

FY 2011 HUD Homeless Assistance Funding

National Policy Update August 2010

HUD Homeless Assistance Grants Funding and HEARTH Impact Analysis

In May of 2009, the President signed into law the Homelessness Emergency Assistance and Rapid Transition to Housing (HEARTH) Act. The HEARTH Act includes numerous improvements to homeless assistance and changes how funds are allocated. The HEARTH Act increases funding for many activities, particularly homelessness prevention, assistance for homeless families, and assistance in rural areas. However, allocating more funding for these activities means that overall homelessness funding will have to increase to avoid cuts to other activities. This brief quantifies the changes to funding allocations made by the HEARTH Act and demonstrates the impact of both the House and Senate FY 2011 funding scenarios.

Current Funding

HUD's Homeless Assistance Grants are distributed in two ways. HUD allocates a share for the Emergency Shelter Grants (ESG) program, which is distributed by formula to cities, counties, and states. Funding that is not allocated for the ESG formula is made available through a nationwide Continuum of Care (CoC) competition. The competition gives priority to renewals of existing projects. Funds that are left over are used to fund new projects, including permanent supportive housing programs that were instrumental to reducing long-term homelessness.

The Alliance projects that funding for FY 2008, 2009, and 2010 will break down as shown in Table 1 and in the chart at the right.¹ ESG funding has been \$160 million since FY 2004. Funding for CoC renewals grows at a modest but steady rate. The remainder is for new projects, and because Congress has increased funding for homeless assistance grants in recent years, funding for new projects is increasing, resulting in more new permanent supportive housing and other types of homeless assistance projects.

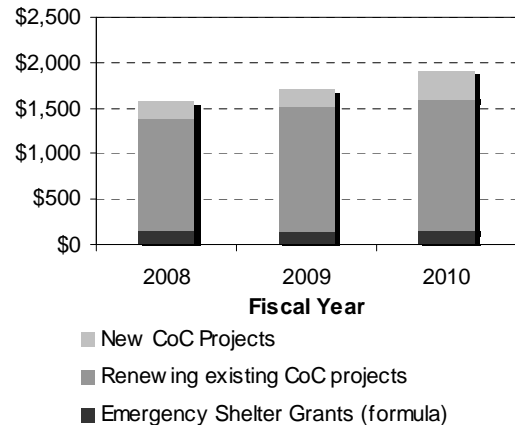


Table 1.

HUD Homeless Assistance Funding (Millions of Dollars)			
	2008	2009	2010
Emergency Shelter Grants (formula)	160	160	160
Renewing CoC existing projects	1,220	1,349	1,432
New CoC Projects	197	194	306
TOTAL	1,577	1,703	1,891

Fiscal Year 2011 Funding

For FY 2011, there are two major factors that will affect funding need. The first is the HEARTH Act, the first reauthorization of HUD's homeless assistance grants in 15 years. The HEARTH Act increases the proportion of funding for homelessness prevention, short-term re-housing assistance, rural programs, administering projects, and for community-wide planning. This represents a one-time

¹ Totals do not equal the appropriated amount for two reasons. First, some funds are used for technical assistance, research, and HUD data systems (approximately \$14 million annually), and second, some funds from previous years are recaptured and cycled back into the competition (from \$0-60 million depending on the amount recaptured).

change in funding need. These changes contribute significantly to funding need for FY 2011, essentially creating a need for a one-time increase in funding.

The other factor affecting funding need is the increasing cost of renewals, particularly for renewing permanent supportive housing projects. The cost of renewals generally increases every year by \$75 - \$100 million. Part of the increased need for funding caused by the HEARTH Act will be reflected in the cost of renewals because the HEARTH Act allows projects to use more funding for administration, rising from 5 percent of a project's funding for most programs under previous statute to as much as 10 percent under the HEARTH Act.

HEARTH Act

The major components of needed funding increases resulting from the HEARTH Act are for the following activities:

- Funding for ESG would more than double from 9 percent to 20 percent of the program.
- Funding for programs serving rural areas would rise.
- For the first time, communities would be eligible to receive 3-6 percent of their program funding for community-wide planning, monitoring, and oversight.

ESG Formula Change

Prior to enactment of the HEARTH Act, HUD had provided \$150 to \$160 million for ESG, which represented 12 percent of HUD homeless assistance funding in FY 2006, declining to 9 percent in FY 2010. The HEARTH Act requires that exactly 20 percent of funding be used for ESG—renamed the Emergency *Solutions Grant*—and expands the program to provide much more homelessness prevention and re-housing.

Rural Funding

Currently, projects that serve rural areas are funded under the same process as all other homeless assistance programs. Some rural areas have had difficulty competing and have received little or no competitive funding. Under the HEARTH Act, these projects could apply under a special Rural Housing Stability Assistance Program, which includes a minimum allotment of 5 percent of homeless assistance funding (unless there are an insufficient number of fundable applications). The Alliance estimates that this will result in an approximately 2 percent increase in rural funding.

Administration, Planning, and Oversight

The HEARTH Act requires a significant level of planning and oversight by communities applying for funding. In addition, it will begin transferring much of the responsibility for administering and monitoring individual grants to communities. The HEARTH Act provides up to 6 percent of CoC funding to cover those administrative responsibilities (communities currently receive nothing).² The Alliance estimates that the actual amount of funding for this activity will be approximately 3 percent in fiscal year 2011, eventually rising to approximately 5 percent.

² The HEARTH Act allows up to 3 percent of a community's CoC funding to be used for administration of community-wide homeless assistance, including development of a collaborative application and evaluating outcomes. An additional 3 percent is available for communities that designate one entity to be the sole grantee to then subgrant to providers to carry out projects, and also to ensure compliance with HUD regulations, establish fiscal controls, and arrange for annual audits.

Increased Renewal Need

Each year, the renewal need for HUD's homeless assistance programs rises. For FY 2011, the overall renewal need is anticipated to rise by \$152 million, from \$1.432 billion to \$1.584 billion. The estimate is based on HUD's FY 2011 budget justification, which projects anticipated renewal costs for 5 years. Renewal need for FY 2011 is higher than in most year's partly because the HEARTH Act allows more for project administration.

Funding Scenarios

Table 2 shows funding activity under three different scenarios: the Senate's FY 2011 budget recommendation, the House's FY 2011 budget recommendation, and the amount of funding that would be necessary to fully implement the provisions of the HEARTH Act, while maintaining the same level of new project development as was available for FY 2010.

The House and Senate budgets implement many provisions of the HEARTH Act but dramatically scale back funding for the Emergency Solutions Grant (ESG) from the level that was authorized. The HEARTH Act specified that 20 percent of appropriated funds should be for ESG. However, both the House and Senate recommendations only provide 10 percent. The result would be far less funding for homelessness prevention and rapid re-housing than was specified in the HEARTH Act.

The Full HEARTH Implementation scenario provides for the increases in funding for ESG directed by HEARTH, while also enabling the same level of funding for new projects as in 2010. Because of changes in the HEARTH Act, less funding is required to develop new projects, primarily because the HEARTH Act allows for shorter initial grants than was allowed previously.

Table 2.

HUD Homeless Assistance Funding (Millions of Dollars)	FY 2011 Funding Scenarios					
	2008	2009	2010	Senate Scenario	House Scenario	Full HEARTH Implementation
Appropriation	1,586	1,677	1,865	2,055	2,200	2,407
ESG (formula) ³	160	160	160	200	200	481
New ESG funds (included above) ³	n/a	n/a	n/a	[\$40]	[\$40]	[\$321]
Renewing CoC existing projects	1,220	1,349	1,426	1,590	1,590	1,590
New CoC Projects	197	194	305	182	320	244
Rural Increase	n/a	n/a	n/a	41	44	48
Community-Wide Administration	0	0	0	56	60	58
TOTAL (incl. recaptures)⁴	1,577	1,703	1,891	2,069	2,214	2,421

³ Prior to the HEARTH Act, ESG stood for Emergency Shelter Grants, and the program primarily funded the development and operation of emergency shelters. The HEARTH Act renamed ESG to be the Emergency Solutions Grant, increased the proportion of funding directed to ESG, and specified that most of the increase would be for homelessness prevention and rapid re-housing of people experiencing homelessness.

⁴ Total is different from Appropriation because of recaptures of prior year funds that are recycled back into the program and because of small amounts of spending on technical assistance, research, and HUD data systems.