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The HUD Homeless Assistance Grants: Programs Authorized by the HEARTH Act

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Summary

The Homeless Assistance Grants, administered by the Department of Housing and Urban Development (HUD), were first authorized by Congress in 1987 as part of the McKinney-Vento Homeless Assistance Act (P.L. 100-77). Since their creation, the grants have been composed of three or four separate programs, though for the majority of their existence, between 1992 and 2012, the grant programs were unchanged. During this time period, there were four programs authorized and funded by Congress: the Emergency Shelter Grants (ESG), the Supportive Housing Program (SHP), the Shelter Plus Care (S+C) program, and the Section 8 Moderate Rehabilitation for Single Room Occupancy Dwellings (SRO) program. Funds for the ESG program were used primarily for the short-term needs of homeless persons, such as emergency shelter, while the other three programs addressed longer-term transitional and permanent housing needs.

The composition of the Homeless Assistance Grants changed when Congress enacted the Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act as part of the Helping Families Save Their Homes Act in the 111th Congress (P.L. 111-22). The HEARTH Act renamed the ESG program (it is now called the Emergency *Solutions* Grants) and expanded the way in which funds can be used to include homelessness prevention and rapid rehousing (quickly finding housing for families who find themselves homeless), and it consolidated SHP, S+C, and SRO into one program called the Continuum of Care (CoC) program. A third program carved out of the CoC program to assist rural communities—the Rural Housing Stability Assistance Program—was also created by P.L. 111-22. In addition, the HEARTH Act broadened HUD's definition of homelessness. The changes in P.L. 111-22 had repercussions for the way in which funds are distributed to grantees, the purposes for which grantees may use funds, and who may be served.

HUD began to implement the ESG program in FY2011 and the CoC program in FY2012, and it released proposed regulations for the Rural Housing Stability (RHS) grants in March 2013 (and has not yet provided RHS grants). Funds for the ESG program, in addition to being available for homelessness prevention and rapid rehousing, can be used for emergency shelter and supportive services. CoC program funds can be used to provide permanent supportive housing, transitional housing, supportive services, and rapid rehousing. If the RHS program is implemented, rural communities will have greater flexibility in who they are able to serve (those assisted may not necessarily meet HUD's definition of "homeless individual"), and may use funds for a variety of housing and services options.

HUD uses one method to distribute funds for the ESG program and another method to distribute funds for the CoC program. The ESG program distributes funds to states, counties, and metropolitan areas using the Community Development Block Grant (CDBG) program formula, while the CoC grants are distributed through a competitive process, though the CDBG formula plays a role in determining community need. In July 2016, HUD proposed to change the CoC formula so that it no longer relies on the CDBG formula distribution.

Funding for the Homeless Assistance Grants has increased by almost $1 billion in the last 10 years, reaching nearly $2.4 billion in FY2017 compared to $1.4 billion in FY2007 (see **Table 3**). Despite funding increases, the need to renew existing grants requires the majority of funding. In FY2016, 90% of the CoC program allocation was used to renew existing grants.

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An Introduction to the Homeless Assistance Grants

Homelessness in America has always existed, but it did not come to the public's attention as a national issue until the 1970s and 1980s, when the characteristics of the homeless population and their living arrangements began to change. Throughout the early and middle part of the 20th century, homelessness was typified by "skid rows"—areas with hotels and single-room occupancy dwellings where transient single men lived.[1] Skid rows were usually removed from the more populated areas of cities, and it was uncommon for individuals to actually live on the streets.[2] Beginning in the 1970s, however, the homeless population began to grow and become more visible to the general public. According to studies from the time, homeless persons were no longer almost exclusively single men, but included women with children; their median age was younger; they were more racially diverse (in previous decades the observed homeless population was largely white); they were less likely to be employed (and therefore had lower incomes); they were mentally ill in higher proportions than previously; and individuals who were abusing or had abused drugs began to become more prevalent in the population.[3]

A number of reasons have been offered for the growth in the number of homeless persons and their increasing visibility. Many cities demolished skid rows to make way for urban development, leaving some residents without affordable housing options.[4] Other possible factors contributing to homelessness include the decreased availability of affordable housing generally, the reduced need for seasonal unskilled labor, the reduced likelihood that relatives will accommodate homeless family members, the decreased value of public benefits, and changed admissions standards at mental hospitals.[5] The increased visibility of homeless people was due, in part, to the decriminalization of actions such as public drunkenness, loitering, and vagrancy.[6]

In the 1980s, Congress first responded to the growing prevalence of homelessness with several separate grant programs designed to address the food and shelter needs of homeless individuals.[7] Then, in 1987, Congress enacted the Stewart B. McKinney Homeless Assistance Act (McKinney Act), which created a number of new programs to comprehensively address the needs of homeless people, including food, shelter, health care, and education (P.L. 100-77). The act was later renamed the McKinney-Vento Homeless Assistance Act (McKinney-Vento) in P.L. 106-400 after its other prominent sponsor, Bruce F. Vento.[8]

Among the programs authorized in the McKinney-Vento Act were four grants to provide housing and related assistance to homeless persons: the Emergency Shelter Grants (ESG) program, the Supportive Housing Demonstration program, the Supplemental Assistance for Facilities to Assist

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[1] Peter H. Rossi, *Down and Out in America: The Origins of Homelessness* (Chicago: The University of Chicago Press, 1989), pp. 20-21, 27-28.

[2] Ibid., p. 34.

[3] Ibid., pp. 39-44.

[4] Ibid., p. 33.

[5] Ibid., pp. 181-194, 41. See, also, Martha Burt, *Over the Edge: The Growth of Homelessness in the 1980s* (New York: Russell Sage Foundation, 1992), pp. 31-126.

[6] *Down and Out in America*, p. 34; *Over the Edge*, p. 123.

[7] These programs included the Emergency Food and Shelter Program (P.L. 98-8), the Emergency Shelter Grants Program (P.L. 99-591), and the Transitional Housing Demonstration Program (P.L. 99-591). In 1987, all three were incorporated into the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77), although the Transitional Housing Demonstration Program was renamed the Supportive Housing Demonstration Program.

[8] For information about other programs created by the McKinney Act, see CRS Report RL30442, *Homelessness: Targeted Federal Programs*, coordinated by Libby Perl.

the Homeless (SAFAH) program, and the Section 8 Moderate Rehabilitation Assistance for Single Room Occupancy Dwellings (SRO) program. These four programs, administered by the U.S. Department of Housing and Urban Development (HUD), were created to provide temporary and permanent housing to homeless persons, along with supportive services. Over the years, Congress changed the makeup of the Homeless Assistance Grants, but for 20 years, from 1992 to 2012, the same four grant programs composed the Homeless Assistance Grants. These were the ESG program, the Supportive Housing Program (SHP), the Shelter Plus Care (S+C) program, and the SRO program.[9]

On May 20, 2009, for the first time since 1992, the Homeless Assistance Grants were reauthorized as part of the Helping Families Save Their Homes Act (P.L. 111-22). The law is often referred to as the "HEARTH Act" after its title in P.L. 111-22 (the Homeless Emergency Assistance and Rapid Transition to Housing Act). The HEARTH Act changed the makeup of the four existing grants—the SHP, S+C, and SRO programs were combined into one grant called the "Continuum of Care" (CoC) program; the ESG program was renamed the "Emergency Solutions Grants"; and rural communities were to have the option of competing for funds under a new Rural Housing Stability Assistance Program (RHS). The way in which the funds are distributed, the purposes for which grantees may use funds, and the people who may be served have also changed. The HEARTH Act authorized the Continuum of Care Program, together with the Emergency Solutions Grants Program, at $2.2 billion in FY2010 and such sums as necessary for FY2011.

Report Organization

In FY2011, HUD first awarded funds under the new ESG program, and FY2012 was the first year that funds were awarded pursuant to the CoC program. New regulations regarding the definition of homelessness became effective on January 5, 2012, and HUD released proposed regulations for the RHS program on March 27, 2013 (with comments due by May 28, 2013). This report has multiple sections describing the implementation of the HEARTH Act provisions. It describes

- the HEARTH Act changes to the definition of homelessness in the section "The Definition of Homelessness";
- the way in which ESG operated prior to HEARTH Act implementation as well as the changes made beginning in FY2011 in the section "The Emergency Solutions Grants Program (ESG)";
- components of the competitive Homeless Assistance Grants prior to enactment of the HEARTH Act, and how they have been absorbed in the CoC program in the section "Transition to the Continuum of Care Program";
- how funds are distributed pursuant to the CoC program in the section "Distribution of Continuum of Care Program Funds"; and
- the housing and services that are authorized to be provided through the RHS program and how communities are to receive funds in the section "Rural Housing Stability Assistance Program."

[9] Both the SHP and the SRO program were part of the original McKinney Act in 1987, and the S+C program was added in 1990 as part of the Stewart B. McKinney Homeless Assistance Amendments Act of 1990 (P.L. 101-645).

The Definition of Homelessness

The way in which homelessness is defined is an important part of how the Homeless Assistance Grants operate, as it determines who communities may assist with the grants they receive. The definition had been the subject of debate for a number of years, with some finding that the definition governing the HUD homeless programs was too restrictive when compared to definitions used in other federal programs that assist those experiencing homelessness.

Until enactment of the HEARTH Act, "homeless individual" was defined in Section 103(a) of the McKinney-Vento Act as

> (1) an individual who lacks a fixed, regular, and adequate nighttime residence; and (2) an individual who has a primary nighttime residence that is—(A) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); (B) an institution that provides a temporary residence for individuals intended to be institutionalized; or (C) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

This definition was sometimes described as requiring one to be literally homeless in order to meet its requirements[10]—either living in emergency accommodations or having no place to stay.

The HEARTH Act expanded the definition of "homeless individual,"[11] and on December 5, 2011, HUD issued final regulations clarifying aspects of the HEARTH Act definition of homelessness.[12] The regulation took effect on January 4, 2012. The HEARTH Act retained the original language of the definition with some minor changes, but also added provisions that move away from the requirement for literal homelessness and toward housing instability as a form of homelessness. Each subsection below explains separate ways in which the HEARTH Act changed the definition of homelessness.

The Original McKinney-Vento Act Language

The HEARTH Act made minor changes to the existing language in the McKinney-Vento Act. The law continues to provide that a person is homeless if they lack "a fixed, regular, and adequate nighttime residence," and if their nighttime residence is a place not meant for human habitation, if they live in a shelter, or if they are a person leaving an institution who had been homeless prior to being institutionalized. The HEARTH Act added that those living in hotels or motels paid for by a government entity or charitable organization are considered homeless, and it included all those persons living in transitional housing, not just those residing in transitional housing for the mentally ill as in prior law. The amended law also added locations that are not considered suitable places for people to sleep, including cars, parks, abandoned buildings, bus or train stations, airports, and campgrounds.

When HUD issued its final regulation in December 2011, it clarified that a person exiting an institution cannot have been residing there for more than 90 days and still be considered

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[10] See, for example, the Department of Housing and Urban Development, *The Third Annual Homeless Assessment Report to Congress*, July 2008, p. 2, footnote 5, http://www.hudhre.info/documents/3rdHomelessAssessmentReport.pdf.

[11] 42 U.S.C. §11302.

[12] U.S. Department of Housing and Urban Development, "Homeless Emergency Assistance and Rapid Transition to Housing: Defining "Homeless"," 76 *Federal Register* 75994-76019, December 5, 2011.

homeless.[13] In addition, where the law states that a person "who resided in a shelter or place not meant for human habitation" prior to institutionalization, the "shelter" means emergency shelter, and does not include transitional housing.[14]

Imminent Loss of Housing

P.L. 111-22 added to the current definition those individuals and families who meet all of the following criteria:

- They will "imminently lose their housing," whether it be their own housing, housing they are sharing with others, or a hotel or motel not paid for by a government or charitable entity. Imminent loss of housing is evidenced by an eviction requiring an individual or family to leave their housing within 14 days; a lack of resources that would allow an individual or family to remain in a hotel or motel for more than 14 days; or credible evidence that an individual or family would not be able to stay with another homeowner or renter for more than 14 days.
- They have no subsequent residence identified.
- They lack the resources or support networks needed to obtain other permanent housing.

HUD practice prior to passage of the HEARTH Act was to consider individuals and families who would imminently lose housing within seven days to be homeless.

Other Federal Definitions

P.L. 111-22 added to the definition of "homeless individual" unaccompanied youth and homeless families with children who are defined as homeless under other federal statutes. The law did not define the term youth, so in its final regulations HUD defined a youth as someone under the age of 25.[15] In addition, the HEARTH Act did not specify which other federal statutes would be included in defining homeless families with children and unaccompanied youth. In its regulations, HUD listed seven other federal programs as those under which youth or families with children can be defined as homeless: the Runaway and Homeless Youth program; Head Start; the Violence Against Women Act; the Healthcare for the Homeless program; the Supplemental Nutrition Assistance Program (SNAP); the Women, Infants, and Children nutrition program; and the McKinney-Vento Education for Children and Youth program.[16]

Five of these seven programs (all but Runaway and Homeless Youth and Health Care for the Homeless programs) either share the Education for Homeless Children and Youths definition, or use a very similar definition.

- The Department of Education defines homeless children and youth in part by reference to the Section 103 definition of homeless individuals as those lacking a fixed, regular, and adequate nighttime residence.[17] In addition, however, the ED program defines children and youth who are eligible for services to include those

[13] Ibid., p. 76000.

[14] Ibid.

[15] Ibid., p. 75996.

[16] Ibid.

[17] 42 U.S.C. §11434a.

who are (1) sharing housing with other persons due to loss of housing or economic hardship; (2) living in hotels or motels, trailer parks, or campgrounds due to lack of alternative arrangements; (3) awaiting foster care placement; (4) living in substandard housing; and (5) children of migrant workers.[18]

- The Runaway and Homeless Youth program defines a homeless youth as either ages 16 to 22 (for transitional housing) or ages 18 and younger (for short-term shelter) and for whom it is not possible to live in a safe environment with a relative or for whom there is no other safe alternative living arrangement.[19]
- Under the Health Care for the Homeless program, a homeless individual is one who "lacks housing," and the definition includes those living in a private or publicly operated temporary living facility or in transitional housing.[20]

Youth and families who are defined as homeless under another federal program must meet each of the following criteria:

- They have experienced a long-term period without living independently in permanent housing. In its final regulation, HUD defined "long-term period" to mean at least 60 days.
- They have experienced instability as evidenced by frequent moves during this long-term period, defined by HUD to mean at least two moves during the 60 days prior to applying for assistance.[21]
- The youth or families with children can be expected to continue in unstable housing due to factors such as chronic disabilities, chronic physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse, the presence of a child or youth with a disability, or multiple barriers to employment. Under the final regulation, barriers to employment may include the lack of a high school degree, illiteracy, lack of English proficiency, a history of incarceration, or a history of unstable employment.[22]

Communities are limited to using not more than 10% of Continuum of Care program funds to serve individuals and families defined as homeless under other federal statutes unless the community has a rate of homelessness less than one-tenth of 1% of the total population.[23]

Domestic Violence

Another change to the definition of homeless individual was added as subsection 103(b) to McKinney-Vento. The law now considers to be homeless anyone who is fleeing a situation of "domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening conditions in the individual's or family's current housing situation, including where the health and safety of children are jeopardized."[24] The law also provides that an individual must lack the resources or support network to find another housing situation. The final regulation

[18] Migratory children are defined at 20 U.S.C. §6399.

[19] 42 U.S.C. §5732a(3).

[20] 42 U.S.C. §254b(h)(5)(A).

[21] 76 *Federal Register* 76017.

[22] Ibid.

[23] 42 U.S.C. §11382(j).

[24] 42 U.S.C. §11302(b).

issued by HUD in December 2011 specified that the conditions either must have occurred at the primary nighttime residence or made the individual or family afraid to return to their residence.[25]

Documenting Homeless Status

For the first time, the regulations governing the Homeless Assistance Grants specify how housing and service providers should verify the homeless status of the individuals and families that they serve. (Previously, guidance had been provided in program handbooks.) The final regulations issued in December 2011 create different requirements depending both on the part of the statutory definition under which individuals or families find themselves homeless as well as the type of service provided. In general, it is preferred that service providers have third party documentation that an individual or family is homeless (such as an eviction order or verification from a family member with whom a homeless individual or family had lived). However, under some circumstances, it may also be acceptable to confirm homelessness based on intake worker observation or certification from the person or head of household who is homeless.[26] Where someone is seeking assistance at an emergency shelter, through a street outreach program, or from a victim service provider, failure to separately verify homeless status should not prevent an individual or family from receiving immediate assistance.

Definition of Chronically Homeless Person

P.L. 111-22 also expanded the definition of "chronically homeless person," which had been defined in regulation.[27] Under the regulation, the term had been defined as an *unaccompanied individual* who has been homeless continuously for one year or on four or more occasions in the last three years, and who has a disability.[28] A regulation released by HUD on December 4, 2015 (and effective January 4, 2016) clarifies that four or more occasions of homelessness in the last three years must total at least 12 months, with at least seven nights separating each occasion.[29]

The HEARTH Act added to the definition of chronically homeless those homeless *families* with an adult head of household (or youth where no adult is present) who has a disability. The definition of disability specifically includes post traumatic stress disorder and traumatic brain injury. Note, however, that to be considered chronically homeless, an individual or family has to be living in a place not meant for human habitation, a safe haven, or an emergency shelter; the HEARTH Act's changes to the definition of "homeless individual" do not apply to chronic homelessness. In addition, a person released from an institution will be considered chronically homeless as long as, prior to entering the institution, they otherwise met the definition of chronically homeless person, and had been institutionalized for fewer than 90 days. HUD began

[25] 76 *Federal Register* 76014.

[26] Ibid., p. 76017.

[27] 24 C.F.R. §91.5.

[28] In proposed regulations, HUD has elaborated on the chronic homelessness definition to specify that the periods of homelessness over a three-year period add up to at least a year. See U.S. Department of Housing and Urban Development, "Homeless Emergency Assistance and Rapid Transition to Housing: Rural Housing Stability Assistance Program and Revisions to the Definition of ''Chronically Homeless''; Proposed Rule," 78 *Federal Register* 18729, March 27, 2013.

[29] U.S. Department of Housing and Urban Development, "Homeless Emergency Assistance and Rapid Transition to Housing: Defining ''Chronically Homeless'','' 80 *Federal Register* 75791, December 4, 2015.

using the new definition in its administration of the Homeless Assistance Grants as part of the FY2010 competition.[30]

The Emergency Solutions Grants Program (ESG)

The Emergency Solutions Grants, until enactment of the HEARTH Act known as the Emergency Shelter Grants, was the first of the Homeless Assistance Grants to be authorized. It was established one year prior to enactment of McKinney-Vento as part of the Continuing Appropriations Act for FY1987 (P.L. 99-591).[31] Funds are distributed to grantee states and local communities to assist those experiencing homelessness (see the next section for information on how funds are distributed). From its creation through FY2010, the funds distributed through the ESG program were provided primarily for the emergency shelter and service needs of homeless persons. However, when the ESG program was reauthorized as part of the HEARTH Act (P.L. 111-22), it not only changed its name, but the focus of the program was broadened to include an expanded role for homelessness prevention and rapid rehousing (assistance to quickly find permanent housing for individuals or families who find themselves homeless). On December 5, 2011, HUD issued interim regulations for the ESG program, and they became effective on January 4, 2012.[32] Funding for the program's new purposes was made available as part of a second round of funding in FY2011.[33] In FY2012 and thereafter, all funds awarded could be used for the ESG program activities as authorized by the HEARTH Act.

Eligible Activities Prior to Enactment of the HEARTH Act

Prior to enactment of the HEARTH Act, ESG funds could be used for four main purposes: (1) the renovation, major rehabilitation, or conversion of buildings into emergency shelters; (2) services such as employment counseling, health care, and education; (3) homelessness prevention activities such as assistance with rent or utility payments; and (4) operational and administrative expenses.[34] States and communities that received ESG funds were limited to using not more than 30% of the total ESG funds they received for services, not more than 30% for homelessness prevention activities, not more than 10% for staff costs, and not more than 5% for administrative costs.

Additional Eligible Activities After Enactment of the HEARTH Act

As amended by the HEARTH Act, ESG allows grantees to use a greater share of funds for homelessness prevention and rapid rehousing. Specifically, funds may be used for short- or

[30] See U.S. Department of Housing and Urban Development, *FY2010 Notice of Funding Availability (NOFA) for the Continuum of Care Homeless Assistance Program*, September 14, 2010, p. 6, http://archives.hud.gov/funding/2010/cocsec.pdf.

[31] The ESG program was initially part of H.R. 5313, which was incorporated into H.Rept. 99-1005, the Conference Report to accompany H.J.Res. 738, which became P.L. 99-591.

[32] U.S. Department of Housing and Urban Development, "Homeless Emergency Assistance and Rapid Transition to Housing: Emergency Solutions Grants Program and Consolidated Plan Conforming Amendments," 76 *Federal Register* 75954-75994, December 5, 2011.

[33] For a list of grantees and the amount received by each in both the first and second rounds of funding, see http://hudhre.info/documents/FY2011ESGAllocation2_11.15.2011.pdf.

[34] 42 U.S.C. §11374(a)(1)-(4).

medium-term rental assistance (tenant- or project-based) and housing relocation and stabilization services for individuals and families who are homeless or at risk of homelessness.

At Risk of Homelessness: The law defines the term "at risk of homelessness" to include an individual or family with income at or below 30% of area median income and who has insufficient resources to attain housing stability. An individual or family must also meet one of the following conditions:[35]

- have moved for economic reasons at least twice during the last 60 days;
- are living with someone else due to economic hardship;
- have been notified in writing that their current housing will be terminated within 21 days;
- are living in a hotel or motel not paid for by a government or charitable entity;
- are living in overcrowded housing (more than 2 persons in an efficiency unit or more than 1.5 people per room otherwise);
- are leaving an institution such as a health or mental health care facility, foster care, or correctional facility; or
- are living in a housing situation that is unstable in some other way.

In addition, families with children and youth defined as homeless under other federal statutes are considered "at risk" of homelessness. As with the definition of homelessness generally, the other federal programs under which children and youth may be considered homeless are the Runaway and Homeless Youth program; Head Start; the Violence Against Women Act; the Healthcare for the Homeless program; the Supplemental Nutrition Assistance Program (SNAP); the Women, Infants, and Children nutrition program; and the McKinney Vento Education for Homeless Children and Youth program.[36]

Under the updated ESG program in the HEARTH Act, the amount of funds that grant recipients can use for emergency shelter and related supportive services are limited to the greater of 60% of their ESG allocation or the amount they had used prior to enactment of the HEARTH Act for emergency shelter and related services.

Funding for the ESG Program

Until enactment of P.L. 111-22, the allocation of funds for ESG had not exceeded $160 million in all the years of the program's existence. The HEARTH Act provided that 20% of funds made available by Congress for the Homeless Assistance Grants would go to the newly named program (traditionally, HUD had reserved somewhere between 10% and 15% of funds for the ESG program). However, in appropriations laws since enactment of the HEARTH Act, Congress has not required HUD to allocate 20% of funds to ESG, and has instead specified a dollar amount for ESG, which has ranged from $215 million to $286 million.[37] The percentage of funds that

[35] While defined in law at 42 U.S.C. §11360, the ESG regulations provide additional detail about what it means to be at risk of homelessness. See 76 *Federal Register* 75974.

[36] 76 *Federal Register* 75974.

[37] For example, the FY2011 appropriations law specified that at least $225 million be set aside for ESG; the FY2012 appropriations law, not less than $250 million; the FY2013 appropriations law, not less than $200 million; and the FY2014 through FY2016 laws, not less than $250 million. HUD provided $250 million for ESG in FY2011 (13% of total Homeless Assistance Grant funding), $286 million in FY2012 (15%), $215 million in FY2013 (11%), $250 million in FY2014 (12%), $266 million in FY2015 (12%), and $270 million in FY2016 (12%).

recipients can use for administrative costs also changed pursuant to the HEARTH Act. Prior to its enactment, recipients could use up to 5% of their grants for administrative costs. This was raised to 7.5% by the HEARTH Act.[38]

Distribution of ESG Funds

ESG funds are distributed to both local communities (called "entitlement areas" and defined as metropolitan cities and urban counties)[39] and states (called "non-entitlement areas") for distribution in communities that do not receive funds directly, through the Community Development Block Grant (CDBG) program formula.[40] Puerto Rico is considered a state and its cities are entitlement areas under the CDBG formula, and the District of Columbia is also an entitlement area. The four territories of Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, and American Samoa also receive ESG funds. The interim regulations governing ESG changed the allocations to these four territories, however. Previously, regulations provided that the four territories receive 0.2% of total funds, but the interim regulations provide that the territories receive "up to 0.2 percent, but not less than 0.1 percent" of the ESG allocation.[41] Funds are then distributed among the four territories based on population.[42] Tribes do not receive funds through ESG; instead, funds for homeless assistance are distributed through the Indian Community Development Block Grant.[43]

The CDBG program formula is meant to distribute funds based on a community's need for development; the ESG program has used the CDBG formula to target funds for homeless assistance since its inception, and the HEARTH Act did not alter this part of the law. The formula awards funds to metropolitan cities and urban counties (70% of funds) and to the states for use in areas that do not receive funds directly (30% of funds).[44]

As a condition for receiving ESG funds, states and communities must present HUD with a consolidated plan explaining how they will address community development needs within their jurisdictions. The consolidated plan is required in order for communities to participate in four different HUD grant programs, including ESG.[45] The plan is a community's description of how it hopes to integrate decent housing, community needs, and economic needs of low- and moderate-income residents over a three- to five-year time span.[46] Consolidated plans are intended to be

[38] 42 U.S.C. §11378.

[39] See 42 U.S.C. 11373(a), which refers to the statute governing the Community Development Block Grant program at 42 U.S.C. §§5302(a)(4)-(6). A metropolitan city is the central city within a metropolitan statistical area, or a city of 50,000 or more within a metropolitan statistical area, and an urban county is a county within a metropolitan area that has a population of 200,000 or more, or 100,000 or more if the county contains no incorporated areas.

[40] For more information about CDBG, see CRS Report R43208, *Community Development Block Grants: Funding Issues in the 113th Congress*, by Eugene Boyd.

[41] 76 *Federal Register* 75975.

[42] Ibid.

[43] U.S. Department of Housing and Urban Development, *Emergency Shelter Grants Program FY2008 Operating Instructions*, October 2008, p. 2, http://www.hudhre.info/documents/ESG_OperatingInstructions_2008.pdf.

[44] 42 U.S.C. §§5306(a) - (d).

[45] The other programs are the Community Development Block Grant program, the HOME program, and the Housing Opportunities for Persons with AIDS (HOPWA) program. For more information about CDBG, see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Eugene Boyd, for HOME, see CRS Report R40118, *An Overview of the HOME Investment Partnerships Program*, by Katie Jones, and for HOPWA, see CRS Report RL34318, *Housing for Persons Living with HIV/AIDS*, by Libby Perl.

[46] 24 C.F.R. §91.1(a).

collaborative efforts of local government officials, representatives of for-profit and non-profit organizations, and community members. HUD may disapprove a community's consolidated plan with respect to one or more programs, although communities have 45 days to change their plans to satisfy HUD's requirements.[47] If HUD disapproves the ESG portion of the plan, the applicant community will not receive ESG funds.

If HUD approves a community's consolidated plan, the community will receive ESG funds based on its share of CDBG funds from the previous fiscal year. However, the community must have received at least 0.05% of the total CDBG allocation in order to qualify to receive ESG funds.[48] In cases where a community would receive less than 0.05% of the total ESG allocation, its share of funds goes to the state to be used in areas that do not receive their own ESG funds.[49] In FY2016, more than 360 states, cities, counties, and territories received ESG funds.[50]

After the recipient states and entitlement communities receive their ESG funds, they distribute them to local government entities, nonprofit organizations, public housing authorities, and local redevelopment authorities that provide services to homeless persons.[51] These recipient organizations have been previously determined by the state or local government through an application process in which organizations submit proposals—HUD is not involved in this process. Each recipient organization must match the federal ESG funds dollar for dollar.[52] States need not match the first $100,000 that they receive, and the match does not apply to the territories.[53] The match may include funding from other federal sources and be met through the value of donated buildings, the lease value of buildings, salary paid to staff, and volunteer time.[54]

Transition to the Continuum of Care Program

The bulk of the funding for the Homeless Assistance Grants is awarded as competitive grants through what is now the CoC program.[55] The CoC program differs from ESG in that it focuses on the longer-term housing and services needs of homeless individuals and families. For the 20 years prior to creation of the CoC program, there were three separate competitive grants, each of which provided different services to different populations. Enactment of the HEARTH Act brought each of the three programs' functions under the umbrella of the CoC program. The programs were

- **The Supportive Housing Program (SHP):** The SHP provided funds for transitional housing for homeless individuals and families for up to 24 months, permanent housing for homeless individuals with disabilities, and supportive services. Eligible recipients were states, local government entities, Public Housing Authorities (PHAs), private nonprofit organizations, and community

[47] 24 C.F.R. §91.500.

[48] 42 U.S.C. §11373.

[49] 42 U.S.C. §11373(b).

[50] HUD Office of Community Development, https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/budget16.

[51] Until 2016, only governmental entities and private nonprofit organizations were eligible subgrantees of ESG funds. The Housing Opportunity Through Modernization Act (P.L. 114-201) added public housing authorities and local redevelopment authorities as eligible subgrantees.

[52] 42 U.S.C. §11375(a).

[53] 76 *Federal Register* 75982.

[54] 42 U.S.C. §11375(a).

[55] In FY2015, about 90% of the total amount of funds appropriated for the grant programs was set aside for the CoC program.

mental health centers. Grantees were required to meet different match requirements: acquisition, rehabilitation, or new construction with an equal amount of the grant recipient's own funds, supportive services with a 20% match, and operating expenses with a 25% match.

- **The Single Room Occupancy Program (SRO):** The Single Room Occupancy (SRO) program provided permanent housing to homeless individuals in efficiency units similar to dormitories, with single bedrooms, community bathrooms, and kitchen facilities. The SRO program did not require residents to have a disability and did not fund supportive services. Eligible recipients were PHAs and private nonprofit organizations. The program did not have a match requirement.
- **The Shelter Plus Care (S+C) Program:** The S+C program provided permanent supportive housing through rent subsidies for homeless individuals with disabilities and their families. The S+C rent subsidies could be tenant-based vouchers, project-based rental assistance, sponsor-based rental assistance, or single room occupancy housing. Eligible recipients were states, local government entities, and PHAs. The S+C program required grant recipients to match the amount of grant funds they received for rental assistance with an equal amount of funds for supportive services.

(For a more detailed description of the three programs, see the **Appendix**.) Applicants no longer apply for one of the three existing grants—S+C, SHP, or SRO—based on the type of housing and services they want to provide. Instead, the new consolidated grant provides funds for all permanent housing, transitional housing, supportive services, and rehousing activities.

The Continuum of Care and Collaborative Applicants

The terminology surrounding the Continuum of Care program can be confusing. For years the term "Continuum of Care" has been used to describe three different things: (1) the way in which communities plan their response to the needs of homeless persons, (2) the local communities themselves (typically cities, counties, and combinations of both) that collaborate to arrive at a plan to address homelessness and apply to HUD for funds, and (3) the HUD process through which service providers apply for HUD funds.[56] With the advent of the HEARTH Act, the term "Continuum of Care" is also used to refer to the main program through which HUD funds homeless services providers.

Through the CoC strategy, which remains largely the same under the HEARTH Act, local communities establish CoC advisory boards made up of representatives from local government agencies, service providers, community members, and formerly homeless individuals who meet to establish local priorities and strategies to address homelessness in their communities. The CoC plan that results from this process is meant to contain elements that address the continuum of needs of homeless persons: prevention of homelessness, emergency shelter, transitional housing,

[56] Since the FY1996 grant application process for the competitive Homeless Assistance Grants, the CoC system has also been the vehicle through which local service providers apply for HUD competitive grants. See U.S. Department of Housing and Urban Development, "Continuum of Care Homeless Assistance; Funding Availability," *Federal Register* vol. 61, no. 52, March 15, 1996, pp. 10865-10877. The development of the Continuum of Care system is described in *Priority: Home! The Federal Plan to Break the Cycle of Homelessness*, The U.S. Department of Housing and Urban Development, 1994, pp. 73-75.

permanent housing, and supportive services provided at all stages of housing.[57] The CoC system was created in 1993 as the Innovative Homeless Initiatives Demonstration Program, a grant program that provided funding to communities so that they could become more cohesive in their approach to serving homeless people.[58] Since then, nearly every community in the country has become part of a CoC, with more than 400 CoCs, including those in the territories, covering most of the country.[59]

The HEARTH Act also codified the process by which the Continuum of Care body established at the community level coordinates the process of applying for CoC program funds. However, the name HUD gives to the *applicant* for the CoC program is "Collaborative Applicant."[60] The Collaborative Applicant may be any entity eligible to apply for CoC program funds, including the Continuum of Care itself. In addition, a Collaborative Applicant may choose to apply for status as a Unified Funding Agency (UFA) to apply for CoC program funds. The difference between a Collaborative Applicant and a Unified Funding Agency is that a UFA is a legal entity that has the capacity to receive CoC program funds from HUD and distribute them to each grant awardee.[61]

Status of CoC Program Regulations

On July 31, 2012, HUD published interim regulations for the CoC program.[62] The regulations are in effect until final regulations, taking into account public comments, are published. The comment period for the interim regulations closed on November 16, 2012.[63] HUD has not yet published final regulations, and while HUD has stated that it will reopen the comment period to take account of grantee experiences in implementing the program, this has not yet happened.[64] Congress, as part of the Housing Opportunity Through Modernization Act (P.L. 114-201), directed HUD to reopen the CoC program comment period within 30 days of the law's enactment. The law was enacted on July 29, 2016. HUD reopened the CoC program interim rule for the limited purpose of proposing a new CoC formula on July 25, 2016.

Features of the Continuum of Care Program

The CoC program maintains many of the aspects of the prior competitive grants, but also implements new features.[65] Below is a description of a number of aspects of the CoC program, and, where relevant, comparisons to the three programs that came before (SHP, S+C, and SRO).

[57] Barnard-Columbia Center for Urban Policy, *The Continuum of Care: A Report on the New Federal Policy to Address Homelessness*, U.S. Department of Housing and Urban Development, December 1996, p. 9.

[58] See U.S. Department of Housing and Urban Development, "Funding Availability for Fiscal Year 1994 for Innovative Project Funding Under the Innovative Homeless Initiatives Demonstration Program," *Federal Register* vol. 58, no. 243, December 21, 1993, pp. 67616-67618.

[59] "HUD-Defined CoC Names and Numbers Listed by State," Revised March 2015, https://www.hudexchange.info/resources/documents/fy-2015-continuums-of-care-names-and-numbers.pdf.

[60] 42 U.S.C. §11360(3).

[61] 42 U.S.C. §11360a(g).

[62] U.S. Department of Housing and Urban Development, "Homeless Emergency Assistance and Rapid Transition to Housing: Continuum of Care Program," 77 *Federal Register* 45422-45467, July 31, 2012.

[63] U.S. Department of Housing and Urban Development, "Homeless Emergency Assistance and Rapid Transition to Housing: Continuum of Care Program: Extension of Public Comment Period," 77 *Federal Register* 59543, September 28, 2012.

[64] *Letter from Ann Oliva [Director, Office of Special Needs Assistance Programs] to Grant Recipients, CoC Leaders and Stakeholders*, July 2014, https://www.hudexchange.info/resources/documents/letter-from-ann-oliva-to-grant-recipients-coc-leaders-and-stakeholders-fy-2014.pdf.

[65] References to the Code of Federal Regulations in this section refer to Continuum of Care interim program regulations published in the Federal Register on July 31, 2012, 77 *Federal Register* 45422-45467.

Eligible Applicants

The entities eligible to administer most activities remain the same under the CoC program as under the three previous programs. These are states, local governments, instrumentalities of state or local governments (an entity created pursuant to state statute for a public purpose), PHAs, and nonprofit organizations.[66] In the HEARTH Act, entities that may administer rental assistance were initially limited to states, units of local government (e.g., cities, towns, or counties), and PHAs. However, Congress, as part of the Fixing America's Surface Transportation Act (P.L. 114-94), allowed private nonprofit organizations to administer rental assistance.

Program Components and Eligible Costs

The CoC program, like those before it, consists of both program components—the types of services that grantees provide, such as permanent housing and supportive services—and the costs that CoCs incur to operate each component (e.g., entering into leases and rental assistance contracts, paying operating and administrative costs, etc.). This section discusses what CoC program grantees do, and the specific costs that go into operating each component.

Eligible Program Components

Under the CoC program, most of the program components continue to be the same as those funded under the predecessor programs. However, they are consolidated so that applicants need only apply for CoC program funds rather than one of three programs based on services provided.

- **Transitional Housing:** Transitional housing is housing available for up to 24 months to help homeless individuals and families transition from homelessness to permanent housing. Prior to enactment of the CoC program, transitional housing was provided through the SHP program.
- **Permanent Housing:** As its name indicates, the statute governing the CoC program provides that permanent housing is not time limited and may be provided with or without supportive services.[67] However, HUD, when it released interim CoC program regulations, set out two types of permanent housing that grantees may provide, refining the definition.
    - *Permanent Supportive Housing:* Pursuant to the regulations, grantees may provide permanent housing with supportive services to individuals with disabilities and families where an adult or child has a disability.[68]
    - *Rapid Rehousing:* The CoC program regulations allow permanent housing assistance to be provided in the context of rapid rehousing.[69] Rapid rehousing is a process targeted to assist homeless individuals and families through supportive services together with rental assistance. The hope is that, after a

[66] Note that while the CoC interim rule did not explicitly make PHAs eligible, HUD has clarified that they are eligible and that this will be clear in the final rule. See Frequently Asked Questions, "All PHAs that meet the definition of "public housing agency" in 24 C.F.R. 5.100 are eligible to apply for CoC funding (including as Collaborative Applicants) without limitation or exclusion. The CoC final rule and the CoC Fiscal Year 2012 Notice of Funding Availability (NOFA) will make explicit the eligibility of all PHAs to apply for CoC funding. Additionally, all PHAs that are current grantees may apply for renewal funding under the CoC Program."

[67] 42 U.S.C. §11360(15).

[68] 24 C.F.R. §578.37 at 77 *Federal Register* 45450.

[69] Ibid.

period of time with assistance, those experiencing homelessness will be able to maintain permanent housing on their own. Grantees may pay for short-term rental assistance (up to three months) and medium-term rental assistance (from 3 to 24 months).

- **Supportive Services:** The statute continues to allow the CoC program to fund an array of supportive services for homeless individuals and families.[70] The statute, augmented by the interim regulations, lists a number of authorized services. The services include case management, child care, education services, employment assistance and job training, housing search, life skills training, legal services, mental health services, outpatient health services, substance abuse treatment, transportation, and payment of moving costs and utility deposits.[71] Note, however, that a decreasing share of CoC program funds pays for supportive services. See **Table 2**.
- **Homeless Management Information Systems (HMIS):** Homeless Management Information Systems are databases established at the local level through which homeless service providers collect, organize, and store information about homeless clients who receive services. Prior to implementation of the HEARTH Act, communities could use SHP grants to pay for HMIS.

Eligible Costs

In the three predecessor programs to the CoC program, the methods through which grantees provided housing and services to homeless individuals (e.g., through rental assistance, construction of housing, etc.) varied based on the particular program. In the CoC program, the relevant ways of providing assistance remain the same, but there is not the same limitation based on program type.

- **Acquisition, Rehabilitation, and Construction:** CoC program funds can be used to acquire and/or rehabilitate property to be used for housing or supportive services for homeless individuals.[72] Funds can be used for construction of housing for those who are homeless (but not for a facility that would only provide supportive services).[73] These were eligible uses of funds under SHP.

Resident Contributions Toward Housing Costs

HUD's interim regulations for the CoC program (24 C.F.R. §578.77) set out requirements for resident contributions toward rent.

Grant recipients that sublease housing to homeless residents may charge residents for their occupancy, though they do not have to. If an occupancy charge is imposed, then it cannot exceed the greater of 30% of adjusted income, 10% of gross income, or, if a family receives welfare benefits, the portion of the benefit designated for housing costs.

Residents that receive rental assistance (rather than live in leased housing) must pay rent based on 30% of adjusted income, 10% of gross income, or welfare rent.

For more information about how HUD determines income and rent payments, see CRS Report R42734, *Income Eligibility and Rent in HUD Rental Assistance Programs: Frequently Asked Questions*, by Libby Perl and Maggie McCarty.

[70] 42 U.S.C. §11383(a)(6). In addition to being available to individuals and families who are experiencing homelessness, supportive services are available to formerly homeless individuals and families who are living in permanent supportive housing indefinitely and those who are living in permanent housing (but not *supportive* housing) for up to six months after finding housing.

[71] 42 U.S.C. §11360(27), 24 C.F.R. §578.53 at 77 *Federal Register* 45453.

[72] 42 U.S.C. §11383(a)(2). The interim regulations are at 24 C.F.R. §578.43 and §578.45, 77 *Federal Register* 45451.

[73] 42 U.S.C. §11383(a)(1), 24 C.F.R. §578.47 at 77 *Federal Register* 45451-45452.

- **Leasing:** Funds can be used to lease property in which housing and/or supportive services are made available to homeless individuals and families.[74] Grant recipients must enter into occupancy agreements or subleases with program participants, and they may impose an occupancy charge.[75] As in the SHP program, leases for housing may be for transitional or permanent housing.
- **Rental Assistance:** Similar to the S+C program, the HEARTH Act provides that grantees may use CoC funds for tenant-based rental assistance, project-based rental assistance, and sponsor-based rental assistance.[76] Eligible grantees are states, units of local government, Public Housing Authorities, and private nonprofit organizations.[77] With tenant-based vouchers, residents find private market housing much as they would with a Section 8 voucher; project-based assistance is provided to building owners and attached to specific units of housing (unlike a portable voucher); with sponsor-based assistance, grant recipients contract with private nonprofit housing providers or community mental health centers to provide housing. Unlike S+C, however, tenant-based rental assistance may be provided for a limited duration as rapid rehousing.[78] It can be short term (up to 3 months) or medium term (between 3 and 24 months).[79] Rental assistance may also be used for permanent housing without a time limit. Residents must pay a portion of rent in accordance with HUD rules.[80]
- **Personnel Costs of Supportive Services:** Grantees that provide supportive services themselves (versus contracting with outside service providers) may use CoC program funds to pay the salaries and benefits costs of staff who provide services.[81]
- **Operating Costs:** Grantees may use operating funds for transitional housing, permanent housing,[82] and facilities that provide supportive services.[83] Costs may include maintenance, taxes and insurance, reserves for replacement of major systems, security, utilities, furniture, and equipment. Funds may not be used for operating costs in cases where a property already receives rental assistance.[84]
- **Administrative Costs:** The percentage of funds that may be used for administrative costs increased for the CoC program compared to the three predecessor programs.

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[74] 42 U.S.C. §11383(a)(3), 24 C.F.R. §578.49 at 77 *Federal Register* 45452.

[75] 24 C.F.R. §578.77 at 77 *Federal Register* 45458.

[76] 42 U.S.C. §11383(a)(4), 24 C.F.R. §578.51 at 77 *Federal Register* 45452.

[77] Private nonprofit organizations were not initially authorized to provide rental assistance pursuant to the HEARTH Act. However, Congress amended the law as part of the Fixing America's Surface Transportation Act (P.L. 114-94) to make nonprofit organizations eligible. This brought current practice in line with what had occurred unofficially prior to the HEARTH Act.

[78] 24 C.F.R. §578.37(a)(1)(ii) at 77 *Federal Register* 45450.

[79] 24 C.F.R. §578.37(a)(1)(ii) at 77 *Federal Register* 45450.

[80] 24 C.F.R. §578.77 at 77 *Federal Register* 45458.

[81] 24 C.F.R. §578.53(e)(17) at 77 *Federal Register* 45455.

[82] 42 U.S.C. §11383(a)(5).

[83] 24 C.F.R. §578.53(a) at 77 *Federal Register* 45453.

[84] 24 C.F.R. §578.55 at 77 *Federal Register* 45455.

- Individual grantees may use up to 10% of their grants for administrative expenses.[85] Administrative expenses include administrative staff salaries (as outlined in the regulations), administrative supplies, and Continuum of Care training, among other things.[86] Prior to enactment of the CoC program, SHP grant recipients could use 5% of funds for administrative purposes, and S+C recipients could use 8% of funds.[87]
- Collaborative Applicants may use up to 3% of CoC funds for administrative expenses related to the application process for HUD funds.[88]
- Collaborative Applicants that have the status of Unified Funding Agencies, and are able to receive and distribute the CoC program funds awarded to the Continuum of Care, may use an additional 3% of funds for fund distribution, ensuring that grant recipients develop fiscal control and accounting procedures, and arranging for annual audits or evaluations of each project.[89]

Incentives and Bonuses

The HEARTH Act expanded the way in which competitive grant funds can be used by giving more flexibility to communities that are successful in reducing homelessness.

High-Performing Communities: The HEARTH Act instituted a new program to allow certain high-performing communities to have greater flexibility in the way that they use their funds.[90] A Collaborative Applicant will be designated high-performing if the Continuum of Care it represents meets all requirements regarding[91]

1. the average length of homelessness in their communities (fewer than 20 days or a reduction of 10% from preceding year),
2. repeat instances of homelessness (less than 5% of those who leave homelessness become homeless again in the next two years or a 20% reduction in repeat episodes),
3. submission of data (80% of housing and service providers submit data to Homeless Management Information Systems),
4. outcomes among homeless families and youth defined as homeless under other federal programs (95% do not become homeless again within a two-year period and 85% achieve independent living in permanent housing),
5. comprehensive outreach plans (all communities within a CoC have an outreach plan), and
6. success in preventing homelessness for communities previously designated high-performing.

[85] 42 U.S.C. §11383(a)(12).

[86] 24 C.F.R. §578.59 at 77 *Federal Register* 45455-45456.

[87] The SHP and S+C regulations set limits for administrative costs. These were at 24 C.F.R. §583.135 and 24 C.F.R. §582.105. SRO funding was through the project-based Section 8 program and PHAs received administrative expenses as part of the Housing Assistance Payments contract.

[88] 42 U.S.C. §11383(a)(10).

[89] 42 U.S.C. §11383(a)(11).

[90] 42 U.S.C. §11384.

[91] 42 U.S.C. §11384(d), 24 C.F.R. §578.65 at 77 *Federal Register* 45456-45457.

Collaborative Applicants designated high-performing will be able to use their grant awards for any eligible activity under the CoC program as well as for rental assistance or rapid rehousing to assist those at risk of homelessness.[92]

Incentives for Proven Strategies to Reduce Homelessness: Continuums of Care are to ensure that certain percentages of funds are used to provide permanent supportive housing for those experiencing chronic homelessness, as well as homeless families with children. The HEARTH Act provides that the HUD Secretary "shall provide bonuses and other incentives" to Continuums of Care that are successful in reducing or eliminating homelessness in general or among certain subpopulations through permanent housing, are successful at preventing homelessness, or that are successful at achieving independent living for families with children or youth defined as homeless under other federal statutes.[93]

The Grant Application Process

In consolidating the competitive grants, the HEARTH Act maintained many aspects of the current Continuum of Care application system and codified the system in law. Previously, much of the application system had been established through the grant funding process. HUD reviews one application for CoC program funds submitted by Collaborative Applicants. HUD continues to use its current practice of distributing funds directly to individual project applicants unless a Collaborative Applicant has the status of Unified Funding Agency.

Formula

Leading up to enactment of the HEARTH Act, HUD used the Community Development Block Grant (CDBG) program formula as a way to measure community need for competitive homeless assistance funds. (For more information, see "The Role of the Community Development Block Grant Formula.") The HEARTH Act required HUD to develop a formula for determining need within two years of the bill's enactment using "factors that are appropriate to allocate funds to meet the goals and objectives of 'the Continuum of Care program.'"[94] P.L. 111-22 gave the HUD Secretary the authority to adjust the formula to ensure that Collaborative Applicants have sufficient funds to renew existing contracts for one year. When HUD released interim CoC program regulations, it continued to use the CDBG formula as the method for determining a CoC's level of need. However, in July 2016, HUD released a proposal to change the CoC formula so that the CDBG formula is no longer used. A later section in this report, "HUD Determination of Community Need," goes into more detail about the interaction of the CDBG formula and community need as well as HUD's proposal to change the formula.

Matching Requirement

Prior to enactment of the HEARTH Act, matching requirements were fulfilled at the individual grant level depending on both the type of grant (SHP, S+C, or SRO) as well as, in the case of SHP, which activities grantees participated in. The CoC program has a unified match requirement where each recipient *community* (vs. grantee) must match the total grant funds with 25% in funds from other sources (including other federal grants) or in-kind contributions.[95] The exception is

[92] 42 U.S.C. §11384(c), 24 C.F.R. §578.71 at 77 *Federal Register* 45457.

[93] 42 U.S.C. §11386b(d).

[94] 42 U.S.C. §11386a(b)(2)(B)(i).

[95] 42 U.S.C. §11386d, 24 C.F.R. §578.73 at 77 *Federal Register* 45457.

funds for leasing, which does not require a match. In cases where third-party services are used to meet the match requirement, they must be documented by a memorandum of understanding.[96]

Who May Be Served

The HEARTH Act expanded the way in which communities may choose to serve people who are experiencing homelessness through the CoC program. In the programs that existed prior to the HEARTH Act, most permanent housing was designated either for unaccompanied individuals, with or without disabilities, although families of an adult with a disability were eligible for housing through the S+C program. None of the three programs provided permanent housing for families with non-disabled adults. In addition, families that might have been considered homeless under other federal programs were not necessarily eligible for assistance. The HEARTH Act made changes that made more people eligible for more services.

- **Homeless Adults with Disabilities and Their Families:** Prior to enactment of the HEARTH Act, nearly all funding for permanent housing was dedicated to persons with disabilities and, in some cases, their families. SHP served unaccompanied individuals with disabilities and the S+C program served persons with disabilities and their families. The HEARTH Act continues to require that at least 30% of amounts provided for both the ESG and CoC programs (not including those for permanent housing renewals) must be used through the CoC program to provide permanent supportive housing to individuals with disabilities or families with an adult head of household (or youth in the absence of an adult) who has a disability.[97] This requirement will be reduced proportionately as communities increase permanent housing units for this population, and will end when HUD determines that a total of 150,000 permanent housing units have been provided for homeless persons with disabilities since 2001.
- **Homeless Families with Children:** Prior to enactment of the HEARTH Act, in absence of a disability, homeless families with children did not qualify for permanent housing under the SHP, S+C, or SRO programs. Pursuant to the HEARTH Act, at least 10% of the amounts made available for both the ESG and CoC programs must be used to provide permanent housing for families with children through the CoC program.
- **Families with Children and Youth Certified As Homeless Under Other Federal Programs:** Up to 10% of CoC program funds can be used to serve homeless families with children and unaccompanied youth defined as homeless under other federal programs.[98] If a community has a rate of homelessness less than one-tenth of 1% of the total population, then the 10% limitation does not apply. (For more information on these programs, see "Other Federal Definitions.") These groups were not previously eligible for housing or services.
- **Unaccompanied Homeless Individuals Without Disabilities:** Nothing in the HEARTH Act prohibits communities from serving homeless individuals who do not have disabilities. However, given the requirement that Continuums of Care use a portion of funds to serve homeless families with children and individuals with disabilities, communities may choose not to prioritize this group.

[96] 24 C.F.R. §578.73 at 77 *Federal Register* 45457.

[97] 42 U.S.C. §11386b(a).

[98] 42 U.S.C. §11382(j).

Table 1. Characteristics of the SHP, S+C, SRO, and CoC Programs

Program Characteristics	Supportive Housing Program (SHP)	Shelter Plus Care (S+C)	Single Room Occupancy (SRO)	Continuum of Care Program (CoC)
Program Components	Transitional Housing			Transitional Housing
	Permanent Housing	Permanent Housing	Permanent Housing	Permanent Housing
				Rapid Rehousing
	Supportive Services			Supportive Services
	HMIS			HMIS
Eligible Activities	Acquisition, Rehabilitation, Construction			Acquisition, Rehabilitation, Construction
		Rental Assistance	Rental Assistance	Rental Assistance
	Leasing			Leasing
	Operating Costs			Operating Costs
	Administrative Costs	Administrative Costs		Administrative Costs
Eligible Applicants	State Government	State Government		State Government
	Local Government	Local Government		Local Government
				Instrumentalities of State and Local Governments
	PHAs	PHAs	PHAs	PHAs
	Private Nonprofits		Private Nonprofits	Private Nonprofits
	Community Mental Health Centers			

Program Characteristics	Supportive Housing Program (SHP)	Shelter Plus Care (S+C)	Single Room Occupancy (SRO)	Continuum of Care Program (CoC)
Eligible Populations	Unaccompanied individuals (transitional housing and services only)		Unaccompanied individuals	Unaccompanied individuals
	Unaccompanied individuals with disabilities			Unaccompanied individuals with disabilities
	Individuals with disabilities and their families (transitional housing and services only)	Individuals with disabilities and their families		Individuals with disabilities and their families
	Families with children (transitional housing and services only)			Families with children
				Families with children and youth defined as homeless under other federal programs (generally limited to 10% of CoC funds)
Match Requirements	Dollar for Dollar (acquisition, rehabilitation, or construction)	Equal amount of funds for services	No match requirement	Match of 25% at the CoC level
	20% (services)			
	25% (operating expenses)			

Source: The McKinney-Vento Homeless Assistance Act, Title IV, Subtitles C, E, and F, both prior to and after enactment of the HEARTH Act.

Distribution of Continuum of Care Program Funds

The way in which HUD awards CoC program grants did not change significantly with enactment of the HEARTH Act, and, in fact, the HEARTH Act served, in part, to codify the way in which the funds are distributed.

The CoC program funds, like those for the three competitive grants before it, are distributed to eligible applicant organizations through a process that involves both formula and competitive elements. HUD first uses the Community Development Block Grant (CDBG) program formula to determine the need levels of Continuums of Care; the need level sets a baseline for the amount of funding that a community can receive. HUD then determines through a competition whether applicant organizations that provide services to homeless persons qualify for funds.

HUD Determination of Community Need

Even prior to enactment of the HEARTH Act, HUD determined community need for homeless services as a way of allocating funds. The CoC program continues this process.[99] HUD goes through a process where it calculates each community's "pro rata need." Pro rata need is meant to represent the dollar amount that each community (city, county, or combination of both) needs in order to address homelessness. There are several steps in the need-determination process.

Preliminary Pro Rata Need (PPRN): Pursuant to its interim regulations, HUD uses the CDBG formula to determine a Continuum of Care's "preliminary pro rata need" as a starting point for its need for homeless services.[100] This is the percentage of funds a community received (or would receive if they do not qualify for CDBG grants) from the CDBG formula multiplied by the amount of funds available to the CoC program. HUD adds together the PPRN amount for each community in a Continuum of Care to arrive at PPRN for the entire Continuum.

Annual Renewal Demand (ARD): Next, PPRN may be adjusted by a Continuum of Care's "annual renewal demand" (i.e., the amount of funds needed to renew existing contracts that are up for renewal in a given fiscal year).

Final Pro Rata Need (FPRN): This is the higher of PPRN or ARD.

Maximum Award Amount: Although FPRN is technically the maximum for which a Continuum of Care may qualify, a Continuum of Care may qualify for more than the FPRN level based on changes to fair market rents, planning costs of the Collaborative Applicant or Unified Funding Agency, and any bonus funding that might be available.

Competitive Process

Continuums of Care do not automatically qualify for their maximum award amount. The CoC program competition determines total funding levels. The competition consists of threshold review of both new and renewal grants, and a competitive process where points are awarded to applicants for new grants.

Threshold Requirements: For existing projects, there is a renewal threshold in order to qualify to have contracts renewed. This primarily involves the organization's performance in administering its grant in prior years. For new projects, HUD ensures that every participant in the proposed projects (from applicant organizations to clients who will be served) is eligible for the CoC program, that the project quality fulfills HUD requirements, and that proposed projects meet civil rights and fair housing standards.

Competition for Funds: Collaborative Applicants are also scored based on criteria established by the HEARTH Act.[101] Most of these criteria had been used as part of the Continuum of Care competition established by HUD prior to enactment of the HEARTH Act and were made part of the law. The criteria include

- the Continuum of Care's performance (including outcomes for homeless clients and reducing homelessness);

[99] 42 U.S.C. §11386a(b)(2).

[100] 24 C.F.R. §578.17 at 77 *Federal Register* 45446-45447. Unlike the CDBG formula, however, 75% of funds are allocated to metropolitan cities and urban counties that have been funded under the ESG program in any year since FY2004 and the remainder goes to areas that have not received ESG funds during that time period.

[101] 42 U.S.C. §11386a.

- the Continuum of Care's planning process to address homelessness in its community (including how it will address homelessness among various subpopulations);
- how the Continuum of Care determined funding priorities;
- the amount leveraged from other funding sources (including mainstream programs);
- coordination of the Continuum of Care with other entities serving those who are homeless and at risk of homelessness in the planning process; and
- for those Continuums of Care serving families with children and youth defined as homeless under other federal programs, their success in preventing homelessness and achieving independent living.

To these factors, HUD has added via regulation the extent to which a Continuum of Care has a functioning Homeless Management Information System and whether it conducts an annual point-in-time count of those experiencing homelessness.

The competitive process also allows Continuums of Care to reallocate funds from an existing project to a new one if they decide that a new project would be more beneficial than an existing one. Continuums of Care that score enough points may receive funding for new projects whose costs are within the amount made available in the competition.

Features of the FY2017 Competitive Process

The specific scoring of the competition for the CoC program may differ from year to year based on available appropriations and HUD priorities. In addition, HUD may also change the ways in which CoCs can use funds for new and reallocated projects.

In FY2017, approximately $2 billion is available for the CoC program.[102] Because HUD is unsure if the amount is sufficient to renew existing grants, it continues to use a tiered scoring process that was introduced in the FY2012 competition.[103] HUD employs a two-tiered funding approach whereby Collaborative Applicants are to prioritize and rank projects in a way to ensure funding for their most important projects.

In the FY2017 competition for funds, the tiered funding process works as follows:

- **Tier 1:** The amount available to CoCs within tier 1 is the higher of (1) the amount needed to renew all permanent housing (including rapid rehousing) and HMIS projects or (2) 94% of ARD.[104]
- **Tier 2:** Projects that cannot be funded in tier 1 are to be ranked within tier 2. The amount potentially available is the remainder of a CoC's ARD plus an amount for a permanent housing bonus.[105]

[102] U.S. Department of Housing and Urban Development, *Notice of Funding Availability for the FY2017 Continuum of Care Program Competition*, July 14, 2017, p. 2, https://www.hudexchange.info/resources/documents/FY-2017-CoC-Program-Competition-NOFA.pdf (hereinafter, FY2017 NOFA).

[103] HUD initiated the two-tiered process because in FY2012 it was initially estimated that appropriations would not be sufficient to renew all existing contracts.

[104] FY2017 NOFA, p. 15.

[105] Ibid., pp. 15-16.

Projects in tier 1 must pass threshold review and are scored on a 200-point scale using factors like those described in the previous, "Competitive Process," section of this report.[106] Tier 2 projects are scored on a 100-point scale, with 50 points based on the CoC application score, 40 points based on the way in which CoCs rank their projects (with higher-ranked projects receiving higher scores), and 10 points for a project's commitment either to housing first (if it is permanent housing) or to low-barrier housing and attaining permanent housing (if it is not permanent housing).[107] Unlike previous years, HUD is not awarding points based on type of housing (e.g., permanent supportive housing, rapid rehousing, transitional housing).

Funds in the CoC competition are largely used to renew existing grants, but Continuums of Care may also create new projects by reallocating funds from existing projects, and, depending on available resources, may compete for funding for new projects. In FY2017, HUD is allowing applicants to apply for new projects at up to 6% of FPRN (though funding for new projects is not guaranteed).[108]

HUD limits the ways in which new and reallocated projects can address homelessness. Both new and reallocated projects can provide the following enumerated types of housing to serve specific populations.[109] In addition, reallocated funds can be used for new HMIS and coordinated assessment systems.

- **Permanent Supportive Housing (PSH) projects:** new and reallocated funds can be targeted to projects
  - serving chronically homeless individuals and families, or
  - serving individuals with a disability or families with an adult or child who has a disability who also meet certain criteria established by HUD. In previous years, PSH had to be targeted to individuals and families experiencing chronic homelessness. Chronic homelessness requires that an adult have a disability and that the length of homelessness extends for 12 consecutive months, or for a total of at least 12 months on four or more occasions over the course of three years. In the FY2017 competition, HUD has expanded the circumstances in which individuals and families with disabilities may qualify for PSH. HUD refers to this housing as "DedicatedPLUS." For example, individuals and families residing in transitional housing may qualify for PSH if they had previously been considered chronically homeless, or individuals and families who have experienced homelessness for at least 12 months over the last three years, but not on four separate occasions (as is required by the definition of chronic homelessness). In addition, veterans receiving assistance through VA homeless programs who otherwise meet homeless status criteria qualify for DedicatedPLUS housing.
- **Rapid Rehousing (RR) projects:** new and reallocated funds can be used for rapid rehousing projects serving homeless individuals and families, including unaccompanied youth.

[106] Ibid., pp. 42-54.

[107] Ibid., p. 16.

[108] Ibid., p. 11.

[109] Ibid., pp. 10-11.

- **Joint Transitional Housing (TH) and RR projects:** new and reallocated funds can be used for joint TH-RR projects serving homeless individuals and families. FY2017 is the first year that HUD has allowed funds to be used for this joint project model where funds can be used for both types of housing. Joint TH-RR projects are expected to focus on residents obtaining and retaining permanent housing.[110]
- **Expansion of Existing Projects:** new and reallocated funds can be used to increase units in an existing project and/or increase the number of people served.[111]

FY2017 applications are due to HUD on September 28, 2017.[112]

Features of the FY2016 Competitive Process

In FY2016, the tiered funding process worked as follows:[113]

- **Tier 1:** The amount available to CoCs within tier 1 was 93% of ARD.[114]
- **Tier 2:** Projects that could not be funded in tier 1 were to be placed in tier 2. The amount available in tier 2 was the remainder of a CoC's ARD plus 5% of FPRN for a permanent housing bonus.[115]

Projects proposed for funding in tier 1 had to pass threshold review, and were scored based on the criteria listed in the previous section describing the competitive process. A CoC could place a tier 1 project partially in tier 1, but if it did not receive tier 2 funding, then HUD was to determine if the project was still feasible with partial funding.

Tier 2 projects were scored on a 100 point scale. Up to 50 points were available based on the CoC competition score used to score tier 1 projects. Up to 35 points were available based on the way in which CoCs ranked their projects. The more highly ranked a project, the more points it received. Up to five points were available based on the project type, with permanent supportive housing, rapid rehousing, safe havens, coordinated assessment, and transitional housing for homeless youth eligible for all five points. Finally, up to 10 points were available for the extent to which projects apply housing first and low barrier to assistance housing principals.

Given this system, the ability of projects to be funded depended on several factors:

- The tier within which a Continuum of Care ranked a project.
- The number of points scored by an applicant in the Continuum of Care program competition.
- The order within which projects were ranked in tier 2, and the type of project; the higher the ranking, the greater the number of points available. In addition,

[110] Ibid., pp. 32-33.

[111] Ibid., p. 12.

[112] Ibid., p. 1.

[113] U.S. Department of Housing and Urban Development, *Notice of Funding Availability for the FY2016 Continuum of Care Program Competition*, June 28, 2016, https://www.hudexchange.info/resources/documents/FY-2016-CoC-Program-NOFA.pdf.

[114] A table listing each Continuum of Care's ARD at 93% is available on HUD's website at https://www.hudexchange.info/resources/documents/FY-2016-CoC-Program-Competition-Final-ARD-Report.pdf.

[115] See Ibid. for a list of each Continuum of Care's permanent housing bonus.

> renewal transitional housing and supportive services only projects were at a slight disadvantage, with only three and one point available based on project type compared to other projects, which receive five points.

HUD announced tier 1 and tier 2 funding awards together on December 20, 2016.[116] A total of $1.95 billion was distributed to more than 7,600 providers across the states and territories. Of this amount, $139 million funded new projects, and $103 million was reallocated from existing to new projects.[117] For a breakdown of awards among housing types and between new and existing projects, see **Table 2**.

[116] U.S. Department of Housing and Urban Development, "HUD Awards Nearly $2 Billion for Local Homeless Programs," press release, December 20, 2016, https://portal.hud.gov/hudportal/HUD?src=/press/press_releases_media_advisories/2016/HUDNo__16-194.

[117] Email from HUD, December 20, 2016.

Table 2. Continuum of Care Program Awards by Type

FY2012-FY2016

Award Type	FY2012		FY2013		FY2014		FY2015		FY2016	
	$ in Thousands	% of Total	$ in Thousands	% of Total	$ in Thousands	% of Total	$ in Thousands	% of Total	$ in Thousands	% of Total
Renewal Project Awards	$1,614,540	96.5%	$1,595,236	93.7%	$1,692,093	93.5%	$1,646,340	84.7%	$1,763,357	90.1%
Permanent Supportive Housing	993,844	59.4	1,063,148	62.4	1,169,101	64.6	1,273,492	65.5	1,361,019	69.5
Rapid Rehousing	6,275	0.4	8,997	0.5	67,957	3.8	105,897	5.4	196,113	10.0
Transitional Housing	417,158	24.9	371,494	21.8	325,548	18.0	172,253	8.9	108,067	5.5
Supportive Services Only	123,269	7.4	80,090	4.7	59,191	3.3	29,647	1.5	35,417	1.8
Safe Havens	33,159	2.0	29,418	1.7	26,648	1.5	23,780	1.2	17,579	0.9
HMIS	40,834	2.4	42,090	2.5	43,648	2.4	41,270	2.1	45,160	2.3
New Project Awards	$46,683	2.8%	$96,843	5.7%	$102,127	5.6%	$248,819	12.8%	$141,959	7.3%
Permanent Supportive Housing	33,656	2.0	69,477	4.1	71,336	3.9	133,529	6.9	73,252	3.7
Rapid Rehousing	6,958	0.4	27,367	1.6	30,791	1.7	92,482	4.8	53,630	2.7
Transitional Housing	299	0.0	—	—	—	—	—	—	—	—
Supportive Services Only	3,429	0.2	—	—	—	—	18,785[a]	1.0	11,649	0.6
HMIS	2,341	0.2	—	—	—	—	4,044	0.2	3,428	0.2
Administrative Costs	$12,025	0.7%	$10,705	0.6%	$16,339	0.9%	$48,158	2.5%	$52,122	2.7
CoC Planning Costs	12,025	0.7	10,670	0.6	16,258	0.9	47,554	2.4	51,426	2.6
Unified Funding Agency Costs	—	—	35	<1	82	<1	604	<1	696	<1
Total	$1,673,248		$1,702,784		$1,810,560		$1,943,317		$1,957,438	

Source: U.S. Department of Housing and Urban Development, 2012-2016 CoC Awards by Program Component, All States, Territories, Puerto Rico, and DC, available at https://www.hudexchange.info/coc/awards-by-component/.

Note: Percentages may not add to 100% due to rounding. New projects include those created by reallocating funds for existing projects.

a. In the FY2015 and FY2016 competitions, new Supportive Services Only funds could be used for a centralized or coordinated assessment system within a Continuum of Care. Funds could not be used for new projects to provide services to people experiencing homelessness.

Rural Housing Stability Assistance Program

In the area of rural homelessness, the HEARTH Act retained portions of McKinney-Vento's rural homelessness grant program (Title IV, Subtitle G of McKinney-Vento, a program that was never implemented or funded after it was authorized as part of P.L. 102-550) as the Rural Housing Stability Assistance Program. The grants themselves are referred to as the Rural Housing Stability (RHS) grants. As of the date of this report, HUD had released proposed regulations, but had not yet made funds available through the RHS grants.

The program allows rural communities to apply separately for funds that otherwise would be awarded as part of the Continuum of Care program. The HEARTH Act provides that not less than 5% of Continuum of Care Program funds be set aside for rural communities.[118] If the funds are not used, then they are to be returned for use by the CoC program.

What Is a Rural Community?

The law defines a rural community as falling into one of three different categories,[119] which HUD further refined in its proposed regulation.[120] Under the statute and regulations, a rural community is

- a county where no part is contained within a metropolitan statistical area,
- a county located within a metropolitan statistical area, but where at least 75% of the county population is in nonurban Census blocks, or
- a county located in a state where the population density is less than 30 people per square mile, and at least 1.25% of the acreage in the state is under federal jurisdiction. However, under this definition, no metropolitan city in the state (as defined by the CDBG statute) can be the sole beneficiary of the RHS grants.

Eligible Applicants

The entities eligible to apply for and receive RHS program grants are county and local governments and private nonprofit organizations.[121] A county that meets the definition of rural community may either submit an application to HUD or designate another eligible entity to do so. Once a grant is awarded, the county or its designee may award grants to subrecipients.

Who May Be Served

Unlike the CoC program, communities that participate in the RHS program are able to serve persons who do not necessarily meet HUD's definition of "homeless individual." HUD may award grants to rural communities to be used for the following:

[118] 42 U.S.C. §11408(*l*).

[119] 42 U.S.C. §11408.

[120] U.S. Department of Housing and Urban Development, "Homeless Emergency Assistance and Rapid Transition to Housing: Rural Housing Stability Assistance Program and Revisions to the Definition of 'Chronically Homeless'," 78 *Federal Register* 18726-18761, March 27, 2013. The statute refers to geographies as an "area or community" which the proposed regulations have defined as a county.

[121] 42 U.S.C. §11408(e).

- Rehousing or improving the housing situation of those who are in the worst housing situations in their geographic area.[122] In its proposed regulations, HUD defines worst housing situation to mean housing with "serious health and safety defects" and that has at least one major system that has failed or is failing.[123] A major system may include structural supports; electrical, plumbing, heating, or cooling systems; or roofing, among others.
- Stabilizing the housing situation of those in imminent danger of losing housing.[124] In its proposed regulations, HUD considers those in this category as "at risk of homelessness" as defined for the ESG and CoC programs.[125]
- Improving the ability of the lowest-income residents in the community to afford stable housing.[126]

Program Components and Eligible Costs

Grantees under the RHS program may use funds to assist people who are experiencing homelessness in many of the same ways as the CoC program. These include transitional housing, permanent housing, rapid rehousing, data collection, and a range of supportive services.

In addition, however, RHS program grants can be used for

- Homelessness prevention activities such as rent, mortgage, or utility payments. Individuals and families are eligible for assistance if they have not made a payment for at least 2 months,[127] and assistance may continue for up to 12 months.[128]
- Relocation assistance for someone moving outside the county because they have found employment, have been accepted to an educational institution, or are being reunited with family. Assistance may include moving costs, a security deposit, and payment of the first month's rent.[129]
- Short-term emergency housing in motels or shelters.[130] In general, assistance is limited to three months, but with exceptions where there is no other housing option available, and the participant is still at risk of homelessness or in a worst housing situation.[131]
- Home repairs that are necessary to make housing habitable for those in worst housing situations.[132] Participants must own the home and have income at or below 50% of area median income.[133] If participants move from the premises

[122] 42 U.S.C. §11408(a)(1).

[123] 24 C.F.R. §579.3 at 78 *Federal Register* 18743.

[124] 42 U.S.C. §11408(a)(2).

[125] 78 *Federal Register* 18728.

[126] 42 U.S.C. §11408(a)(3).

[127] 42 U.S.C. §11408(b)(1)(A).

[128] 24 C.F.R. §579.202 at 78 *Federal Register* 18744.

[129] 24 C.F.R. §579.204 at 78 *Federal Register* 18744.

[130] 42 U.S.C. §11408(b)(1)(C).

[131] 24 C.F.R. §579.206 at 78 *Federal Register* 18744-18745.

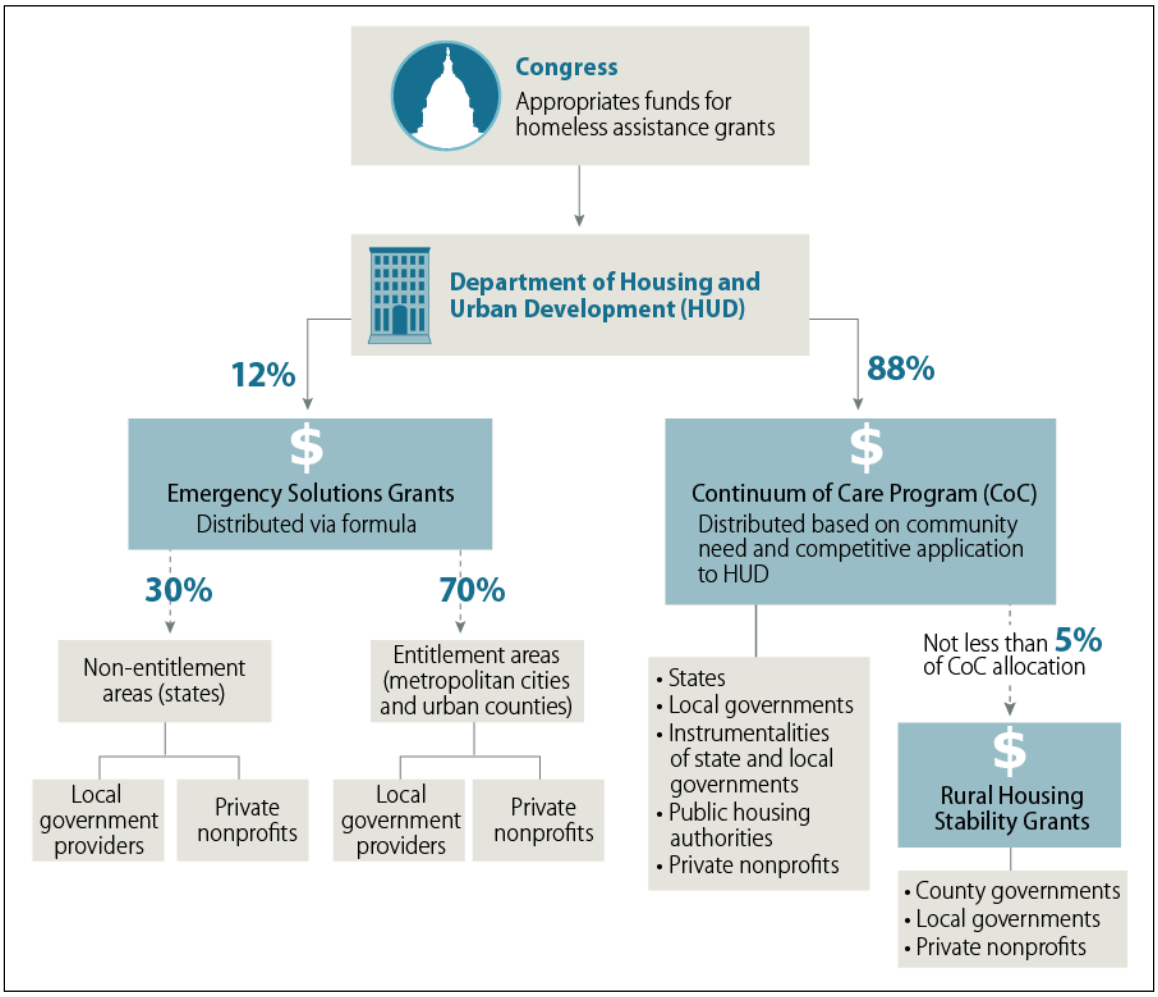
[132] 42 U.S.C. §11408(b)(1)(I).

[133] 24 C.F.R. §579.220 at 78 *Federal Register* 18747.

within three years of the repairs, they may have to reimburse the grantee for costs of repairs.[134]

The eligible costs that grantees may incur in order to deliver program components are largely the same as those allowed in the CoC program. These include acquisition, rehabilitation, and construction of facilities; rental assistance; leasing costs; operating costs; and administrative costs. However, the RHS program adds that up to 20% of the grantee community's RHS funds may be used for capacity building among personnel who administer housing and services programs.[135] Eligible costs may include employee salary and benefits, education and training, and staff retention efforts.[136]

Figure 1. Distribution of the HUD Homeless Assistance Grants



Source: Chart prepared by CRS on the basis of 42 U.S.C. §11373, §11382, and §11408. Percentages for ESG and the CoC Program are the actual percentages allocated to the programs in FY2014. Funds have not yet been made available for the RHS program, but, by statute, not less than 5% of CoC funds must be set aside for the program. RHS program proposed regulations were published on March 27, 2013.

[134] Ibid.

[135] 42 U.S.C. §11408(b)(2).

[136] 24 C.F.R. §579.226 at 78 *Federal Register* 18749-18750.

Funding for the Homeless Assistance Grants

After creating the four Homeless Assistance Grants in 1987, Congress played a decreasing role in how funds are allocated among them. Initially, from FY1987 to FY1994, Congress appropriated funds separately for each of the four programs. However, beginning in FY1995 and continuing through FY2010, Congress appropriated one lump sum for all four programs, and HUD then determined how the funds were distributed among the ESG, SHP, S+C, and SRO programs. The way funding allocations operate changed again in FY2011, with Congress specifying in the appropriations laws a minimum amount of funds to be set aside for the ESG program in that year, and minimum amounts for the ESG, CoC, and RHS programs in FY2012 through FY2017. **Table 3** shows a distribution of the grants from FY1987 through FY2017.[137]

Table 3. Funding for Homeless Assistance Grants, FY1987-FY2017

($ in thousands)

	Formula Grant	Competitive Grants				
Fiscal Year	Emergency Shelter/Solutions Grants (ESG) (a)	Single Room Occupancy (SRO) (b)	Shelter Plus Care[a] (S+C) (c)	Supportive Housing Program[b] (SHP) (d)	Continuum of Care Program (CoC) (e)	Total Funds for HUD Homeless Programs (see note) (f)
1987	60,000	35,000	—	59,000	—	195,000[c]
1988	8,000	—	—	65,000	—	72,000
1989	46,500	45,000	—	80,000	—	171,500
1990	73,164	73,185	—	126,825	—	284,004[d]
1991	73,164	104,999	—	149,988	—	339,414[e]
1992	73,164	105,000	110,533	150,000	—	449,960[f]
1993	49,496	105,000	266,550	150,443	—	571,489
1994	113,840	150,000	123,747	334,000[g]	—	822,747[h]
1995	155,218	136,000	164,000	630,000	—	1,120,000[i]
1996	113,841	48,000	89,000	606,000	—	823,000
1997	113,727	24,000	61,000	663,000	—	823,000
1998	164,993	10,000	117,000	596,000	—	823,000
1999	150,000	17,000	151,000	556,000	—	975,000
2000	150,000	20,000	95,000	784,000	—	1,020,000
2001	149,670	14,000	174,000	760,000	—	1,122,525
2002	150,000	10,400	178,700	788,200	—	1,122,525
2003	149,025	11,200	237,000	865,400	—	1,217,037
2004	159,056	12,900	322,800	906,900	—	1,259,525

[137] In addition to funds for the four grant programs, the congressional appropriation has at times contained funds for items like training and technical assistance, data collection, and the Interagency Council on Homelessness. These amounts make up a small percentage of the total appropriation.

	Formula Grant	Competitive Grants				
Fiscal Year	Emergency Shelter/Solutions Grants (ESG) (a)	Single Room Occupancy (SRO) (b)	Shelter Plus Care[a] (S+C) (c)	Supportive Housing Program[b] (SHP) (d)	Continuum of Care Program (CoC) (e)	Total Funds for HUD Homeless Programs (see note) (f)
2005	158,720	14,900	304,400	860,900	—	1,229,214
2006	158,400	1,600	363,000	942,200	—	1,326,600
2007	160,000	1,611	383,000	942,900	—	1,434,403
2008	160,000	2,400	405,900	1,008,000	—	1,541,081
2009	160,000	0	487,900	1,069,700	—	1,677,000
2010	160,000	2,400	521,400	1,104,100	—	1,865,000
2011	250,000	3,200	522,700	1,148,900	—	1,901,190[j]
2012	286,000	—	—	—	1,671,973	1,901,190
2013	215,000	—	—	—	1,702,784	1,933,293[k]
2014	250,000	—	—	—	1,810,659	2,105,000
2015	270,000	—	—	—	1,939,771	2,135,000
2016	270,000	—	—	—	1,953,210	2,250,000
2017	270,000[l]	—	—	—	—[m]	2,383,000

Sources: HUD Congressional Budget Justifications FY1988-FY2017 (all grants through FY1994; competitive grants from FY2002-FY2006, FY2008-FY2009, FY2011; and total funds for HUD homeless programs), HUD Homelessness Resource Exchange Continuum of Care Awards by Program Component (FY2007 competitive grants), HUD Community Planning and Development grantee lists FY1993-FY2017 (ESG from FY1993 through FY2017), HUD's Office of Special Needs Assistance Programs (competitive grants for FY1987 and from FY1995 through FY2001), HUD funding announcements (competitive grants for FY2010 and FY2012-FY2016), and the FY2017 Consolidated Appropriations Act (P.L. 115-31).

Note: Until FY1995, Congress separately appropriated funds for each of the four Homeless Assistance Grants. Since then, however, Congress has appropriated one amount for all of the Homeless Assistance Grants and HUD has divided the funds. Therefore, amounts in columns (a) through (d) in the years FY1987 through FY1994 represent appropriations, and those from FY1995 forward represent funds distributed to grantees. The amounts for each of the separate grant programs may add up to more or less than the amount in column (f) "Total for HUD Homeless Programs," which is the amount appropriated for HUD homeless program activities in a given fiscal year. In some years, this could be due to the use of carryover funds, recaptured funds, or reallocated funds, and in others, the sum of the separate grants may add up to less than the total due to allocations to other funds like technical assistance, data collection, or the Interagency Council on Homelessness that are not captured in the table.

a. The S+C program was authorized in 1990 by P.L. 101-645 and first received funding in FY1992.

b. From FY1987 to FY1993, SHP was a demonstration program. In FY1987, it was called the Transitional Housing Demonstration Program (P.L. 99-591). SHP as it currently exists was authorized in P.L. 102-550.

c. The total includes $15 million for the Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) program. In 1992, P.L. 102-550 incorporated elements of SAFAH and the Supportive Housing Demonstration Program into the new Supportive Housing Program.

d. The total includes $10,830,000 for the SAFAH program.

e. The total includes $11,263,000 for the SAFAH program.

f. The total includes $11,263,000 for the SAFAH program.

g. In P.L. 103-124, Congress provided that of the amount appropriated for SHP, an amount not to exceed $50 million could be used for the Safe Havens Demonstration Initiative and $20 million for the Rural Housing Demonstration Program.
h. The total includes $100 million for the Innovative Homeless Initiatives Demonstration Program.
i. The total includes $25 million for the Innovative Homeless Initiatives Demonstration Program.
j. The FY2011 Department of Defense and Full-Year Continuing Appropriations Act (P.L. 112-10) included an across-the-board rescission of 0.2% for all discretionary programs that is reflected in the FY2011 program total.
k. Pursuant to the FY2013 Consolidated and Further Continuing Appropriations Act (P.L. 113-6), the Homeless Assistance Grants were funded at $2.033 billion. However, after application of an across-the-board rescission of 0.2% and sequestration, the total available for the Homeless Assistance Grants was approximately $1.933 billion.
l. The FY2017 appropriations law (P.L. 115-31) provided that $310 million be provided for ESG, of which $40 million "shall be made available, as determined by the Secretary, for grants for rapid re-housing or other critical activities in order to assist communities that lost significant capacity after January 1, 2016 to serve persons experiencing homelessness." As of the date of this report, it does not appear that HUD has awarded the additional $40 million.
m. As of the date of this report, CoC program funds had not yet been distributed.

Issues Regarding the Homeless Assistance Grants

Despite the enactment of McKinney-Vento reauthorization legislation, there are other factors involved in the distribution of the Homeless Assistance Grants that may continue to be issues of concern to those interested in how funds are allocated. An ongoing concern has been the amount of funds required to renew existing housing and services contracts, leaving a relatively small share of funding to support new projects. (This is also an issue for the HUD budget in general.) Another issue is the way in which the CDBG formula affects the distribution of the Homeless Assistance Grants.

Contract Renewals for the CoC Program and Predecessor Programs

The cost to renew existing grants takes up a large share of Continuum of Care program funds (see **Table 2**). In FY2016, 90% of the CoC funds allocated went to renew existing grants.[138] HUD has made it possible for Continuums of Care to free up funds for new permanent housing projects. Beginning with the FY2005 competition for available funds, Continuums of Care can reallocate funds from an existing SHP project (now CoC project) to a new project, while still qualifying for the annual renewal demand (ARD) level that would have been required to renew the SHP/CoC projects.[139] Although this allows CoCs to defund projects that they do not think should receive grants, it does not address what CoCs can do about renewing projects they think are worth funding while also funding projects that would create new housing. HUD has allowed the reallocation of funds in all competitions since FY2005, with the exception of FY2009.

The HEARTH Act also introduced a way in which Homeless Assistance Grant funds could be freed up for new projects. Under the new law, renewals of permanent housing rental assistance and operating cost contracts could be funded from the project-based Section 8 rental assistance account. This assumes that appropriations for the Homeless Assistance Grants would not be reduced to account for transfer of the renewals to another account. In addition, such a move

[138] U.S. Department of Housing and Urban Development, 2016 CoC Awards by Program Component, All States, Territories, Puerto Rico, and DC, available at https://www.hudexchange.info/coc/awards-by-component/.

[139] U.S. Department of Housing and Urban Development, "Notice of Funding Availability, Continuum of Care Homeless Assistance," *Federal Register*, vol. 70, no. 53, March 21, 2005, pp. 14283-14284.

would put pressure on the project-based Section 8 account, perhaps resulting in less funding for all HUD programs. To date, Congress has not renewed contracts through the project-based Section 8 account.

The Role of the Community Development Block Grant Formula

The Community Development Block Grant (CDBG) program formula has determined how ESG funds are distributed since the inception of the program in 1986, and has been used in the distribution of the competitive grants since at least FY1995. The effectiveness of using the CDBG formula to target funds to services for homeless persons has been questioned at various times. Two General Accounting Office (now Government Accountability Office) reports from the late 1980s noted that the CDBG formula might not be the best way to target funds to areas that most need homeless assistance funds.[140] Congress, too, has questioned the relationship between the formula and homelessness. In FY2001, the Senate Appropriations Committee noted that "the CDBG formula has no real nexus to homeless needs," and urged HUD to hasten its development of a method for counting homeless individuals.[141] HUD responded with a report that proposed alternative methods for determining community need for homeless assistance.[142]

The HEARTH Act (P.L. 111-22) responded to these concerns, in part by directing HUD to develop a formula for determining need for the competitive Continuum of Care Program within two years of the law's enactment. In its interim regulations, HUD maintained the use of the CDBG formula for determining preliminary pro rata need (PPRN) for participating communities (see "The Grant Application Process").

The CDBG formula uses a combination of five factors to award funds to recipient communities. (The CDBG formula uses four separate methods to award funds; this report does not discuss the details of these methods.) The five factors are population, the number of persons in poverty, housing overcrowding (homes in which there are more than 1.01 persons per room), the age of housing (the number of housing structures built prior to 1940), and the extent of growth lag in a given community (the lack of population growth in a community compared to the growth rate it would have had if it had grown at the rate of other communities).[143] The factors are measured as ratios between the recipient community and all grant recipients. The CDBG formula was last changed in 1977 (P.L. 95-128).

There have been other proposals for how to determine need for the Homeless Assistance Grants. For example, legislation to reauthorize the McKinney-Vento Act that was introduced prior to enactment of the HEARTH Act gave more specific guidance as to how the HUD Secretary might determine need. The Community Partnership to End Homelessness Act of 2007 (S. 1518), as passed by the Senate Committee on Banking, Housing, and Urban Affairs, would have directed the Secretary to consider factors such as the number of homeless individuals, shortages of affordable housing, and severe housing problems among extremely low-income households. The

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[140] U.S. General Accounting Office, *Homelessness: Implementation of Food and Shelter Programs Under the McKinney Act*. GAO/RCED-88-63. December 1987, p. 33, http://archive.gao.gov/d29t5/134578.pdf, and *Homelessness: HUD's and FEMA's Progress in Implementing the McKinney Act*. GAO/RCED-89-50. May 1989, pp. 46-48, http://archive.gao.gov/d25t7/138597.pdf.

[141] S.Rept. 106-410. The statement was made regarding the competitive Homeless Assistance Grants.

[142] U.S. Department of Housing and Urban Development. Office of Community Planning and Development. *Report to Congress: Measuring "Need" for HUD's McKinney-Vento Homeless Competitive Grants*, 2001, https://www.onecpd.info/resources/documents/MeasuringNeed.pdf.

[143] 42 U.S.C. §5306.

report released by HUD in 2001 proposed a number of potential formula factors, with an emphasis on a measure of housing affordability.[144]

In general, factors used to distribute formula funds for programs such as CDBG are based on data collected by government entities, like the Census Bureau, that do not have an interest in the way in which funds are distributed. While the best measure of community need for homeless assistance may be the number of people who are homeless in a given community, current measures of homelessness are uncertain (it is difficult to accurately collect data on people experiencing homelessness), and the entities that collect the data—the communities themselves—have an interest in the distribution of funds.

Another possible issue that could affect the distribution of the Homeless Assistance Grants is the CDBG formula itself. In past years, HUD and the Administration have proposed changes to the formula,[145] but, to date, no legislation has been introduced that would affect the distribution. For example, in the President's FY2010 budget, the Obama Administration proposed using the number of people in poverty, excluding college students; housing that is 50 years old or older and occupied by a household in poverty; female-headed households with children under the age of 18; and overcrowding.

HUD Proposed Rule to Change the CoC Program Formula

On July 25, 2016, HUD reopened the interim CoC rule to propose changes to the formula used to determine preliminary pro rata need and solicited comments.[146] HUD proposed four alternative formulas with varying formula factors for each. HUD considered formula factors derived from data sources that have four characteristics: (1) they are relevant to measuring homelessness, (2) they are accurate, (3) they are timely, and (4) they are readily available for each jurisdiction. HUD correlated potential formula factors with the two-year average of local point-in-time counts of people experiencing homelessness in each community to determine the extent to which they might be an effective measure of homelessness. The formula factors that HUD ultimately proposed using in the four alternate formulas are population, poverty, affordability gap (gap between demand for and supply of rental housing that is affordable and available to extremely low-income renter households), rent-burdened extremely low-income households, renter-occupied units, and a hybrid factor using rent-burdened households and renter-occupied units.

HUD also published a table comparing allocations to Continuums of Care based on each alternate formula, as well as a tool that can be used to change the relative weights of each factor.[147] The comment period was open until September 23, 2016.

[144] *Report to Congress: Measuring "Need" for HUD's McKinney-Vento Homeless Competitive Grants*, pp. 12-13.

[145] In 2005, HUD released a report. See Todd Richardson, *CDBG Formula Targeting to Community Development Need*, U.S. Department of Housing and Urban Development, February 2005, p. 46, http://www.huduser.org/Publications/pdf/CDBGAssess.pdf. And the President's FY2010 budget proposed to change the CDBG formula and replace it with one of the formulas proposed in the 2005 HUD report.

[146] U.S. Department of Housing and Urban Development, "Continuum of Care Program: Solicitation of Comment on Continuum of Care Formula," 81 *Federal Register* 48366-48369, July 25, 2016.

[147] The table and tool are available on HUD's website, https://www.hudexchange.info/resource/5092/coc-program-notice-for-further-comment-on-the-pprn-formula/.

Appendix. Competitive Grants Prior to Enactment of the HEARTH Act

The Supportive Housing Program (SHP)[148]

The SHP provided funds for transitional housing for homeless individuals and families for up to 24 months, permanent housing for homeless individuals with disabilities, and supportive services. In FY2011, nearly 69% of total HUD competitive grant funds went to recipients as SHP grants.[149] Eligible applicants for SHP grants included states, local government entities, public housing authorities (PHAs), private nonprofit organizations, and community mental health centers.[150] Grant recipients could provide housing together with services, or could choose to provide services only (without a housing program component). Specifically, grantees could use funds to acquire and/or rehabilitate buildings that were used either to provide supportive housing or buildings that were used to provide supportive services only. Funds were able to be used to *construct* buildings that were used for supportive housing (but not supportive services only).[151] At least 10% of total SHP funds had to be used for supportive services, at least 25% were to be used for projects that served families with children, and at least 25% had to be used for projects that serve homeless persons with disabilities.[152]

In addition to financing physical structures, grantees could use funds to provide services like case management, health care, child care, housing assistance, nutritional counseling, and employment assistance. Grant recipients could provide these services themselves, or through contracts with outside providers. In addition, grant recipients could use funds to pay for up to 75% of their annual operating expenses and to help implement a Homeless Management Information System (HMIS) to keep records regarding the homeless individuals served within their community.

Recipients of SHP grants were required to meet match requirements. All of the matching funds had to be provided by cash sources,[153] but the level of nonfederal funds required varied with the type of activity undertaken. Funds that were used for acquisition, rehabilitation, or new construction had to be matched with an equal amount of the grant recipient's own funds.[154] SHP grantees that received funds for supportive services had to provide at least a 20% match with funds from other sources, while grantees that received funds for operating expenses had to provide at least a 25% match of these funds on their own.[155]

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[148] Statutory references in the sections that describe the Supportive Housing Program, Shelter Plus Care program, and Single Room Occupancy program are to sections of the U.S. Code as they existed prior to enactment of the HEARTH Act.

[149] FY2014 HUD Congressional Budget Justifications.

[150] 42 U.S.C. §11382(1).

[151] 42 U.S.C. §11383.

[152] 42 U.S.C. §11389(b).

[153] 24 C.F.R. §583.145.

[154] 42 U.S.C. §11386(e).

[155] Department of Housing and Urban Development, "Notice of Funding Availability (NOFA) for the Continuum of Care Homeless Assistance Program," August 26, 2011, p. 23, http://hudhre.info/documents/FY2011_CoC_NOFAFinal.pdf (hereinafter, FY2011 NOFA).

The Single Room Occupancy Program (SRO)

The Single Room Occupancy (SRO) program provided permanent housing to homeless individuals in efficiency units similar to dormitories, with single bedrooms, community bathrooms, and kitchen facilities. In FY2011, three new competitive grants were awarded to SRO projects for a total of approximately $3.2 million.[156] The SRO program did not require homeless residents to have a disability and did not fund supportive services. Eligible applicants for SRO grants were PHAs and private nonprofit organizations.[157] SRO units were funded as part of HUD's Section 8 Moderate Rehabilitation program, which required grant recipients to spend at least $3,000 per unit to rehabilitate property to be used for SRO housing in order to bring the property into compliance with HUD's housing quality standards.[158] Grant recipients were reimbursed for the costs of rehabilitating SRO units through Section 8 rental assistance payments that they received over a 10-year contract period. The costs of rehabilitation were amortized and added to a base rental amount. The maximum amount that a building owner could spend per unit and still be reimbursed was $23,000 as of FY2011 (this amount was updated annually).[159] After the 10-year rental contracts expired, they were renewed through the Section 8 project-based rental assistance account on an annual basis rather than through the Homeless Assistance Grants.[160]

The Shelter Plus Care Program (S+C)

The S+C program provided permanent supportive housing through rent subsidies for homeless individuals with disabilities and their families. In FY2011, approximately 40% of total competitive grant funds went to S+C grantees.[161] Eligible applicants for the S+C grants were states, local government entities, and PHAs.[162] The S+C rent subsidies could be tenant-based vouchers, project-based rental assistance, sponsor-based rental assistance, or single room occupancy housing.[163] With tenant-based vouchers, residents found private market housing much as they would with a Section 8 voucher; project-based assistance was provided to building owners and attached to specific units of housing (unlike a portable voucher); with sponsor-based assistance, grant recipients contracted with private nonprofit housing providers or community mental health centers to provide housing; and rental assistance for SROs was targeted to a particular development.[164] The S+C program required grant recipients to match the amount of grant funds they receive for rental assistance with an equal amount of funds that they used to provide supportive services.[165] The services under S+C were similar to those provided in the SHP, and included activities like physical and mental health care, substance abuse counseling, child care services, case management, and educational and job training.[166] Grant recipients could fulfill

[156] FY2014 HUD Congressional Budget Justifications.

[157] 42 U.S.C. §11401(j).

[158] 24 C.F.R. §882.802.

[159] See FY2011 NOFA, p. 35.

[160] Ibid.

[161] FY2014 HUD Congressional Budget Justifications.

[162] 42 U.S.C. §11403g(2).

[163] 42 U.S.C. §§11404-11406b.

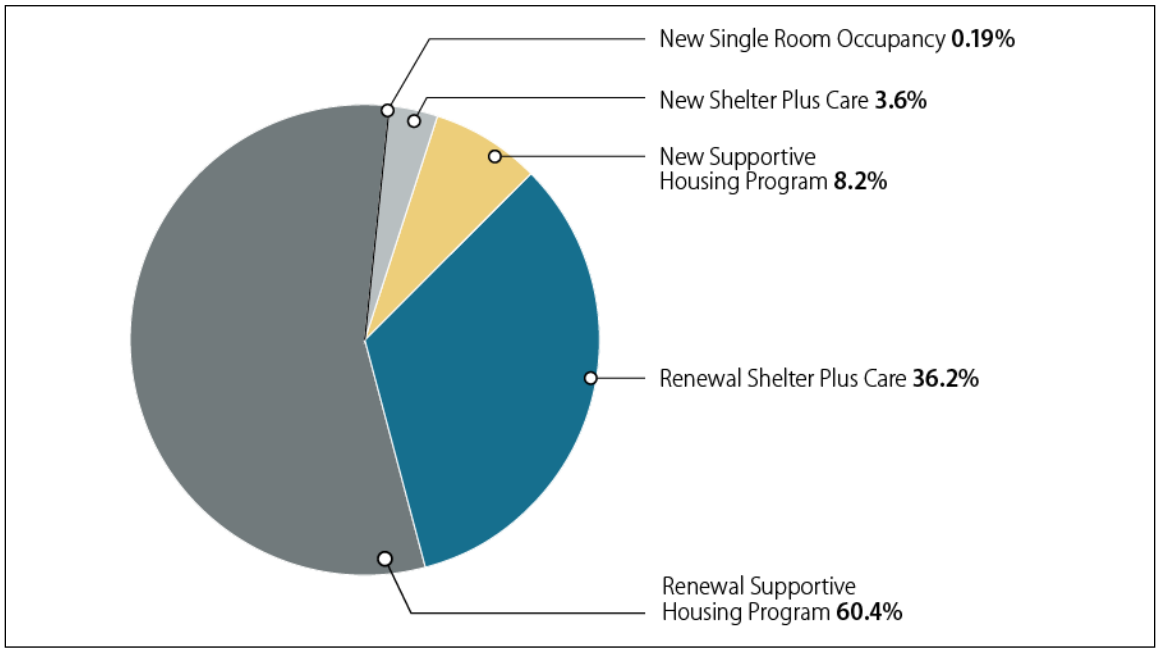
[164] U.S. Department of Housing and Urban Development, *Shelter Plus Care Resource Manual*, Section 1.2, http://www.hudhre.info/index.cfm?do=viewSpcResourceMan.

[165] 42 U.S.C. §11403b(a).

[166] 24 C.F.R. §582.5.

their match requirement with cash, the value of a lease, salary expenses for employees, or the time of volunteers.

Figure A-1. FY2011 Percentage Allocation of Competitive Grants



Source: HUD FY2014 Congressional Budget Justifications, available at http://portal.hud.gov/hudportal/documents/huddoc?id=HOMELESSASSTGRANTS.pdf.

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