new permanent supportive targeted explicitly on chronically homeless persons, the fraction of total units intended for this purpose was probably lower in earlier years.

⁵³ These are nominal figures. These estimates are based on reasonable assumptions about a number of factors that are very difficult to predict in advance, so they are necessarily rough. Generally, the estimates assume that: (1) all renewals

Homelessness Plans Will Work Only if Mainstream Housing Programs Are Expanded

While important, increases in McKinney funding alone will not meet the needs of state and local plans to end homelessness — or even the Administration’s more limited chronic homelessness initiative. For one, the McKinney programs are simply too small to do the job. Under the scenario just described, for example, annual funding for McKinney programs would rise by more than 50 percent by 2012, yet it would still fail to meet the minimum goal of producing 150,000 new units of permanent supportive housing. More importantly, it would provide *no* new resources to assist the roughly 90 percent of homeless people who are *not* “chronically” homeless.⁵⁴

In addition to being small, the McKinney programs are not well designed to meet the needs of some individuals and families who are homeless or at risk of becoming homeless. For example:

- Long-term housing assistance funded by McKinney is available only to people with disabilities and their families.⁵⁵ The McKinney programs presume that homeless people without disabilities will achieve self-sufficiency relatively quickly and therefore require only temporary housing assistance. As explained above, this is not true for many homeless households. Few homeless people — and few families living below the poverty line — have sufficient income to afford modest housing in the private market. As a result, typical housing costs will consume most of their income. Under such severe housing cost burdens, families will find it difficult to keep up with their rent payments and will be at high risk of returning to homelessness.
- The McKinney programs emphasize transitional and permanent housing that is integrated with substantial supportive services.⁵⁶ Yet some homeless individuals and families do not need ongoing supportive services, and would be well-served by mainstream programs, such as the Housing Choice Voucher Program (and, on a more limited scale, funds available through the

for permanent housing under the Shelter Plus Care and Supportive Housing programs are fully funded; (2) funding for all McKinney-funded activities other than permanent supportive housing grows at the rate of inflation; and (3) all remaining funding is targeting to the production of new permanent supportive housing. These estimates were based on data provided by the National Alliance to End Homelessness.

⁵⁴ Two GAO reports have concluded that, even with the substantial expansion of McKinney homeless assistance in the 1990s, the McKinney programs alone cannot adequately meet the needs of homeless populations, and that mainstream programs — including low-income housing assistance programs — remain important sources of assistance. See *Homelessness: Barriers to Using Mainstream Programs*, GAO report RCED-00-184, 2000 and *Homelessness: McKinney Act Programs Provide Assistance But Are Not Designed to Be the Solution*, GAO report RCED-94-37, 1994.

⁵⁵ Non-disabled individuals and families may receive only transitional housing assistance under the McKinney programs; this assistance is limited to 24 months.

⁵⁶ The majority of McKinney grants either fund supportive services directly, or impose stiff matching requirements designed to attract services funding from other sources. While HUD has reduced the proportion of McKinney funding awarded for supportive services in recent fiscal years, more than 40 percent of competitive McKinney funding is used for services. In addition, McKinney rental assistance grants awarded under the Shelter Plus Care program, which provides income-based rental subsidies that resemble Housing Choice Vouchers in many respects, require the grantee to obtain services funding (cash or in-kind) at a level equal to that of the rental assistance. For the past decade, Congress has also imposed a 25 percent cash match on all grants under the Supportive Housing Program, which, in the case of grants for transitional or permanent housing, is typically met with local services funding.

HOME block grant), that provide rental assistance to bridge the housing affordability gap faced by every homeless household.⁵⁷

- For the most part, McKinney-funded housing assistance is restricted to those who are already homeless.⁵⁸ Homelessness cannot be eliminated unless low-income individuals and families receive the assistance they need to *avert* homelessness. Most community plans to end homelessness, as well as HUD's strategic plan, acknowledge that homelessness prevention is a necessary and cost-effective strategy for reducing homelessness.

Some of these issues could be addressed by legislating changes to the McKinney-Vento programs, and Congress should certainly remain open to innovations that would improve the effectiveness of homeless assistance.⁵⁹ Yet implementing changes to McKinney would be a partial solution at best, as the programs' small size relative to mainstream programs would continue to limit their overall impact.

Moreover, this limitation of scale is consistent with the basic premises on which the McKinney-Vento Act was enacted. The McKinney-Vento programs were intended both to provide resources to help meet the urgent needs of those who are homeless and to foster innovative program models that would address more successfully the complex and diverse longer-term needs of many homeless people. Combined with these purposes, however, was the expectation that successful program models piloted within McKinney could be implemented to a sufficient scale by using resources from the much larger mainstream housing and social service programs.⁶⁰

In fact, this is exactly what communities with progressive and successful homeless assistance programs are doing. Chattanooga, Minnesota, Seattle, San Francisco, Columbus, New York and other communities with strong plans to end chronic homelessness have planned investments of HUD resources far beyond their projected McKinney allocations, including Housing Choice Vouchers, HOME, CDBG, as well as non-HUD federal resources (such as Low-Income Housing Tax Credits) and state and local housing funds. However, by prioritizing mainstream housing assistance resources for use in homeless assistance strategies that were piloted in the McKinney-Vento programs (e.g., the development of permanent supportive housing),⁶¹ these efforts are

⁵⁷ Outside of emergency shelter grants, all McKinney program funding is allocated through a year-long competitive process in which HUD awards grants after reviewing detailed applications from approximately 5,000 programs in 400 continuums of care. This is not an efficient mechanism for distributing aid to individuals and families whose primary need is for rental assistance.

⁵⁸ Only Emergency Shelter Grant (ESG) funding may be used for homelessness prevention activities, and the amount of ESG funding that may be used for this purpose is capped at 30 percent. Overall, this means that no more than 5 percent of total McKinney funding is available for homelessness prevention. In addition, there are tight restrictions on the use of this funding. For example, only families that have suffered a recent loss of income are eligible for assistance, which prevents the funding from being used to assist many families that are at risk of homelessness for other reasons, such as persistent poverty.

⁵⁹ The McKinney programs are due to be reauthorized by Congress. At least two reauthorization bills were introduced in the 109th Congress, and there is likely to be an effort in the 110th Congress to pass reauthorization legislation.

⁶⁰ See GAO, *Homelessness: McKinney Act Programs Provide Assistance But Are Not Designed to Be the Solution*, GAO Report RCED-94-37, 1994; Westat, Inc., *National Evaluation of the Supportive Housing Demonstration Program*, HUD Office of Policy Development and Research, 1995; Abt Associates, *National Evaluation of the Shelter Plus Care Program*, HUD Office of Policy Development and Research, 1997.

⁶¹ Increasingly, communities are deploying mainstream HUD housing assistance to implement strategies that leverage services funding provided at the local, state, and federal levels. Nationally, evaluations of the Family Unification

especially vulnerable to recent and proposed cutbacks to those programs. Realistically, these communities cannot regard even the most optimistic McKinney appropriations projections as a substitute for the preservation and expansion of HUD's core mainstream housing assistance programs.

The situation is even more critical for plans to end all homelessness, which aim to assist many homeless individuals and families whose primary need is for affordable housing. While many states and localities have responded to the cuts in HUD programs with new investments in affordable housing — such as through state and local housing trust funds — no reasonable analysis can conclude that state and local governments have the resources to fill the gap created by the recent cuts while meeting the other needs of their plans. Ending homelessness requires more than ambitious plans and modest increases in funding for McKinney homeless assistance. It demands that the federal government make a sustained and expanded commitment of low-income housing assistance resources.

Conclusion

Despite this nation's vast resources, massive homelessness has remained a persistent problem for more than 20 years.

To its credit, the Bush Administration has taken the important step of setting goals to eliminate chronic homelessness and to reduce other types of homelessness by 2012. Moreover, it has successfully encouraged states and communities to develop detailed plans to reach these goals. The result has been a remarkable mustering of political will to address homelessness, and state and local governments are already investing substantial local resources.

It would be a tragedy to squander this opportunity by failing to provide the federal resources needed to enable these local plans to succeed. Yet the first few years of the Administration's ten-year plan have not been encouraging. Modest increases in homeless assistance funding have been more than offset by deep and harmful cuts in a wide range of federal low-income housing assistance programs. As a result, state and local governments are already struggling to acquire the resources they need to implement their plans and to meet their goals of reducing homelessness. If state and local plans are to succeed, this recent trend must be reversed, cuts must be restored, and the core federal low-income housing assistance programs must be expanded.

Program and HUD-VASH Demonstration Program have concluded that Housing Choice Vouchers, for example, can be effectively combined with social service funding (in these instances local child welfare and Department of Veterans Affairs funding, respectively). Locally, many plans to end chronic homelessness call upon local, county, and state health, mental health, substance addiction, and other social service agencies to commit resources to homelessness programs, from street outreach to permanent housing. Continued cutbacks in HUD's mainstream programs hamper such investments of federal housing resources to help meet the complex needs of homeless and at-risk populations.