

# FY 2011 HUD Homeless Assistance Funding

National Policy Update December 2009

## HUD Homeless Assistance Grants Funding and HEARTH Impact Analysis

In May of this year, the President signed into law the Homelessness Emergency Assistance and Rapid Transition to Housing (HEARTH) Act. The HEARTH Act includes numerous improvements to homeless assistance and changes how funds are allocated. The HEARTH Act increases funding for many activities, particularly homelessness prevention, assistance for homeless families, and assistance in rural areas. However, allocating more funding for these activities means that overall homelessness funding will have to increase to avoid cuts to other activities. The activity most at risk is the creation of new permanent supportive housing for people with disabilities, which has successfully reduced chronic homelessness. This brief quantifies the changes to funding allocations made by the HEARTH Act and demonstrates the impact of several FY 2011 funding scenarios, including two different "Hold-Harmless" scenarios.

### Current Funding

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

The Alliance projects that funding for FY 2008, 2009, and 2010 will break down as shown in Table 1 and in the chart at the right (assuming Senate funding level for 2010).<sup>1</sup> ESG funding has been \$160 million since FY 2004, but HUD plans to allocate only \$150 million for FY 2010. Funding for CoC renewals grows at a modest but steady rate. The remainder is for new projects, and because Congress has increased funding for homeless assistance grants in recent years, funding for new projects is increasing, resulting in more new permanent supportive housing and other types of homeless assistance projects.

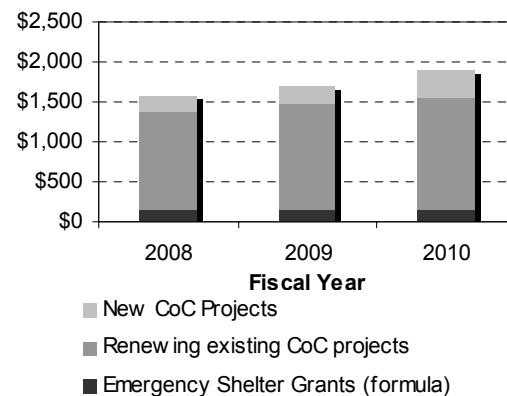


Table 1.

HUD Homeless Assistance Funding (Millions of Dollars)			
	2008	2009	2010
Emergency Shelter Grants (formula)	160	160	150
Renewing CoC existing projects	1,220	1,309	1,397
New CoC Projects	197	234	354
<b>TOTAL</b>	<b>1,577</b>	<b>1,703</b>	<b>1,891</b>

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

## **Fiscal Year 2011 Funding**

For FY 2011, there are two major factors that will affect funding need. The first is the HEARTH Act, the first reauthorization of HUD's homeless assistance grants in 15 years. The HEARTH Act increases the proportion of funding for homelessness prevention, short-term re-housing assistance, rural programs, and for community-wide planning. This represents a one-time change in funding need. In FY 2012 and beyond, there will not be a need for significant funding increases to offset the effects of the HEARTH Act. The other factor affecting funding need is the increasing cost of renewals, particularly for renewing permanent supportive housing projects. The cost of renewals increases every year by \$75 - \$100 million.

## **HEARTH Act**

The HEARTH Act increases funding for several activities:

- Funding for ESG would more than double from 8 percent to 20 percent of the program.
- Funding for programs serving rural areas would rise.
- For the first time, communities would be eligible to receive 3-6 percent of their program funding for planning, monitoring, and oversight.

### *ESG Formula Change*

Prior to enactment of the HEARTH Act, HUD had provided \$150 to \$160 million for ESG, which represented 12 percent of HUD homeless assistance funding in FY 2006, declining to 8 percent in FY 2010. The HEARTH Act requires that exactly 20 percent of funding be used for ESG—renamed the Emergency *Solutions* Grant—and expands the program to provide much more homelessness prevention and re-housing.

### *Rural Funding*

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

### *Administration, Planning, and Oversight*

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

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

## Increased Renewal Need

Each year, the renewal need for HUD's homeless assistance programs rises. For FY 2011, the overall renewal need is anticipated to rise by \$95 million, from \$1.397 billion to \$1.492 billion. The estimate is based on HUD's FY 2010 budget justifications, which project renewal costs for 5 years and adjusted to account for the fact that the HEARTH Act would allow inflation adjustments for certain permanent housing projects that currently do not get an inflation adjustment.

In total, the changes to the HEARTH Act account for approximately 16 percent of total homeless assistance funding in FY 2011. Increasing renewal need will account for an additional 5 percent. Table 2 shows funding activity under 4 different scenarios, the fully authorized level for 2011, a 5 percent increase from the current level, the amount needed so that communities have the same amount available for new projects as in 2010 (HH 2010), and the amount needed so communities have the same amount of funding available for new projects as in 2009 (HH 2009).

Table 2.

HUD Homeless Assistance Funding (Millions of Dollars)	FY 2011 Funding Scenarios						
	2008	2009	2010	Auth. Level	5% Incr.	HH 2010	HH 2009
Appropriation	1,586	1,677	1,875	2,200	1,969	2,407	2,249
Emergency Shelter Grants (formula)	160	160	150	440	394	481	450
Renewing CoC existing projects	1,220	1,309	1,397	1,492	1,492	1,492	1,492
New CoC Projects	197	234	354	197	23	354	234
Rural Increase	n/a	n/a	n/a	44	39	48	45
Community-Wide Administration	0	0	0	53	47	58	54
<b>TOTAL (incl. recaptures)</b>	<b>1,577</b>	<b>1,703</b>	<b>1,891</b>	<b>2,226</b>	<b>1,995</b>	<b>2,433</b>	<b>2,275</b>