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ABSTRACT

This document discusses the status, impact, and administration of the following programs implemented under the Stewart B. McKinney Homeless Assistance Act of 1987: (1) the Emergency Food and Shelter Program; (2) the Emergency Shelter Grants Program; (3) the Supportive Housing Demonstration (SHD) Program; (4) the Supplemental Assistance for Facilities to Assist the Homeless Program; and (5) the Single Room Occupancy Program. The Emergency Food and Shelter Program is administered by the Federal Emergency Management Agency (FEMA); the other four programs are administered by the Department of Housing and Urban Development (HUD). The results of a survey of 1987 Emergency Food and Shelter Program grantees are also summarized. The following findings are discussed: (1) the programs enable many organizations to provide an increased amount of shelter, food, and other services that may not otherwise be provided and that are crucial in operating facilities; (2) the impact of the FEMA program was lessened because it provided few or no funds during the crucial winter months of 1987-88; (3) the impact of the HUD programs has been limited because they are long-term programs and grantees have made few disbursements; and (4) the formulas used to allocate FEMA's funds and HUD's Emergency Shelter Grants funds may not be getting funds to the neediest localities. Statistical data are included on 24 tables. The appendices comprise the following materials: (1) the methodology used in conducting the survey of Emergency Food and Shelter Grant Program recipients; (2) a copy of the survey questionnaire and results; (3) a review of HUD's actions following approval of 24 questionable SHD grants; (4) comments from FEMA; (5) comments from HUD; and (6) a list of major contributors. (FMW)

GAO

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General of the United States

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May 11, 1989

To the President of the Senate and the
Speaker of the House of Representatives

Section 105 of the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77, July 22, 1987) directed GAO to evaluate the disbursement and use of the amounts made available for selected programs administered by the Federal Emergency Management Agency and the Department of Housing and Urban Development and to report our results to the Congress. Our first report, Homelessness: Implementation of Food and Shelter Programs Under the McKinney Act (GAO/RCED-88-63), was issued in December 1987.

This is our second report. It discusses the status and impact of the programs, program administration, and related issues.

Copies of this report are being sent today to interested congressional committees, the Secretary of Housing and Urban Development, the Director of the Federal Emergency Management Agency, and the Director of the Office of Management and Budget.

This work was performed under the direction of John M. Ols, Jr., Director of Housing and Community Development Issues. Other major contributors are listed in appendix VI.

for J. Dexter Peach

Charles A. Bowsher
Comptroller General
of the United States

Executive Summary

Purpose

The Congress' concern over the U.S. homeless population, estimated to be as high as 3 million persons, resulted in enactment of the Stewart B. McKinney Homeless Assistance Act on July 22, 1987. The act authorized funding for several federal homeless assistance programs.

The act required GAO to evaluate the disbursement and use of the $377 million appropriated to the Department of Housing and Urban Development (HUD) and the Federal Emergency Management Agency (FEMA) for fiscal years 1987 and 1988 and to issue two reports. GAO's first report, in December 1987, dealt with the implementation of the food and shelter programs under the McKinney Act. This, GAO's second report, discusses the status and impact of the programs, program administration, and related issues. Much of the information included in this report was provided to key legislative committees for their use during 1988 reauthorization hearings.

Background

The McKinney Act authorized additional funding for three existing programs—FEMA's Emergency Food and Shelter Program, HUD's Emergency Shelter Grants Program, and HUD's Supportive Housing Demonstration Program. The act also established two new HUD programs—Supplemental Assistance for Facilities to Assist the Homeless, and the Single Room Occupancy Program.

Results in Brief

HUD and FEMA program funds enable many organizations to provide an increased amount of shelter, meals, and other services that may not otherwise be provided and that are often crucial to keeping facilities operational. The impact of the FEMA program, however, was lessened because it provided few or no funds during the crucial winter months of 1987-88. FEMA had disbursed $97 million (78 percent) of its $124 million McKinney Act funds by May 31, 1988; however, only $8.3 million was disbursed by January 31, 1988, and $31.5 million by February 28. Actions were taken to alleviate this situation during the winter of 1988-89. The impact of the HUD programs has been limited because these are long-term programs and grantees have made few disbursements. As of May 31, 1988, HUD had disbursed only 5 percent of the $253 million provided for its programs. FEMA and HUD disbursements reached 100 percent and 24 percent, respectively, by February 17, 1989.

Some grant recipients told GAO that the formulas used to allocate FEMA's funds and HUD's Emergency Shelter Grants funds to localities may not be getting funds to the most needy localities.

This report also summarizes the results of GAO's survey of FEMA's 1987 Emergency Food and Shelter Program grantees and provides a nationwide perspective on the causes of homelessness, services delivered, and clients served.

GAO's Analysis

Impact of Funds

In past years, most FEMA funds were distributed to shelters and other assistance providers after February, with an administrative requirement that all funds be spent by September 30, or returned. As a result, many shelters that rely almost totally on FEMA funds had no FEMA funds from September 30 through February. In June 1988, FEMA extended the spending period to December 31 of each year and made plans to expedite its review and approval process. With its next appropriation of $114 million in August 1988, FEMA made significant disbursements by December 31, 1988.

Several processes required of a properly managed program necessarily influence the time to allocate and distribute the funds: (1) calculating the allocations, (2) soliciting requests for funds locally, and (3) preparing, submitting, reviewing, and approving local plans. Disbursements often have not begun until as much as 4 months after the appropriation is enacted. FEMA's August 1988 appropriation was enacted earlier than has been typical. It is uncertain whether funds can be provided during the winter months in the future, if appropriations are enacted later than that time.

Although HUD was generally timely in reviewing and approving plans and project applications and making funds available, disbursement of these funds has been limited. Few funds have been disbursed because most HUD programs provide the funds over periods of up to 10 years, some recipients working on a reimbursable basis had not used any of their approved funds, and some funds were not even awarded because of lack of applications.

Allocation of Funds

Poverty and unemployment data used to allocate FEMA's funds, and the Community Development Block Grant formulas used to allocate HUD's Emergency Shelter Grants funds, may not always reflect a community's

need. Further, regarding FEMA's program, for the needy and near-homeless as well as the homeless, there is a major concern that there are persons unemployed so long they no longer appear on unemployment data, do not yet appear on poverty data, and are therefore not counted when determining allocations. To date, however, a better basis for allocation that addresses these problems has not been devised.

HUD's Emergency Shelter Grants funds, which by law are allocated using the Community Development Block Grant Program factors, such as overcrowded housing and age of housing, have gone to communities in proportion to their homeless populations and to some communities with few homeless people. HUD and FEMA officials agree that their fund allocation methods may not be optimal, but they are unaware of better criteria.

The McKinney Act reauthorization directed both FEMA and HUD to study alternative fund allocation methods and report the results. GAO believes that increased allocations at the state level, where regional knowledge of communities' needs could be used in distributing funds locally, could help achieve a more equitable distribution in the absence of usable nationwide data.

GAO Survey of FEMA Recipients

GAO's nationwide survey of 1987 FEMA Emergency Food and Shelter grant recipients disclosed the following:

- Grantees rated several social factors as extremely important contributors to homelessness in their localities: unemployment (55 percent), low wages (43 percent), decrease in available subsidized housing (43 percent), and increased housing costs (43 percent).
- Forty percent of grant recipients provided shelter, 26 percent of shelter nights went to children under the age of 16, and 63 percent went to adults aged 17 to 55.
- About 70 percent of the recipients believed that overall demand for services increased from January 1987 to January 1988.
- Forty-six percent of those surveyed said FEMA funds enabled them to provide more food/meals, feed more people, and expand their meal programs.
- Eighty percent were satisfied with FEMA requirements and guidelines.

Other Observations

Issues that may influence program effectiveness include the extent of targeting of funds to special emphasis groups (see chs. 2, 4, and 6), inconsistent treatment of religious organizations (see chs. 2, 4, 5, and 6), and federal funding obligations for the Single Room Occupancy Program that could exceed appropriations (see ch. 7).

Matters for Congressional Consideration

To help ensure that service providers will have funds available during the winter, the Congress needs to appropriate FEMA Emergency Food and Shelter funds a few months prior to the onset of winter, and use such alternative funding methods as advance appropriations or forward funding.

Recommendations

GAO makes several recommendations aimed at enhancing homeless assistance planning and improving the effectiveness of homeless assistance programs (see chs. 5, 7, and 8).

Agency Comments

FEMA was concerned that GAO's discussion of the lack of available funds in the winter and possible fund allocation deficiencies detracted from the program's successes, including efforts to minimize these difficulties. GAO recognizes FEMA's accomplishments but believes these matters warrant consideration, particularly if organizations that rely largely on this program for their operating funds are to be funded during the winter months when they are most needed. FEMA's comments are provided, along with GAO's responses, in appendix IV.

HUD acknowledged that the Community Development Block Grant formulas may be inadequate, but it noted the absence of valid homeless data that might be used as an alternative. HUD also said it was virtually impossible to more accurately predict future Single Room Occupancy Program costs. HUD's comments are provided, along with GAO's responses, in appendix V.

Abbreviations

AFDC	Aid to Families with Dependent Children
AIDS	Acquired Immune Deficiency Syndrome
CDBG	Community Development Block Grant
CHAP	Comprehensive Homeless Assistance Plan
EFS	Emergency Food and Shelter Program
ESG	Emergency Shelter Grants Program
FEMA	Federal Emergency Management Agency
GAO	General Accounting Office
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
pha	public housing authority
RCED	Resources, Community, and Economic Development Division
RFP	request for proposal
SAFAH	Supplemental Assistance for Facilities to Assist the Homeless
SHD	Supportive Housing Demonstration Program
SRO	single room occupancy

Introduction

The number of homeless people in the United States is believed to be large and growing. To provide a more effective and responsible role for the federal government in assisting the homeless, the Congress passed the Stewart B. McKinney Homeless Assistance Act on June 30, 1987. Signed by the President on July 22, 1987, the act authorized nearly $1 billion in homeless assistance funds for fiscal years 1987 and 1988.

The McKinney Act directed GAO to report on the disbursement and use of funds under titles III and IV in 1987 and 1988. These titles authorized $659 million for the programs for the homeless administered by the Federal Emergency Management Agency (FEMA) and the Department of Housing and Urban Development (HUD), of which $377 million was appropriated. Our first mandated report was issued in December 1987;[1] this, our second report, discusses the status and impact of the programs. program administration, and related issues as of May 31, 1988. Disbursement data were updated as of February 17, 1989.

Key legislative committees were briefed on the contents of this report for their use in reauthorizing the McKinney Act (P. L. 100-628, Nov. 7, 1988). As a result, much of the information in this report is informational in nature.

McKinney Act Requirements

Under titles III and IV, the McKinney Act authorized funding to augment one FEMA program and two HUD programs that existed before the act was passed and created two new HUD programs. The three existing programs were FEMA's Emergency Food and Shelter Program (EFS); HUD's Emergency Shelter Grants Program (ESG); and the Transitional Housing Demonstration Program, changed in the act to the Supportive Housing Demonstration Program (SHD). The two new programs created by the act are HUD's Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) and its Section 8 Assistance for Single Room Occupancy Dwellings (SRO). Table 1.1 summarizes the purposes of these programs and changes made to them by the McKinney Act.

[1] Homelessness: Implementation of Food and Shelter Programs Under the McKinney Act (GAO/RCED-88-63).

Table 1.1: Description of Programs Included in Titles III and IV of the McKinney Act

Program	Purpose	Changes
Modified by the McKinney Act		
FEMA Emergency Food and Shelter Program	Purchases food, consumable supplies, and small equipment.	Emphasizes transition from temporary shelters to permanent homes.
	Provides utility and rent assistance, emergency lodging, and minor rehabilitation of shelters.	Focuses special attention on persons with mental and physical disabilities. Limits rehabilitation of shelters to amounts necessary to achieve compliance with building codes. Raises funding for administrative expenses from 2 to 5 percent of amounts appropriated. (Appropriation legislation limited administrative expenses to 3.5 percent.)
HUD Emergency Shelter Grants Program	Provides grants for renovation, major rehabilitation, or conversion of buildings used as emergency centers for the homeless. Provides assistance for certain operating expenses and social services.	Requires cities, counties, and states to submit comprehensive homeless assistance plans Changes minimum grant from $30,000 to .05 percent of appropriation. Provides for participation of territories and possessions. Provides for waiver of 15-percent limit on essential services.
HUD Transitional/ Supportive Housing Demonstration Program	Develops innovative approaches to providing housing and supportive services to transition homeless persons to independent living arrangements	Emphasizes housing projects that serve families with children, the deinstitutionalized mentally ill, and handicapped. Establishes $15 million program for permanent housing for handicapped homeless.
Established by the McKinney Act		
HUD Supplemental Assistance for Facilities to Assist the Homeless	Provides comprehensive assistance for innovative programs for meeting the short-term and long-term needs of the homeless. Provides supplemental funding for projects in the ESG or SHD programs.	
HUD Section 8 Assistance for Single Room Occupancy Dwellings	Encourages renovation of single room occupancy units by providing rental assistance for such units.	

Table 1.2 shows the amount of funds authorized and appropriated for the HUD and FEMA programs for fiscal years 1987 and 1988 pursuant to the act. In addition to the amounts appropriated for these programs, the McKinney Act also authorized funds for several other programs to be administered by other federal departments and agencies.

Table 1.2: HUD and FEMA Homeless Assistance Funds Authorized, Appropriated, and Disbursed Pursuant to Titles III and IV of The McKinney Act in Fiscal Years 1987 and 1988

Program	1987		1988		Total		Total disbursed as of May 31, 1988	
	Authorized	Appropriated	Authorized	Appropriated	Authorized	Appropriated	Amount	Percent
EFS	$15,000,000	$10,000,000	$124,000,000	$114,000,000	$139,000,000	$124,000,000	$97,300,000	78
ESG	100,000,000	50,000,000	120,000,000	8,000,000	220,000,000	58,000,000	5,800,000	10
SAFAH	25,000,000	15,000,000	25,000,000	0	50,000,000	15,000,000	1,300,000	9
SHD	80,000,000	80,000,000	100,000,000	65,000,000[a]	180,000,000	145,000,000	6,800,000	5
SRO	35,000,000	35,000,000	35,000,000	0	70,000,000	35,000,000	0[b]	0
Total	**$255,000,000**	**$190,000,000**	**$404,000,000**	**$187,000,000**	**$659,000,000**	**$377,000,000**	**$111,200,000[c]**	**29[d]**

[a]$750,000 of this appropriation was transferred to the Interagency Council on the Homeless.

[b]Less than $100,000.

[c]As of February 17, 1989, disbursements had reached $183.5 million (EFS-$124.0 million, ESG-$31.0 million, SAFAH-$4.8 million, SHD-$22.5 million, SRO-$1 3 million). All of FEMA's funds had been disbursed and 24 percent of HUD's appropriations had been disbursed.

[d]Percentage of HUD funds disbursed—5 percent

Source: HUD, FEMA, and GAO.

Objectives, Scope, and Methodology

The McKinney Act mandated that GAO "evaluate the disbursement and use of the amounts made available by appropriation Acts under the authorizations in titles III and IV," and that GAO report the results of its evaluation to the Congress. Specifically, the titles cover the following HUD and FEMA programs:

- FEMA's Emergency Food and Shelter Program,
- HUD's Emergency Shelter Grants Program,
- HUD's Supportive Housing Demonstration Program,
- HUD's Supplemental Assistance for Facilities to Assist the Homeless, and
- HUD's Section 8 Assistance for Single Room Occupancy Dwellings.

We examined the impact the funds were having on alleviating the needs of the homeless, and how the recipients intended to use the funds in such areas as shelter space created, food purchased, and payment of operations and maintenance expenses. We also considered whether the funds could be used in a more efficient or cost-effective manner, and whether the programs appeared to be established in a manner that could achieve the Congress' intended objectives. Because very little money had been drawn down by grantees, we could not totally evaluate the use of funds or determine the impact of the program. We did not validate

financial or other statistical data that we were provided, or examine the internal controls established within each program.

We reviewed the McKinney Act and applicable regulations; spoke with cognizant HUD and FEMA officials; and reviewed documents and records of agency solicitation, screening, selection, and approval processes—which entailed examining a large cross section of project applications. In addition, we obtained from the grantees information on how they are using the funds, the status of the projects, and the types of homeless persons assisted.

We conducted our review primarily at HUD offices, and with HUD and FEMA grant recipients, state and local governments, and public housing authorities in and around Atlanta, Chicago, Los Angeles, and New York; and at HUD and FEMA headquarters in Washington, D.C. Much of our FEMA work was conducted at United Way headquarters in Alexandria, Virginia, which handles most activities of the EFS Program.

We also conducted a nationwide mail survey of FEMA's fiscal year 1987 EFS grant recipients. Our questionnaire was directed at FEMA recipients because (1) only the FEMA program and HUD's ESG Program had enough participants to provide a good nationwide perspective, and there was no readily available list of ESG recipients; and (2) the FEMA program had been in operation longer than the HUD programs, and it disbursed its McKinney Act money more quickly, thus making it more likely that we would receive specific, tangible responses concerning the use of the funds.

Our objectives in administering the questionnaire included

- obtaining service providers' views on the causes of homelessness,
- determining the size and type of organizations that receive EFS funds and the level and type of services they provide,
- examining the significance of federal funds to the total homeless assistance effort, and
- obtaining views directly from providers on how the McKinney Act programs might be improved.

To conduct the survey, we randomly selected 1,137 of 7,568 agencies to include in the study. Of the 1,137 questionnaires mailed to agencies, we received responses from 951. For various reasons, 72 of these responses

could not be used in the final analysis, leaving 879 usable responses.[2] The results of our nationwide survey are primarily in chapter 3. Appendix I gives a complete description of the methods used in conducting this survey and contains sampling errors for all estimates reported in chapter 3.

In June 1988, we briefed appropriate legislative committees on the results of our review for their use in preparing legislation to reauthorize the McKinney Act for fiscal years 1989 and 1990.

Our review was conducted from November 1987 through May 1988, with disbursement data updated through February 1989. It was conducted in accordance with generally accepted government auditing standards.

[2]For example, some of the respondents were local boards that did not provide services to the homeless and/or needy; some were organizations providing services to some group other than the homeless and/or needy; and some were unable to provide the information requested on the questionnaire.

Emergency Food and Shelter Program

FEMA's EFS Program is an important—and often the only—source of funds for thousands of shelters and other assistance providers throughout the nation, including many religious organizations. However, recipients were required to spend their funds by September 30, and many had not been receiving the next year's funds until about March, leaving them with no funds during the crucial winter months to keep their shelters open or provide rental or utility assistance to prevent evictions. Other recipients have difficulty making optimal use of the funds in the often limited time between receiving the funds and the spending deadline.

After we advised FEMA of this condition, FEMA and its National Board, which makes policy decisions regarding the use of the funds, in June 1988 lengthened the spending period from September 30 to December 31 so that service providers can have funds available to them from October through December. The National Board also planned to expeditiously review plans as they came in so that they could be approved and disbursements made by January 1st; and in FEMA's next appropriation in August 1988, the Board was able to do so. However, plan approval represents but one of several steps after receiving an appropriation before disbursements can begin. In those cases in which FEMA receives an appropriation too near the end of the calendar year, the recipients may still not receive their funds during the winter months.

How the Program Works

FEMA's EFS Program was established in 1983 and had been periodically funded with appropriations, but it had no authorizing legislation until passage of the McKinney Act in 1987. The program funds such things as operating supplies and food to shelters and meal programs, and rental and utility assistance to households in need.

When FEMA receives an EFS appropriation, it convenes and chairs a National Board composed of the United Way of America; the Salvation Army; the National Council of Churches; Catholic Charities, USA; the Council of Jewish Federations, Inc.; and the American Red Cross. The National Board establishes fund allocation criteria, operating procedures, and documentation requirements; allocates the funds throughout the nation to localities using poverty and unemployment data; and advises each state, territory, and locality of the amount of funds allocated to it. The United Way of America, headquartered in Alexandria, Virginia, acts as the National Board's secretariat and fiscal agent and performs the Board's necessary administrative duties.

Cities and counties receiving allocations from the National Board convene local boards. The method of distributing funds among the shelters, food operations, and other assistance providers is essentially left to the discretion of the local boards.

The National Board also allocates a certain percentage (most recently 15 percent) of the appropriation to the states for reallocation to communities within each state. Each state then convenes a state board, or set-aside committee, which reallocates these funds to communities within the state. As with the local boards, the state boards are basically unrestricted in determining how to distribute the funds. This state set-aside is to allow some regional expertise to consider those localities that

- demonstrate high levels of need;
- have pockets of homelessness or poverty in nonqualifying jurisdictions;
- are experiencing recent economic changes, such as plant closings; or
- have unusually high levels of unemployment or poverty but do not meet the National Board's eligibility criteria.

Each community receiving some of the state funds then convenes a local board that proceeds in the same manner as the local boards that receive money directly from the National Board.

The EFS Program not only provides funds to shelters to feed the homeless and buy supplies for the facilities, but it also

- provides food bags to the needy;
- pays up to 1 month's rent, mortgage, or utility payments to prevent evictions or utility cut-offs;
- renovates a food operation or shelter to meet local building codes and/or make the facility safe, secure, and sanitary; and
- pays operating expenses related to a new facility, expansion of an existing facility or, if needed, to avoid closing a facility.

There are several restrictions on the use of the funds. Most notably, the funds may not be used to pay (1) salaries exceeding 2 percent of the grant and (2) the shelters' and other service providers' regular operating costs, such as utilities, except in those cases mentioned above. Unlike HUD, however, FEMA has not placed special restrictions on religious organizations' use of the funds for capital expenditures.

The EFS Program Has a Significant Impact, but Dependence on It Varies

Plans received and approved by the National Board for fiscal year 1988 indicate that about 9,000 shelters and other recipients planned to provide nearly 80 million meals and nearly 14 million nights' lodging, as well as considerable amounts of rental, mortgage, and utility assistance to households.

FEMA's EFS funds are extremely important to a great many of these shelters and other service providers. According to our survey of EFS recipients, however, dependence on EFS funds varied by the size of the agency.[1] Smaller assistance providers, for example, rely heavily on EFS funds in their operation. Over one-fifth (22 percent) of those service providers who supplied financial data had annual operating budgets of $10,000 or less. These organizations, on the average, received 63 percent of their operating funds from the EFS Program. For about 10 percent of the organizations receiving FEMA funds, the EFS grant is their only source of funds.

EFS Funds Have Not Been Available in The Time of Greatest Need

For most activities, the need for funds exists year-round, but the need is often greatest during the winter months. For example, many shelters operate only during cold weather, and families' utility cut-offs and evictions are more serious during that time. However, FEMA funds have generally not been available to assistance providers from October through about February because the National Board (1) has usually not made any appreciable disbursements before March and (2) also required that all funds be spent or returned by September 30 of each year. After we advised the National Board of this problem, it extended the spending period to December 31, and also intends to expedite its disbursement process.

FEMA has generally received its appropriations near the end of the calendar year; however, it takes some time to get the funds into the hands of the assistance providers. The national, state, and local boards all need time to convene and establish operating procedures and criteria; assistance providers need time to prepare applications; the local boards must review them, select recipients, and prepare and submit plans; and the National Board needs time to review applications and issue checks. FEMA also told us it cannot begin disbursements until the beginning of each fiscal year, i.e., October 1st. It therefore usually takes a few months after an appropriation before the assistance providers receive an appreciable amount of funds. Table 2.1 shows the disbursement rate for the

[1]The results of our survey of EFS grant recipients are discussed primarily in ch. 3.

McKinney Act funds—$10 million appropriated in July 1987 but disbursements did not begin until November 1987 (FEMA advised us that it held this appropriation until October for use in fiscal year 1988) and $114 million in December 1987.[2]

Table 2.1: EFS Disbursement Rate in Fiscal Year 1988

Dollars in Millions

Month	Amount disbursed	Cumulative disbursements
November 1987	$0.6	$0.6
December 1987	3 3	3.9
January 1988	4.4	8.3
February 1988[a]	23.2	31.5
March 1988	30 0	61.5
April 1988	20 7	82.2
May 1988	15.0	97 3

[a]Beginning of disbursements from the $114 million received in December 1987
Source United Way EFS data

This fiscal pattern results in the following:

- From October through December, and in most cases until February or March, most assistance providers have had no EFS funds, having had to spend the prior year's funds by September 30, and not receiving the next year's funds until the following January, February, March, or later. Of those assistance providers we surveyed, nearly 60 percent said they had received no fiscal year 1987 funds by March 1, 1987.
- A significant amount of funds have to be spent too quickly. The effects of this disbursement pattern varied. For many assistance providers, such as those providing food, the need tends to exist year-round, so EFS funds can be used effectively at any time of year, as long as other sources of funds are available when there are no EFS funds. However, according to discussions with selected local boards and service providers, when there are no EFS funds in the winter or funds are received too near the end of the spending period,

  - shelters close;
  - funds are returned that could not be spent in time;
  - the desired increase in the nutritional quality of cold-weather meals is not achieved;

[2]P.L. 100-120, a continuing resolution, was enacted on Sep. 30, 1987, but FEMA advised us it had not received the funds until Dec. 4, 1987.

- funds are not used as efficiently as possible in order to get them spent in time; and
- local boards give no funds or reduced funds to assistance providers who operate primarily in the winter months.

The National Board had earlier authorized recipients to make EFS-funded expenditures prior to receipt of the funds, but we found that many had not taken advantage of this provision, citing either (1) a lack of other funds to use while awaiting EFS reimbursement or (2) a reluctance to assume that the EFS funds would indeed be forthcoming.

We asked our surveyed recipients how the program could be improved. The most frequent comment—from 14 percent of the respondents—was that the funds needed to be provided sooner. Nearly 60 percent of the agencies reported receiving their first fiscal year 1987 check after March 1, 1987. About one-third of these agencies reported that this delay caused a moderate to major problem in meeting the September 30 spending deadline. About 10 percent of EFS-funded agencies reported that they provided no food, shelter, rental, or utilities assistance in January 1988; and about 10 percent reported that they were 100-percent FEMA-funded in their last completed fiscal year.

When we advised the National Board of this information, it immediately began to explore the possibility of extending the spending deadline through December of each year, which it did in June 1988. The Board advised us that it also intended to expedite the review of plans submitted by local boards to achieve quicker disbursements but believed that extending the spending period beyond December would create accounting difficulties.

Under the new procedures, each community may select its own spending deadline to be the last day of either September, October, November, or December, and its next spending period will start the following day. FEMA received its fiscal year 1989 appropriation of $114 million in August 1988, and under these new procedures over $30 million had been disbursed by December 31, 1988.

Although FEMA did achieve significant disbursements of the August 1988 appropriation by December 31, appropriations for this program have generally been received by FEMA later than August. As a result, we are uncertain that the funds will be made available during the winter months in the future. Further, many of the factors are beyond the control of FEMA and the National Board, such as tardy submission of plans

by the local boards. Thus, shelters and other assistance providers may still be faced with having little or no funds from January into March, unless FEMA's appropriation provides a few months' lead time.

Allocation Procedures May Not Be Commensurate With Need

State and local officials we contacted expressed concern that the unemployment data that the National Board uses in allocating funds are not good indicators of a state's or community's needs. However, any significant refinements are difficult at this time without (1) reliable nationwide data on those people the program is trying to reach and (2) any clearly better data on which to base an allocation. Some modifications were proposed, however, by various agencies participating in the program.

Current allocation procedures distribute funds directly to each city or county on the basis of the localities' percentage of the nation's total unemployment. The National Board's actions will influence which communities within a state will obtain funds; however, the total amount of funds that any state receives depends solely upon that state's unemployment relative to the nation as a whole.

Concerns With Current Allocation

The most frequently cited objections to the current allocation procedure are the use of (1) unemployment as a basis for distributing funds, which does not take into account persons who have been unemployed for so long that they are no longer on the unemployment rolls, and (2) poverty data based on the 1980 census, which is too obsolete to reflect long-term unemployed persons who were, but no longer are, receiving unemployment benefits, or those who, because of plant closures, have been forced to take very low-paying jobs. Other objections included the following:

- The data on which the allocations are based will not reflect homelessness caused by recent disasters.
- Fluctuations in unemployment data (or declines in unemployment data due to long-term unemployment) can result in an immediate cut-off of the FEMA funds on which many assistance providers have come to rely.

For example, two similar, adjacent counties in Pennsylvania—Lackawanna and Luzerne—received different treatment by the National Board because of its emphasis on unemployment data. Table 2.2 shows that these two counties are similar in population, and rates of unemployment and poverty; EFS Program officials also told us that these counties

are quite similar economically. The National Board used these data to determine these counties' eligibility for fiscal year 1988.

Table 2.2: Data Used to Determine EFS Eligibility for Lackawanna and Luzerne Counties, Pa. in Fiscal Year 1988

County	Population	Labor force	Unemployment Number	Unemployment Rate	Poverty Number	Poverty Rate
Lackawanna	222,000	104,544	7,184	6.9%	21,770	9.8%
Luzerne	336,000	155,128	13,424	8.7	33,370	9.9

Source. United Way EFS.

Luzerne County, with both higher unemployment and poverty rates, and higher absolute numbers of poverty and unemployment, was not eligible for a National Board award, while Lackawanna County was awarded $109,277. Although neither county overall met the minimum eligibility requirements, Scranton, within Lackawanna County, was found eligible because of its poverty rate of 12.9 percent. Similar data were not published by the Bureau of Labor Statistics for Wilkes-Barre, in Luzerne County. Furthermore, even though Scranton, with unemployment of 2,418, was the basis for the eligibility, the award was based on the county's total unemployment of 7,184.

As a further possible indication of the weakness of unemployment data, the Pennsylvania State Board subsequently awarded Luzerne County $133,673 from its state set-aside amount from FEMA—more than the National Board had awarded Lackawanna County (although substantially less than the National Board's formula would have awarded Luzerne County had it been found eligible). The Pennsylvania State Board based its allocations on both poverty and unemployment, but gave poverty a much greater weight than unemployment.

State Boards Can Offset National Allocation Flaws

EFS funds are allocated at the state as well as the local level, in part to allow regional expertise to offset any deficiencies in the national allocation process. Most of the state set-aside boards we contacted believed that poverty and unemployment data are not valid indicators of need, yet the allocation criteria that they use are based mostly on poverty and unemployment factors (although subject to exceptions based on known extenuating circumstances). The following are the criteria used by the states we contacted:

- Georgia—Poverty and unemployment.

- Nevada—A minimum grant to each county, with additional funds provided on the basis of unemployment, poverty, food stamp usage, Aid to Families with Dependent Children, and income levels.
- Illinois—Poverty, unemployment, and various data compiled by the State Department of Public Aid, such as mental health admissions.
- California—Subjective judgment based on increases in homelessness or unemployment, with emphasis on localities not receiving a National Board allocation.
- New York—Poverty.

The National Board also queried the state boards' distribution methods. Of the 37 state board responses provided to us, poverty and unemployment were clearly the most common basis for fund allocations. Twenty-one states used both these factors. The next most frequently used criteria were food stamps, Aid to Families with Dependent Children, or other public assistance—15 states. Nine states also indicated that they relied on their regional expertise rather than a formula alone, weighing such things as plant closings.

Possible Alternatives/ Modifications

In reauthorizing the McKinney Act, the Congress directed FEMA to develop two alternative fund allocation formulas for congressional consideration. Although FEMA has expressed a willingness to use any better data, currently none is clearly better. We contacted several state and local boards and assistance providers, and while most believe that the data used by the National Board were inadequate, most believe that no better data were available. However, some offered the following suggestions for modifications:

- Increase the amount of the state set-aside to allow greater flexibility in fund distribution. This may be useful in the absence of usable nationwide data.
- Use data on food stamps or other public assistance.
- Phase out a locality's funds over a few years when it no longer meets the eligibility criteria, to lessen the impact of an immediate cut-off of funds.
- Use a composite of perhaps 5 years' unemployment to partially cover long-term unemployed persons who no longer appear on unemployment data, but who have not yet appeared on the poverty data.

We believe the increased state set-aside, as suggested above, would substitute regional knowledge of each communities' needs for a formula approach for which there may not be any applicable data.

FEMA may also want to take into account the financial ability of the communities to fund the balance of unmet needs. Although these modifications would not alleviate any inequities in fund distribution among the states, we believe they might enhance the allocation within each state.

EFS Funds Are Not Targeted to Special Emphasis Groups

The McKinney Act directs the EFS Program to be sensitive to transitional housing, to give attention to homeless individuals with mental and physical disabilities and illnesses, and to facilitate access of the homeless to other services and benefits. In addition, the act's stated purpose is "to provide funds for programs to assist the homeless, with special emphasis on elderly persons, handicapped persons, families with children, Native Americans, and veterans." Also, as stated in the conference report, the intent is that all programs in the act serve Native Americans. In implementing the fiscal year 1988 phase of the program, the National Board advised all state and local boards of the provisions pertaining specifically to the EFS Program but did not mandate any specific action. We did not identify any state or local board actions that specifically direct EFS funds to those groups or service providers set forth in the McKinney Act, although the National Board has taken action to ensure that Native Americans are not overlooked.

To this end, the National Board had distributed a questionnaire to local boards on or near Indian reservations. When questionnaire results suggested minimal involvement of Native American tribes in the program, the National Board encouraged the local boards to

- assess the needs of Native Americans,
- provide where possible for Indian representation on the local board,
- advertise the availability of funds in Indian newsletters or papers, and
- consider funding service agencies on reservations if they are in remote, hard-to-access geographic areas.

State and Local Efforts

In the six states we visited (California, Georgia, Illinois, Nevada, New York and Pennsylvania), we did not identify any state or local boards that targeted groups specified in the act as warranting special emphasis or sensitivity. Most boards either did not know how such targeting could be achieved and/or were confident that all target groups were being reached.

For example, in Georgia, neither the state nor the local boards attempted to target specific subgroups of the homeless population during their

selection process. According to one local board representative, the board would not attempt to target funds without more specific direction from the National Board. At the state level, according to a board staff member, targeting program funds while selecting jurisdictions would be difficult because the state board has no method of identifying the types of homeless located throughout the state.

In Illinois, the Chicago/Cook County Local Board does not direct funding toward specific categories of homeless, but it does ask applicants to identify the target groups they serve. Some assistance providers reported a broad target group such as needy persons or homeless adults. Others, however, target their services more specifically to young men ages 18 to 25 or the unemployed and substance abusers, for example. Chicago/Cook County recipients also assisted some of the groups emphasized by the McKinney Act, including families with children, the elderly, Native Americans, and the handicapped. United Way said accountability breaks down at the service level so that tracking the funds to specific recipients is difficult.

The Illinois Set-Aside Committee does not target subgroups of the homeless either. According to its chairman, such targeting would be difficult without specific demographic information and so much need exists in the general population that specific targeting is not necessary.

The EFS Program Also Assists the Near-Homeless

A significant amount of FEMA's EFS assistance also goes to those who would better be described as needy or near-homeless, rather than actually homeless. The approved plans for fiscal year 1988 showed $41 million in expenditures (33 percent) was planned for rent, mortgage, and utility assistance, and $55 million (45 percent) was for food. Planning data do not show how much of the food money was to be for prepared meals and how much for food bags. Rental and utility assistance is clearly not received by the homeless, and food bags probably are not because they would generally require cooking facilities. Therefore, at least one-third of the total assistance is going to other than the truly homeless.

For example, in several communities we visited in eastern Pennsylvania, board officials and assistance providers told us that few truly homeless people are in the area. Most EFS beneficiaries were unemployed or working in low-wage service jobs as a result of plant closings. Recipients may own their home, but because of depressed economic conditions, they are unable to sell it and seek employment elsewhere. A Luzerne County local

board official advised us that the people seeking assistance tend not to be homeless, but rather people who cannot afford rent or mortgage payments or meet other monthly bills. For example, Luzerne County used only 11 percent of its fiscal year 1987 EFS funds for mass shelter; 53 percent of its EFS funds went for rent, mortgage and utility assistance, and motel vouchers.

Definition of Funds "Becoming Available" Is Uncertain

The McKinney Act directed the National Board to disburse any appropriation within 3 months of the "date on which such amount becomes available." The National Board advised selected congressional chairmen that it disburses the funds in increments for fiscal control purposes. Therefore, the Board proposed considering the funds disbursed if each eligible agency had received some of its funds within the mandated time frame. As indicated, this proposal conflicts with the requirements of the act.

We reported in December 1987 that the National Board did not meet this goal.[3] The initial appropriation was on July 11, 1987, and the disbursements began on November 12, 1987, 4 months later.

After our 1987 report was issued, the National Board told us that it considered funds to be available when it receives them from FEMA, not when they were appropriated. This interpretation is in conflict with the act's legislative history, which demonstrates that the Congress intended that the funds be considered available when appropriated.

Conclusions

The EFS Program has been a key provider of federal funds for shelters' operating expenses, emergency food, and utility and rent/mortgage assistance, and been especially important to the smaller service providers. Although these funds are having a positive impact, they were not available in the past in the critical winter months. The program has also been subject to some criticism for not providing funds to all communities in need.

Public Law 100-628 has directed FEMA to submit legislative proposals for two alternative methods of fund allocation. One alternative FEMA might

[3] Homelessness: Implementation of Food and Shelter Programs Under the McKinney Act (GAO/RCED-88-63, Dec. 8, 1987).

consider, in the absence of better data for an improved formula allocation, is to increase the amount of funds set aside for statewide allocations. This alternative would allow greater regional flexibility in offsetting any deficiencies in using poverty and unemployment data as an allocation base. However, an increase in state set-aside funds may hamper one of the other primary goals of distributing the funds quickly, because state set-aside funds usually take an additional 1 or 2 months to be disbursed. Furthermore, it appears that the state boards tend to rely heavily on the same data as the National Board in making their allocations.

Matters for Consideration by the Congress

To enable EFS program recipients to receive funds in a timely manner, the Congress may wish to consider providing FEMA with its EFS appropriation no later than August of each year. It may also wish to consider other funding alternatives, such as advance appropriations or forward funding, in which funds are appropriated sooner than the months just preceding the year in which they are available for obligation, or are available for obligation for periods other than the traditional fiscal year.

Agency Comments and Our Evaluation

FEMA was concerned that our report either stated or implied that the National Board was needlessly slow in distributing funds to recipients, and was remiss in not taking action to ensure that the funds were allocated to those localities most in need. FEMA was critical of the tone it perceived in our report, citing omissions such as dates of appropriations and disbursements. Our report draft did show such dates (presently on page 19). Nonetheless, we agree that FEMA, the National Board, and the United Way staff in Alexandria, Virginia, have, over the years, made a concerted and successful effort to develop a program that distributes the funds as quickly and as equitably as possible, and optimizes their use. We have noted a continuing interest on the part of FEMA and the National Board in seeking modifications to the EFS Program that will enhance its value to the recipients. Some of these actions were noted in this report. For example, the effort to ensure that Native Americans are being adequately served, and FEMA's immediate extension of the spending deadline when our questionnaire results demonstrated the significance of the shortage of funds in the winter. Other examples could be cited as well, such as establishment of the state set-aside procedure, and changes in allowable expenditures to better meet the needs of the recipients. It was not our intention that our two primary observations on the EFS Program—possible deficiencies in the fund allocation and a need for

funds to be available during the winter—would detract from the many successes of the program's administration.

Regarding the allocation formula, FEMA stressed the lack of known alternatives, and pointed out that our example on Luzerne and Lackawanna counties showed the state set-aside procedure working as it should, i.e., compensating for deficiencies in National Board awards. We agree, which is one of the reasons we offered increased state set-asides as a possible option to consider in modifying the allocation procedure. Our only purpose in presenting the example was to show that there are such deficiencies in the National Board allocations.

FEMA also stated that regardless of when it receives an appropriation, the National Board cannot distribute the funds until the beginning of the fiscal year. It is in part for that reason that we are suggesting that the Congress may wish to provide advance appropriations, forward funding, or other funding techniques that could easily rectify this.

FEMA's comments are contained in their entirety in appendix IV of this report.

GAO Survey Shows Characteristics of EFS Service Providers and Recipients

To obtain a nationwide perspective on how FEMA funds are being used to assist the homeless and needy, we surveyed FEMA's fiscal year 1987 EFS grant recipients. We asked these grantees the following: (1) their opinions on the causes of homelessness in their cities; (2) their sources of funding; (3) the type and amount of services they delivered; and (4) the type of clients they served, as well as all services provided during January 1988. We also asked respondents to compare FEMA's administrative services with those of other nonprofit funding organizations. This chapter presents selected results from this survey, while appendix I provides a more detailed discussion of methodology and sampling errors, and appendix II contains a copy of the questionnaire used, annotated with the results (frequencies).

Our survey results indicate the following:

- EFS grantees attributed homelessness in their cities and towns primarily to unemployment, low wages, decreased availability of subsidized housing, and the increased cost of existing housing.
- Small agencies are heavily dependent on FEMA funds, many relying totally on EFS funds. Larger agencies rely more heavily on state and private funds.
- Food assistance is routinely provided by most agencies, regardless of size, although prepared meals and on-site shelter are more likely to be routinely provided by larger agencies.

The questionnaire results provide the following information for January 1988:

- Forty percent of the agencies provided shelter (either on-site or off-site);[1] about 26 percent of the total shelter nights went to children and about 63 percent to adults ages 17 to 55.
- About 35 percent of the agencies provided prepared meals; about 15 percent of the meals went to children, 53 percent to adults ages 17 to 55, and 32 percent to those over 55.
- About 60 percent of the agencies provided groceries. Grocery bags primarily went to single-parent families (40 percent) and two-parent families (33 percent).
- About 70 percent of the agencies indicated that the total demand for their services increased somewhat or greatly in January 1988 over the

[1] On-site shelter means the agency has sleeping facilities on its premises. Some agencies offer off-site shelter, meaning that they pay a motel or other commercial facility for providing shelter.

same period last year. Many requests for utilities and rental/mortgage assistance had to be turned away.

- Most grantees (80 percent) are satisfied with the national FEMA requirements, with over 50 percent indicating that program requirements are the same or less burdensome than those of other nonprofit organizations. However, 60 percent of the agencies received their first fiscal year 1987 check after March 1, 1987, and about one-third of the grantees indicated that the timing of this check was at least a moderate problem in meeting the FEMA spending deadline.

Data-Gathering Methodology and Limitation of Survey Results

We surveyed FEMA's EFS grant recipients between February and June 1988. Our survey included the initial mailing of questionnaires and follow-up mailings. To contact EFS grantees directly, we modified a list of agencies that FEMA uses for administrative purposes and developed a final listing of 7,568 unique agencies. Our sample consisted of 1,137 agencies selected at random from this list. After follow-up mailings, we received responses from 951 agencies. To obtain as many usable responses as possible, all questionnaires were reviewed and edited for consistency, and agencies were contacted by telephone to resolve ambiguous responses or response patterns. This process yielded a total of 879 usable returns, for a response rate of 77 percent; our analyses were based on these questionnaires. Our preliminary analyses revealed that some responses varied systematically, depending on the total operating budget of the agency providing services. Accordingly, we developed size categories based on the grantees' total operating budget. Selected results are presented by these size categories instead of in aggregated form.

Caution must be used in interpreting our findings. First, we surveyed only agencies receiving FEMA EFS funds. Because we do not know what proportion of all service providers nationwide receive EFS funds, our conclusions cannot be generalized beyond EFS grantees. Second, we do not know how many homeless people there are nationwide; the estimates of the homeless population vary from 250,000 to 3 million. Consequently our results cannot provide information on the percent of all homeless individuals receiving federal or other aid. Some service providers did estimate the number of shelter nights they provided and were able to give some description of their clients by age, sex, or ethnic group. However, we cannot assess the extent to which all homeless people specifically mentioned in the McKinney Act (e.g., veterans) are being successfully reached. Finally, we either did not receive, or could not use, questionnaire responses from 23 percent of our sample. Because we used a random sample we can make estimates for EFS agencies like those

who responded to our questionnaire. But our estimates are based on a 77-percent response rate and correspond to that percent of the entire population that would have responded to our questionnaire had we sent it to all FEMA EFS grantees rather than a sample.

Job Loss and Housing Problems Viewed as Important Causes of Homelessness

We asked service providers for their opinions about the causes of homelessness. First, they rated the importance of several social factors our questionnaire listed in causing homelessness in their city or town. Next, they estimated the proportion of people served by their operation who were homeless as a result of specific personal factors. In general, those who provide services to the homeless believe the problem results primarily from problems with employment and housing rather than from mental illness or substance abuse.

As shown in table 3.1, service providers rated social factors as "extremely important" in contributing to the current homeless problem in their city or town. About 55 percent of the providers regarded unemployment as an "extremely important" factor in causing the current homeless problem in their city or town. A decrease in available subsidized housing, a general increase in the cost of housing, and low wages were each viewed by over 40 percent of the providers as "extremely important." About 28 percent of the providers rated a decrease in government aid and about 25 percent rated deinstitutionalization of the mentally ill as "extremely important." Ten percent or less considered a lack of social services or an inability to get access to them as "extremely important."

Table 3.1: Social Factors Causing Homelessness

Factor	Percentage of respondents rating factor as extremely important
Unemployment	55
Low wages	43
Decrease in available subsidized housing	43
Increase in cost of housing	43
Decrease in federal aid, such as AFDC	28
Deinstitutionalization	25
Inability to gain access to social services	10
Lack of social services	7

In addition, as shown in table 3.2, service providers rated which of several personal factors were major contributors to the homelessness of the

people served by their agency. An inability to find work and the loss of a job were considered major contributors for "many" or "all or almost all" of the people served by 46 percent and 38 percent of the providers, respectively. Eviction, family conflict, and alcohol or drug abuse were each viewed as major contributors for "many" or "all or almost all" of clients by roughly 25 percent of the agencies. In contrast, 13 percent or less of the providers viewed mental illness, transience as a chosen lifestyle, and homes becoming uninhabitable as major contributors to homelessness for a large number of their clients.

Table 3.2: Personal Factors Causing Homelessness for "Many" or "All or Almost All" Clients

Factor	Percentage identifying it as a major factor
Inability to find work	46
Loss of job	38
Eviction	27
Family conflict	27
Alcohol/drug abuse	24
Mental illness	13
Transience as a chosen lifestyle	11
Loss of government benefits	10
Home became uninhabitable	8

Source: GAO

Sources of Funding and Types of Services Vary by Size

Agencies funded by the EFS Program vary in size, sources of funding and the types of services routinely provided. Services provided include emergency shelter, prepared meals, groceries and/or food vouchers, rental/mortgage assistance, and utilities assistance. Many smaller agencies routinely provide groceries and/or food vouchers; a majority of medium-size agencies also routinely provide groceries, some routinely provide prepared meals, and some routinely provide emergency on-site shelter. Larger agencies routinely provide groceries and/or food vouchers, shelter, rental/mortgage and utility assistance.

Ten percent of all EFS recipients—generally the smaller agencies—indicated that the EFS Program was their only source of funds. EFS funds were only a small part of the larger agencies' operations, but they did tend to receive a significant amount of funds from other federal sources.

Very Small Agencies Primarily Offer Food Assistance

About 22 percent of the agencies that provided financial information have total operating budgets of $10,000 or less, with an average budget size of approximately $4,600.[2] A majority of these agencies (62 percent) routinely provide groceries and/or food vouchers. In contrast, only 6 percent routinely provide on-site shelter, and 9 percent routinely provide off-site shelter. Rental/mortgage and utility assistance is routinely provided by about 12 percent and 14 percent of these agencies, respectively.

These very small agencies are highly dependent on EFS funds and private donations. On average, 63 percent of the total budget for these agencies came from EFS and 30 percent from private sources. In addition, approximately 31 percent of these agencies reported that they were 100-percent EFS-funded in their last completed fiscal year.

Small Agencies Provide Food and Homeless Prevention Assistance

Approximately 31 percent of the agencies have total operating budgets between $10,001 and $50,000. The average budget size for these small agencies was just over $26,500. About two-thirds of these agencies routinely provide groceries and/or vouchers and about one-quarter routinely provide prepared meals. Some of these agencies routinely provide on-site or off-site shelter (15 and 18 percent, respectively), and nearly 30 percent routinely provide rental/mortgage assistance.

Like the very small agencies, small agencies are very dependent on EFS funds and private donations. On average, about 35 percent of their total budget came from EFS and 40 percent from private sources. The other 25 percent came from other federal funds, state funds, and city and local funds. In their last completed budget year, about 11 percent of the agencies in this group received all of their funding from EFS.

Medium-Size Agencies Offer Food, Shelter, and Rental/Mortgage Assistance

About 25 percent of the agencies have total operating budgets from over $50,000 to $150,000, averaging over $91,000. Approximately 62 percent of the medium-size agencies routinely provide groceries and/or food vouchers. One-third of these agencies routinely provide prepared meals, one-third routinely provide emergency on-site shelter, and one-third routinely provide rental/mortgage assistance.

[2]Complete financial information was provided by 92 percent of the agencies for their last completed fiscal year.

Reliance on private funds by these medium-size agencies is greater than for the very small agencies, with an average of 48 percent of their budget coming from this source. On average, about 16 percent of the budget for these agencies comes from EFS.

Large Agencies Provide Food, Shelter, and Counseling Assistance

Sixteen percent of the agencies have budgets from just over $150,000 to $500,000, averaging about $260,000. Unlike smaller agencies, over half of the large agencies routinely provide prepared meals; similarly, over half of these agencies routinely provide emergency on-site shelter. Groceries and/or food vouchers are routinely provided by approximately 45 percent of these agencies, and about one-quarter routinely provide rental or mortgage assistance. Over one-quarter of these agencies also routinely provide psychological counseling, and almost one-third routinely provide job placement/counseling.

Like the medium-size agencies, large agencies rely heavily on private funding, with an average of 44 percent of their budgets from this source. State funding also plays an important role for these agencies, averaging 21 percent of their budget. EFS funds account for about 11 percent of operating funds for these agencies.

Very Large Agencies Focus on Food, Shelter, and Utility Assistance

Approximately 6 percent of the agencies have operating budgets of over $500,000, averaging just over $1,500,000. In some cases, these agencies were large social service agencies, and it was not possible to break out the portion of the overall budget that was directly related to services for the homeless. Therefore, we have no estimate of how much of these operating budgets represent funding for homeless services. Sixty-two percent of the budget for these agencies comes from non-EFS federal and state sources. Private sources account for approximately 19 percent of the budget for these agencies. EFS funds accounted for 5 percent of their operating budget.

Like other large agencies, nearly half of the largest agencies routinely provide prepared meals and about half routinely provide groceries and/or food vouchers. About one-third routinely provide on-site shelter, and a similar percentage routinely provide rental/mortgage assistance. About 40 percent routinely provide utility assistance.

Donations Vary by Agency Size

Between 75 and 89 percent of EFS-funded agencies receive time from volunteer workers, and over one-third receive donated space. Nearly all of the large agencies (91 percent) and over three-fourths of the medium and small agencies (83 percent and 77 percent, respectively) receive food donations. While only about one-third of the very small agencies receive clothing donations (38 percent), over three-fourths of the medium and large agencies receive clothing donations (78 percent and 75 percent, respectively).

Services Provided in January 1988

We asked respondents to furnish information on all services they provided—not just the portion funded with EFS money. We specifically asked them to estimate their levels of services and types of clients served for 1 month—January 1988. This approach helped us to obtain a more accurate picture of the overall level of services provided to the homeless by agencies that receive some EFS funding. Although EFS funding may not directly pay for all services an agency provides, EFS funds do contribute to the continuation of the operation.

EFS Recipients Provided Over 1.3 Million Nights of Shelter in January 1988

During January 1988, we estimate that about 40 percent of EFS-funded agencies provided over 1.36 million nights of shelter (on-site and off-site). Of the agencies that provided shelter, 58 percent of them provided on-site shelter with an average capacity of about 43 beds per shelter. On the basis of information received from about three-fourths of the shelter providers, we calculated that, on average, each person received approximately 9 nights of shelter during January.

Shelter Recipients

We asked shelter providers to estimate what proportion of all of the shelter they supplied in January 1988 went to different types of people. About 85 percent of the shelter providers gave estimates, which showed the following:

- About 26 percent of the total number of nights of shelter provided during January went to children, aged 16 or younger; 36 percent to young adults, aged 17 to 35; 27 percent went to adults, aged 36 to 55; and 11 percent to adults over the age of 55.
- About 45 percent of all shelter nights went to Whites, 37 percent to Blacks, 11 percent to Hispanics, 4 percent to American Indians, and less than 1 percent to Asians.

About 60 percent of the shelter providers were able to categorize the total number of shelter nights provided in January 1988 according to recipients' social characteristics. (These numbers do not total 100 percent because respondents may have included shelter nights in more than one category.) About 20 percent of the shelter nights were provided to veterans. In addition, respondents estimated that during January 1988,

- about 28 percent of all shelter nights went to alcohol abusers,
- about 17 percent went to drug abusers, and
- about 16 percent went to the mentally ill.

EFS Recipients Provided Over 5 Million Prepared Meals in January 1988

Of the nearly 35 percent of EFS-funded agencies that provided prepared meals during January 1988, about one-third provided one meal a day; 18 percent, two meals a day; and one-half, three meals a day. We estimate that EFS-funded agencies served over 5 million meals during the month.

We also asked meal providers to estimate the proportion of all meals served in January 1988 that went to people in different age, sex, and ethnic groups. Nearly 90 percent of the meal providers gave estimates. Of all meals served, approximately

- 15 percent went to children aged 16 or younger, 27 percent to young adults aged 17 to 35, 25 percent to adults aged 36 to 55, and about 32 percent to those over the age of 55,[3]
- 18 percent went to veterans,
- 59 percent went to those who were actually homeless, and
- 47 percent were served to Whites, 37 percent to Blacks, 11 percent to Hispanics, less than 3 percent to American Indians, and under 1 percent to Asians.

About 60 percent of the meal providers were able to furnish estimates of the proportion of the meals that were served to people with the following social characteristics. Of meals served during the month, approximately

- 34 percent were served to alcohol abusers,
- 22 percent were provided to drug abusers, and
- 19 percent were served to the mentally ill.

[3]Some respondents indicated that they ran senior citizen programs that provided hot meals or operated "Meals on Wheels" programs, which might explain why a larger proportion of meals go to the elderly than do shelter nights.

EFS Recipients Provided About 950,000 Grocery Bags in January 1988

Nearly 60 percent of EFS-funded agencies provided groceries in January 1988. On the basis of information from 94 percent of these agencies, we estimate that EFS-funded agencies distributed about 950,000 bags during the month. About 80 percent of grocery providers distributed standard food bags that are intended to last, on average, for about 5 days. Of these agencies giving standard food bags, 53 percent intended the food bags to be a supplemental source of food and about 41 percent intended the bags to be the sole source of food.[4]

Grocery Recipients

We asked grocery providers to estimate what proportion of the total number of bags provided in January 1988 went to people in different types of households and ethnic groups. About 85 percent of these providers furnished estimates that show the following:

- 40 percent went to single-parent households, one-third to two-parent households; households composed of only one or two adults receive 17 and 10 percent, respectively.
- 54 percent went to Whites, 22 percent to Blacks, 17 percent to Hispanics, 5 percent to American Indians, and 1 percent to Asians.

Over 90 percent of the grocery providers gave estimates showing that 6 percent of all grocery bags went to adults who were elderly.

Most Demand Met for Food, Shelter, and Groceries; Many Requests for Utilities, Rental/ Mortgage Assistance Not Met

We asked the service providers to estimate the number of eligible people who were turned away or referred elsewhere for services in January 1988. On average, EFS-funded agencies turned away very few requests for food and shelter assistance during the month. Specifically,

- shelter providers turned away an average of 4 requests for every 100 requests they met during January,
- prepared meal providers turned away an average of 1 request for food for every 100 requests met during January, and
- grocery providers turned away or referred elsewhere an average of 7 requests for every 100 requests met in January.

Many requests for utility assistance and rental/mortgage assistance could not be met by EFS-funded agencies in January 1988. On average, for every 100 requests for utilities assistance met in January, about 24 requests had to be turned away. More requests for rental/mortgage

[4] Six percent of the grocery providers did not respond.

assistance were referred elsewhere or turned away than were met during January. On average, for every 100 of these requests met during the month, another 130 had to be denied. Regarding overall demand for assistance, approximately 70 percent of the agencies reported that their overall demand for services increased from January 1987 to January 1988.

Administrative Requirements of the EFS Program

Respondents were asked to compare FEMA's program requirements, such as accounting requirements, record-keeping, and audits, with those of other nonprofit funding organizations.

- Over 25 percent of the respondents found FEMA's requirements less burdensome than those of other funding sources.
- About 33 percent indicated that FEMA's requirements were about the same.
- About 23 percent indicated that FEMA's requirements were more burdensome than those of other nonprofit funding organizations.

Respondents were also asked to compare FEMA's restrictions on the use of its funds with those of nonprofit organizations.

- About 18 percent indicated that FEMA was less restrictive.
- About 33 percent indicated that restrictions were about the same.
- Nearly 30 percent indicated that FEMA was more restrictive.

Timing of Receipt of Checks Was a Problem in FY 1987

Because our survey was sent out early in 1988, we were unable to ask agencies about the timing of fiscal year 1989's EFS funding. However, we did ask them when they received their first check from FEMA in fiscal year 1987. Nearly 60 percent of the respondents reported that they received their first check after March 1, 1987, which resulted in the money's not being available for spending during the winter months when the need is traditionally higher. About one-third of the agencies reported that the timing of their check caused a problem in meeting the September 30 spending deadline.

EFS Recipients Generally Satisfied With Program Requirements and Guidance

About 80 percent of the EFS-funded agencies were satisfied with the national FEMA program requirements and about 80 percent were satisfied with guidance regarding eligible and ineligible expenditures, accounting of funds, documenting expenses, and reporting. Nearly 85 percent of the EFS recipients were satisfied, overall, with the program guidance that they had received in the past 12 months.

Recipients Views on Accomplishments With EFS Funds

We asked the service providers what they had accomplished with FEMA funds that they would not have accomplished otherwise. Forty-six percent of the respondents said that because of FEMA funds they had provided more food/meals, fed more people, provided more nutritious meals, or expanded their meal program. Twenty-two percent stated that FEMA funds have allowed them to help more people by increasing/expanding their services. Thirteen percent said that they were able to keep people off the streets by providing shelter, and 12 percent said that the FEMA funds kept their program functioning—without FEMA funds they would not have been able to provide their services.

EFS Recipients' Involvement With HUD's ESG Program

There is no ready means of identifying all of the recipients of HUD's ESG program, but we tried to identify some of them through our questionnaire to EFS recipients. Many EFS recipients are not eligible to participate in the ESG Program because it is limited to shelters.

Of agencies receiving FEMA EFS funds and routinely providing on-site shelter, about one-third had also received some ESG money. The median ESG grant for this group was $13,100.

Conclusions

Small agencies depended more on EFS funding than larger agencies. Funding not provided by EFS is almost always provided from private sources. Larger agencies derive about half their funds from private sources, with the remaining half provided almost equally from non-EFS federal, state, and local sources. The large majority of EFS recipients give the program high marks and cite numerous benefits resulting from the program. The lack of EFS funds during the winter months has caused the agencies at least moderate problems meeting the September 30 spending deadline in the past.

Agency Comments and Our Evaluation

HUD expressed concern about the conclusions drawn from our survey of recipients of EFS grants. Specifically, HUD stated that the information on causes of homelessness collected from service providers is just a "snapshot of what some people think." Respondents rated unemployment, low wages, increases in the cost of housing, and a decrease in available subsidized housing as important causes of homelessness. HUD questions what empirical evidence respondents had to cite a decrease in available subsidized housing and charges that such a comment "continue(s) to perpetuate an inaccurate picture of assisted housing policy and the causes of homelessness." HUD stated that the respondents' opinions are inaccurate because over the last 8 years there has been an increase of 1.1 million families receiving housing assistance.

We disagree that the respondents' answers inaccurately reflect the subsidized housing situation. HUD is correct in stating that about 1.1 million additional households received housing assistance between 1980 and 1988. However, it is important to clarify that HUD's intervention in the housing market changed significantly during this period. Specifically, HUD shifted its policy away from subsidies for construction of low-income housing and towards subsidies for households to find existing rental units in the private market.[5] While federal policy has shifted away from new construction toward reliance on the private market to provide affordable housing, the actual number of private units affordable to low-income households has steadily declined during the 1980s by about 1 million units. Over this same period, the demand for affordable rental units (renting for $250 or less per month) increased by about 2 million households.

Between 1985 and 1988, the number of renting households that met HUD's income eligibility criteria increased by about 500,000, but only about 320,000 additional households received subsidized housing assistance during the same time period. Therefore, over 30 percent of the additional households that qualified were not served by subsidized housing.

The combined effect of the shrinking supply of affordable units and increased demand for these units has put significant strain on the ability of low-income families to find affordable housing. Therefore, while HUD

[5]In 1980, about two-thirds of the almost 200,000 rental units authorized for HUD rental assistance were for new construction or substantial rehabilitation. In fiscal year 1988, only about one-fourth of the 82,000 incremental units were authorized for new construction or substantial rehabilitation.

states that an additional 1.1 million families are receiving federal housing subsidies, it neglects to point out that because of prevailing market conditions the prospects for low-income people being able to find affordable housing may have actually worsened. It is not surprising, therefore, that our respondents rated a decrease in the supply of federally subsidized housing as a key cause of homelessness, given that the demand for low-cost housing may outstrip the supply in many local markets. Further, the problem may be exacerbated because by 1995 between 240,000 and 890,000 currently subsidized units could be lost to the low-income stock as restrictions on low-income housing use expire.

HUD also questions the validity of the information on causes of homelessness because the responses to two questions are not identical. We do not agree that the differences in responses to questions 1 and 3 "discount the validity of the causes of homelessness" cited by the respondents. The first question asks about causes in the service providers' **city or town,** while the second question focuses on the causes of homelessness for the clientele of a **specific agency.** The general condition in any city or town is not necessarily reflected in the circumstances of the individuals receiving assistance from a particular service provider. It is possible, and "valid," for respondents to cite a housing problem as an important factor in homelessness in their general area and at the same time to report that most of the clients of their specific agency are homeless as a result of a loss of jobs or mental illness.

Emergency Shelter Grants Program

HUD's ESG Program was designed to help the homeless by providing additional shelter. However, the slow rate at which the money is being spent has made it difficult to assess the program's impact on homelessness. Further, the method of allocating funds to a community does not consider homelessness as a factor. Consequently, funds may not be going where they are needed most.

Even though many of those segments of the homeless population given special emphasis in the McKinney Act were served by the ESG program, the grantees used their own criteria for distributing the funds, rather than letting the act influence their selection of the population to be served. In addition, some grantees have raised concerns regarding HUD's restriction on the participation of religious organizations and the short time frames in which to apply for and to obligate the funds.

How the Program Works

The Congress established the ESG Program in fiscal year 1987 with $10 million to supplement state, local, and private efforts to provide assistance for the homeless. The McKinney Act authorized $50 million for the ESG Program in fiscal year 1987 and an additional $8 million in fiscal year 1988. The funds were distributed among 322 communities, the states, and the territories.

The ESG Program's objectives are to help improve emergency shelters for the homeless, help make additional shelter space available, help meet the costs of operating the shelters, and provide social services such as employment counseling and health services. ESG funds can be used for the renovation, major rehabilitation and conversion of buildings, operations and maintenance, and social services. Ineligible activities include acquisition or construction of emergency shelters and payment of administrative staff.

As mandated by the act, HUD uses the Community Development Block Grant (CDBG) formulas to determine which government entities are eligible for ESG funds and to allocate these funds among these entities. Funds are allocated to cities, counties, and the states. The states redistribute their funds to both cities and counties that did not receive funding from HUD, as well as providing supplemental assistance to those entities that directly receive assistance. To qualify for an ESG grant, applicants must have a Comprehensive Homeless Assistance Plan (CHAP) approved by HUD, describing the need for assistance and the manner in which federal

assistance will complement the services already available.[1] Title IV of the McKinney Act requires CHAPs as a condition for participating in this program, as well as the SHD and SAFAH programs. The deadline for government entities to submit CHAPs was September 28, 1987. If a CHAP was not approved within 90 days after the funds were authorized, the money was reallocated.

After HUD approves a CHAP, cities submit an application that details how they intend to spend the money, and states explain how they intend to distribute the funds. Each city, county, and state receiving an allocation is essentially free to select and fund local governments or specific shelters within its jurisdiction as it sees fit. The ESG applications are reviewed by HUD regional offices. Upon approval of the grantee's application, HUD establishes a Letter of Credit for the grantee, allowing the grantee to withdraw available funds as obligations come due. Grantees are required to provide matching funds in an amount equal to the ESG funds they have received. The ESG program does not restrict the source of the matching funds.

To facilitate the immediate use of homeless monies, cities and counties must obligate their funds within 180 days of receiving them. A grantee must submit an interim performance status report to HUD within 30 days after the obligation date. This interim report states how the money was allocated, broken out by capital costs, operations and maintenance, and social services.

ESG Program's Impact on Homelessness Not Yet Known

Although the ESG program will create more shelter space, as intended, we could not assess the program's impact on homelessness because of the limited amount of funds withdrawn. As of May 31, 1988, almost 6 months after the funds became available for withdrawal, the grantees had withdrawn only 10 percent ($5,773,000) of the $58 million appropriated under the McKinney Act for fiscal years 1987 and 1988. However, table 4.1 shows the planned use of funds for the 1987 McKinney Act appropriation.

[1] For further discussion of CHAPs, see ch. 8.

Table 4.1: ESG Program Planned FY 1987 Appropriation Expenditures

Dollars in thousands

Activity	Amount	Percent
Rehabilitation	$28,536	57
Services	3,461	7
Operations	18,003	36
Total	**$50,000**	**100**

Source HUD

Of the 40 cities and counties we reviewed in California, Georgia, Illinois, and New York, only 12 grantees had withdrawn funds as of June 7, 1988. The total amount withdrawn for these 12 grantees was $572,622 (or 6.8 percent) of the $8,472,000 available. Illinois and Georgia had withdrawn $566,214 (or 15.7 percent) of $3,615,000 available, while New York and California had not withdrawn any funds.

According to a HUD headquarters official, HUD plans to study why the money is being spent so slowly. It presently has three theories. First, if money is spent on rehabilitation, contracts are often required. In these cases, bills may not be paid until the work is completed and the contract requirements are met. Second, the cities and counties may be spending their own money, planning to be reimbursed later. Third, because of the ESG Program's requirement to maintain the structure for at least 3 years, some grantees may be budgeting the grant over a 3-year period. This would be especially true if the money is being spent for operations and maintenance. Interviews with the grantees in California support some of these theories. The most common reasons grantees gave for the slow withdrawal rate were they (1) had contracts still being executed, (2) had to select sub-grantees, and (3) were using a reimbursement system.

According to our review of Northern California grantees, only 6 of 16 grantees will be adding new beds as a result of their ESG grants. The six grantees will be adding 304 new beds at a cost of $384,653. This is an average cost of $1,265 per shelter bed (see table 4.2). The remainder are spending their money on operations and maintenance or minor rehabilitation to an existing shelter.

Table 4.2: Increased Shelter Capacity in Northern California

Grantee	Number of beds	Cost
Alameda County	46	$35,000
Sonoma County	12	8,500
Berkeley	20	46,000
Fresno	6	11,000
Oakland	10	64,153
Sacramento (city and county)	160[a]	85,000
San Francisco	50	135,000
Total	**304**	**$384,653**

[a]Temporary beds (estimated)

Alternative Grant Allocations Should Be Considered

The McKinney Act mandates that funds for the ESG program be distributed using the formulas from HUD's CDBG program. These formulas may not appropriately target funds to units of local government in accordance with their responsibilities for providing services to the homeless. That is, these formulas do not use the number of homeless as a factor in targeting aid but instead rely on such elements as the general population, population growth, the extent of overcrowded housing, the number of people in poverty, and the age of housing.

There are no generally accepted nationwide data on the number of homeless that can be substituted for these factors. While some communities have good local estimates, these cannot be projected or generalized to the nation as a whole.[2] However, on the basis of our limited review of the formulas used and possible alternatives, we believe alternative methods for distributing funds could be devised that would better target funding to areas of greatest need. Also, because federal resources cover only a portion of the total cost of needed services, HUD may wish to consider the financing abilities of state and local governments in meeting the needs of the homeless from their own resources when targeting federal resources.

CDBG Formula Insensitive to Division of Service Delivery Responsibilities

The current CDBG formulas divide funding between large cities and metropolitan counties on the basis of the population of the city and the population of the county living outside of eligible cities. When providing aid for the homeless, this method presumes that cities are responsible for

[2]Homeless Mentally Ill: Problems and Options in Estimating Numbers and Funds (GAO/PEMD-88-24, Aug. 3, 1988).

the homeless within their borders and the county is responsible for serving the homeless located outside the large cities. However, this may not be the actual pattern of service delivery responsibilities nor represent the most appropriate division of service delivery responsibilities among a state's local governments.

Municipal governments, especially the small ones, may decide that provision of services to the homeless is a "losing" proposition because more homeless individuals will be attracted by any services provided. In contrast, the state or a county government, because they encompass larger boundaries, may have less reason to believe that the homeless will be more attracted to other neighboring jurisdictions that are more willing to provide services. For example, the Housing Manager for the City of Santa Ana in Orange County, California, pointed out that Santa Ana attracts the homeless because it is a county seat where social services are delivered, while Costa Mesa attracts the homeless because it is a beach city. When Glendale, California, turned down ESG funding, one newspaper article charged the city with neglecting its responsibility for serving the homeless. Local officials of Glendale stated that they have a small homeless population and can deal with the problem without federal funds.

Under the CDBG formulas, larger cities are automatically eligible for funding while smaller cities must compete for funding from the state. As a consequence, some cities have refused funding while other cities with substantial numbers of homeless are ineligible for funding. For example, Glendale, California, where one city official understood the homeless population to be 20 or less, refused funding because it felt funding was not needed, while Santa Monica, California, with an estimated homeless population of 1,000, did not qualify for ESG funds.

CDBG Formula's Measures May Be Poor Indicators of Need

The CDBG formulas do not use data that directly measure the service needs of the homeless. A 1987 HUD study, for example, suggests that almost one-third of the homeless population is concentrated in the western part of the United States, although this section has only 19 percent of the entire country's population. A 1984 HUD study lists Los Angeles as having between 31,300 and 31,800 homeless persons and Chicago as having between 19,400 and 20,300 homeless persons. But the 1987 ESG program allocated, through the CDBG formulas, $947,000 to Los Angeles compared with $1,433,000 to Chicago. The average daily minimum temperature in January is 47.7 degrees in Los Angeles, compared with 13.6

degrees in Chicago. Therefore, it could be that Chicago has greater seasonal needs for emergency shelters. However, the funds received by Chicago were not based on their greater need because of seasonal temperatures, but were based on elements of the CDBG formula, such as the extent of overcrowded housing and the age of housing. The Community Development Director in Cook County, Illinois, stated that although she believed the CDBG formula was fair, some of the criteria were invalid. Cook County, for example, is penalized because of its loss in population but has had increased needs due to loss of industry.

Some grantees proposed modifications to the current method of allocation. In the opinion of the Program Manager of Homeless Programs in Sacramento, California, the allocation for homeless should consider unemployment statistics, poverty rates, and the effectiveness of homeless programs. A Project Manager from New York State believed that states are in the best position to identify the cities and counties in which ESG funds could be put to the best use.

Some states use different criteria and procedures to distribute their funds. Georgia, for example, allowed all shelters in the state to apply for funding. The criteria it used in calculating the amount awarded to each recipient were the size of the shelter, the number of months open, the number of services provided, and the number of years the shelter had been providing assistance to the homeless. New York and California used a request-for-proposal system. To evaluate the proposals it receives, California, for example, uses each city's poverty and unemployment rate, experience in running a shelter, support services, the status of the building (will it be completed by the 180-day deadline), matching fund commitment, the status of local government planning approval, overall preparedness, the percentage increase in beds, and the grant cost per person.

Differences in the Ability to Finance ESG Services Not Considered

Local governments differ not only in their need to provide services for the homeless, but also in their capacity to raise revenues to finance these services. Disparities in the ability of local governments to pay for services can have the effect of either reducing their willingness to support local service providers or require some localities to make much greater sacrifices than others. Federal and state aid could help reduce these differences. HUD may therefore wish to consider the ability of state and/or local governments to partly finance services from their own resources.

Participation of Religious Organizations Restricted

HUD and the Congress have disagreed on the extent of restrictions needed over the use of federal funds for capital expenditures on properties owned by religious organizations. According to the grantees, HUD's restriction caused some religious organizations to be denied participation and others not to apply for ESG funds.

HUD has determined that it would violate the First Amendment if public funds were used by predominantly religious organizations to renovate, rehabilitate, or convert buildings to be used as shelters, though they may receive funding for operations and maintenance or social services. However, HUD has allowed religious organizations to lease the facility to an existing or specially established secular, nonprofit entity to receive funding for rehabilitation, and some religious organizations have done this. However, some view this practice as too expensive and cumbersome for many nonprofit organizations, although HUD says it need not be. The House Committee on Government Operations, on the other hand, stated in a congressional report that nothing in the legislative history of the ESG Program suggests that the Congress intended to exclude religious organizations from receiving funds to rehabilitate shelters.[3]

Although there is no way to determine the precise number of shelters that did not participate in the ESG program because of the religious restriction, some grantees stated there were such shelters in their jurisdiction. Others stated that shelters with religious affiliations did not apply for ESG funds. Georgia's Manager of Special Housing Programs estimated that 30 homeless shelters across the state affiliated with religious organizations did not apply for ESG funds because of the HUD religious restriction. A DeKalb County, Georgia, official stated, however, that the churches did not want federal funding because of the administrative work it entails.

Of the three grantees we interviewed in New York State, only one had a problem with the religious restriction. This grantee stated that nonprofit organizations are primarily religious groups and were only allowed to receive funds for operations. As a result, between 6 and 10 religious organizations were turned down by the grantee for ESG rehabilitation funds. The other two grantees selected their projects internally, without a formal application process, and selected projects without any religious affiliations.

[3]Twenty-eighth Report by the House Committee on Government Operations, November 23, 1987 (H.R. Rep. No. 455, 100th Cong., 1st Sess. 6 (1987)).

In Illinois, one of the three grantees we contacted stated that shelters were denied funding because of their religious affiliation. According to the state grantee, of six shelters with religious affiliations that applied for funding, three were funded with operations and maintenance money, two dropped out because they did not wish to establish a separate entity, and one was rejected for rehabilitation funding. According to the other two grantees, Chicago and Cook County, none of the shelters that applied were denied funding because of religious affiliation.

In California, 11 of 30 grantees stated that shelters with religious affiliations did not apply; 5 stated that they had no problems with the religious restriction; and 11 did not know if the religious restriction prevented some shelters from applying. Of the remaining three grantees, two had shelters that set up a separate entity so they could qualify for the program, and one turned down ESG funding for a shelter because of its religious affiliation. However, this shelter was able to open with other funds. In Los Angeles, the impact of the religious restriction was minimal because program officials emphasized funding for operational expenses, which can be used at all shelters and are not subject to the religious restriction, and de-emphasized funding for rehabilitation of shelters.

Many Grantees Found Program Time Frames Too Short

Because it believed the ESG Program was designed to provide emergency relief, HUD established tight time frames for the submission of the CHAPS and of applications, and the obligation of the funds. HUD officials believed the time frames were sufficient, while many grantees expressed concern that they were too short. Given more time, they told us, better planning documents could have been prepared, more shelters might have applied for funds, and more shelter space might have been created.

HUD required prospective grantees to submit CHAPS within 30 days after the enactment of the McKinney Act and to submit applications within 45 days after the date of notification of the grant allocation. HUD required the 45-day application period because the McKinney Act stated that if any grantee failed to obtain approval of its CHAP within 90 days after funds were available for allocation, its funds would be reallocated to other cities or states.

Of 42 grants we reviewed, 24 grantees (57 percent) stated that the application time frames were too short. Some local officials added that the time period, October and November, is a bad time for extra paperwork

because they are preparing the shelters for the winter in addition to dealing with paperwork from the CDBG Program. HUD officials pointed out, however, that this latter problem is driven by the timing of the appropriation process.

For example, the Community Development Director from Cook County stated that if the county had been given more time, it would have been able to obtain input from local homeless agencies on which programs would be best served by the funding. Similarly, the Director of the Office of Grants Management in Atlanta, Georgia, stated that the tight deadline gave the city little time for coordinating and soliciting proposals; and in DeKalb County, Georgia, community development officials stated that if the application time frame had been longer, they could have considered additional uses of the funds, such as starting a new shelter.

In California, grantees' opinions varied concerning the length of time they had to prepare the CHAPs and ESG applications. Some grantees, such as the cities of Anaheim and Compton, accepted the timing of the application process. The Housing Operations Coordinator in Anaheim believed the short time frames were necessary because of the urgency of the homeless problem and the need to distribute funds quickly. However, the majority of the grantees in California, such as the city of Long Beach, believed that the time frames were too short, and that a 4-month time frame would have been more realistic. While the city of Santa Ana accepted the time frames, its officials believed they would have written a better CHAP if there had been more time.

Although many grantees believed the application time frames were too short, the ESG Program requirement that funds be obligated within 6 months of the grant award date also created concern for some of the grantees. According to a HUD official, HUD chose 180 days because it is the maximum time needed to implement an emergency program and it would still allow time for the rehabilitation of shelters. Many grantees, however, simply funded projects that were already in place, instead of trying to create new shelters.

The New York City grantee stated that it takes 8 to 10 months for the request-for-proposal process normally used to identify potential organizations to perform project work. This lengthy process includes numerous reviews by various committees as well as drafting and advertising the request and then negotiating the contract. Because of this, the city could not utilize the request-for-proposal process and still qualify for

ESG funds. Instead, the grantee decided to carry out the ESG Program in-house.

The Orange County, New York, grantee also stated that 6 months is not enough time to obligate ESG funds. We were told that 6 to 8 months is needed because the county legislature has to approve receipts of all grants. Although performing the project in-house allowed Orange County to meet the program requirements, the county requested and received a 30-day extension from HUD so that it could meet ESG Program requirements.

The Emergency Housing Coordinator from Oakland, California, stated that it is difficult to spend money on capital costs with such a short time frame. Shelter operators who want to rehabilitate a building have to obtain a site and secure zoning approval.

Grantees Are Not Targeting Populations Specified by the McKinney Act

One of the McKinney Act's stated purposes is "to provide funds for programs to assist the homeless, with special emphasis on elderly persons, handicapped persons, families with children, Native Americans and veterans." There is no specific legislative focus, though, for the ESG Program. HUD has not required the ESG grantees to target these groups, although it plans to gather information from the interim reports on which groups are being served.

Our review indicates that ESG grantees do not make a special effort to target these special populations, although most are, in fact, served. Most grantees serve whatever homeless populations require assistance in their community. Out of 42 grantees reviewed, 22 (52 percent) serve at least one of the special populations, although they do not specifically target these groups. Of these 22, 19 serve families with children, 4 serve the mentally ill, 2 serve the elderly, and 3 serve the handicapped.[4] None of these grantees target veterans or Native Americans.

In California, Santa Ana focused on homeless single women because of the absence of services to meet the special needs of this group, while Orange County believed that homeless families and children merited the most attention.

[4] Some of the grantees serve more than one target group.

In Georgia, only families with children were targeted for funding. An Atlanta official believed that funds should be targeted to homeless programs, such as emergency shelter, single room occupancy hotels, and day shelters, rather than to types of homeless populations. She added that although the city does not target its McKinney funds to particular homeless groups, the city does earmark part of its CDBG funds for assistance to homeless families with children and to shelters that operate year-round.

According to the Director of the Community Development Department in DeKalb County, Georgia, no specific homeless groups were targeted initially, but the county decided after meeting with the Atlanta Task Force for the Homeless and other interested organizations to emphasize projects that targeted families and children. As a result, three of the four shelters receiving ESG funds serve families with children.

Sometimes a homeless target group, like Native Americans, may not be targeted because there is not a significant population in the area. Most grantees we interviewed said there are very few, if any, homeless Native Americans in their localities. However Riverside County, California, has the second largest Native American population in Southern California. Nevertheless, Riverside County does not specifically target Native Americans because they are included in the groups targeted by the county. These groups, in order of priority, are (1) families, (2) seniors and youths, (3) handicapped, and (4) transients.

Conclusions

The CDBG formulas used to distribute ESG funds do not account for homelessness. There are indications that these formulas may not result in allocations to communities in proportion to need.

The Congress has directed HUD to study alternative methods for allocating funds. HUD should include in its study, particularly if the formula data are found inadequate, increasing allocations to the state rather than local level. This approach would enable allocations to be based on regional familiarity with each community's needs. HUD should also include in its study the financial ability of each recipient to fund that portion of homeless assistance not covered by federal funds.

Agency Comments and Our Evaluation

HUD agreed that the CDBG formula may not distribute homeless assistance funds to those communities most in need, but stressed the lack of reliable data on the homeless, and the undesirability of relying on invalid data.

We agree, as we did with FEMA's allocation, that the lack of such data might be partially offset by allocating more funds by formula to the state level, rather than the local level. This strategy would enable states to use their knowledge of the situation to distribute funds to communities within their state.

HUD also stressed that its tight deadlines were a response to many expressions of congressional intent that the funds be spent in an expeditious manner.

HUD also said it had attempted, in its October 1987 revised regulations, to alleviate any burden caused by restrictions on capital improvements to facilities owned by religious organizations. HUD believed its modification allowing secular organizations to receive the grants and then lease the involved facility to religious organizations had facilitated such grants.

Supportive Housing Demonstration Program

In fiscal years 1987 and 1988, the Congress provided HUD $145 million to develop innovative approaches to providing supportive housing for the homeless. However, the Supportive Housing Demonstration (SHD) Program's success in assisting the homeless cannot be measured yet because at the completion of our review in May 1988, the grantees had not had time to get their projects fully operational. Further, HUD had not established procedures for measuring the program's success in helping homeless persons make the transition to long-term, independent living. Finally, HUD did not consistently follow its application review process and made questionable awards to 24 of its 118 grantees. It has since taken action to correct the processing of grant applications.

How the Program Works

The SHD Program is made up of the Transitional Housing Demonstration Program and the Permanent Housing for Handicapped Homeless Persons Program. The McKinney Act directs HUD to develop innovative approaches for providing supportive housing for homeless people, especially for deinstitutionalized individuals, families with children, individuals with mental disabilities, and handicapped persons.

The SHD Program has been provided $145 million under the act: $80 million for fiscal year 1987 and $65 million for fiscal year 1988. The act stipulated that not less than $20 million of each year's appropriation be allocated to transitional projects serving homeless families with children, and not less than $15 million to permanent housing for handicapped homeless persons. The conference report to the 1987 Supplemental Appropriations Act called for allocating $30 million to transitional housing for deinstitutionalized individuals. Of the $145 million available under the McKinney Act for the SHD Program, the transitional program received $115 million, and the permanent housing for the handicapped homeless program received $30 million.

The SHD Program provides grants for acquiring and/or rehabilitating facilities as well as for operating costs for transitional housing. Applicants must specify how the funds will be used. Grantees must supplement the amount of assistance provided with an equal amount of funds from sources other than the SHD Program.

To help it assess applications, HUD developed a list of "Threshold Requirements." To be successful, applicants had to meet 16 requirements covering subjects such as applicant eligibility, financial responsibility, matching funds, and need.

Program Success Not Immediately Measurable

The success of the SHD Program in assisting the homeless will not be measurable for several months or years because of the time required for grantees to rehabilitate projects, begin operations, and help homeless individuals make the transition to independent living. Similarly, the program for permanent housing for handicapped homeless has, in essence, just begun because HUD awarded grants on June 29, 1988. In addition, HUD has not established procedures for monitoring the operations of the transitional housing grantees to determine if former shelter residents made a successful transition to independent living arrangements.

Transitional Housing Program Just Beginning

In December 1987, HUD awarded 118 grants, totaling $54.3 million, out of the 253 applications received for the transitional housing component of the SHD Program. HUD awarded 68 grants for both acquisition/rehabilitation and operating costs, 10 grants for acquisition/rehabilitation only, and 40 grants for operating costs only. However, for all these grantees, measurable results in assisting the homeless will be months away. As of May 31, 1988, only $6.8 million was disbursed, and subsequently, as of February 17, 1989, only $22.5 million had been disbursed.

HUD required transitional housing applicants to submit tentative dates for acquiring facilities, starting and completing rehabilitation, initiating occupancy, and helping the first individuals/families move into independent living. All but 5 of the 78 grantees awarded acquisition/rehabilitation funds estimated that they would acquire their sites and/or start rehabilitation by April 1988. Grantees' estimated time for completing rehabilitation ranged from 1 to 12 months and averaged 4 months. To help the homeless make the move to independent living, the 78 grantees estimated it would take from 1 month to 18 months (the maximum allowed by HUD); the average estimate was 10 months. In 41 cases, the estimated transition time extended into 1989 or 1990.

Although the 40 grantees who received funds only for operating costs should provide services to the homeless sooner, their estimated time for making the transition to independent living also ranged from 1 month to 18 months and averaged 10 months. The estimated time to help clients make this transition extended to 1989 for 18 of these 40 grantees.

In addition, the transitional housing program manager at the time of our review said that the poor quality of applications resulted in HUD funding almost all acceptable applications. HUD had little flexibility to rank or otherwise choose among the better candidates. Also, $10.8 million of the $30 million set aside for deinstitutionalized homeless was not even

awarded initially because HUD did not receive enough acceptable applications and had to reoffer the funds.

Difficult to Determine Types and Number of Homeless Served

The intended beneficiaries of transitional housing vary. The number of homeless served will be difficult to determine because (1) grantees' applications did not always clearly show the number of homeless to be served and (2) HUD has not yet established any requirements for grantees to report on the results of their programs.

HUD directed transitional housing program funds to homeless (1) families with children, (2) deinstitutionalized individuals, and (3) individuals with mental disabilities. Most of the applications did not specify major beneficiaries beyond these groups. However, included among 18 grantees' targeted homeless populations were substance abusers, veterans, youth, Native Americans, the elderly, and the handicapped.

HUD requested applicants to estimate the maximum number of families and individuals that the project will serve at any one time. As shown in table 5.1, the 118 approved grantees estimated they could serve 1,792 individuals and 735 families.

Table 5.1: Estimated Capacity of Projects Funded by the SHD Program

Types of homeless	Number of grantees	Estimated number to be served: Individuals	Estimated number to be served: Families
Individuals	56	1,296	0
Families	34	0	369
Families and individuals	28	496	366
Total	**118**	**1,792**	**735**

Source. GAO.

Although HUD is developing a monitoring program to report on the results of the transitional housing program, the impact of the type of people and the actual number to be assisted is difficult to determine at this time. According to the transitional housing program manager, grantee application packages did not always clearly show how grantees estimated the number of homeless to be served. For example, some grantees serving families apparently estimated the number of family members they could accommodate, while others estimated the number of families. Also, for applicants serving both families and individuals, the applications did not clearly indicate whether the grantees were including the number of families in one category as well as the number of family members in the individual category. Furthermore, the numbers

generally represent a point in time and do not reflect the number of clients who will be taken in and moved out of the program over time.

Limited Use of Funds for Permanent Housing for Handicapped Homeless

Under the permanent housing portion of the program, HUD provides assistance to states in developing community-based, long-term housing and supportive services for small projects for handicapped homeless people. Further, the McKinney Act requires states to supplement permanent housing program funds with an equal amount of state or local government funds. However, very few of the funds have even been applied for.

On December 22, 1987, HUD announced the availability of $30 million for the permanent housing program and required applications by March 31, 1988. HUD received 57 applications from 24 states, the District of Columbia, and Puerto Rico, requesting a total of $5 million, and on June 29, 1988, HUD announced the award of 37 grants totaling $3.2 million. Because it did not receive a sufficient number of applications to use the entire $30 million available for permanent housing, on June 24, 1988, HUD published an invitation for additional applications.

HUD surveyed states to determine (1) why states did not apply and (2) what problems prevented these states that did apply from submitting more applications. According to HUD, the survey indicated that the primary reasons limiting states' participation were the short time frame (3 months) for preparing and submitting applications and the inability of states to meet the matching funds requirements. Further, when HUD made the funds available, many states had already allocated their budgets for other purposes and could not supplement program funds with an equal amount of state funds.

Questionable Grants Result From HUD's Inconsistent Review of Grant Applications

HUD made questionable grants to 24 grantees because it did not consistently follow its established guidelines. HUD awarded grants to applicants who requested 100-percent funding, overstated their project costs, and did not have adequate site control. As a result, HUD over-funded 24 grants by a total of $1.1 million. In addition, HUD awarded grants to applicants who did not demonstrate adequate support for their ability to match federal funds and was inconsistent in approving grants to primarily religious organizations.

HUD's inconsistent review of grant applications appeared to have occurred because (1) the applications were of poor quality, (2) quick

selection of applicants was urged, (3) an experienced permanent staff did not exist, and (4) a planned second review of applications was not conducted.

For the 24 questionable grants, HUD has taken actions to correct mistakes made during its review and grant process. Appendix III is a detailed listing of each of these 24 grants and HUD's actions.

Irregularities in Processing Applications Resulted in an Over-Obligation of $1.1 Million

HUD over-funded $1.1 million to nine grantees who had (1) requested HUD to fund 100 percent of the acquisition/ rehabilitation costs, (2) overstated their project costs, or (3) did not have adequate control over their project site. However, HUD has already taken steps to recapture these funds.

HUD improperly over-funded grants to transitional housing in several different ways. In one case, two grantees requested HUD to fund 100 percent of their estimated acquisition and/or rehabilitation costs. HUD approved their requests, although program guidelines limit HUD's assistance to 50 percent of the costs of acquiring and/or rehabilitating property. In May 1988, HUD deobligated $97,500 (50 percent) of the funds previously made available to these grantees. Another grantee overstated its proposed operating costs by including the fair rental value of property that it was leasing, rather than actual leasing costs, in its operating budget. HUD deobligated this grant by $363,190 to reflect actual lease costs. In another case, HUD deobligated a grant by $67,390 because the grantee lost, through foreclosure, control of the property it intended to use for transitional housing. HUD's guidelines require that an applicant must demonstrate that it has control of the site involved in the program. According to a HUD reviewer, the option agreement included in the grant application was clearly deficient and should have been questioned before the application was approved.

Lack of Evidence to Support Applicants' Ability to Match Program Costs

The McKinney Act requires that funds provided for transitional housing be matched with funds from sources other than the SHD Program subtitle. On its own initiative, HUD strengthened this matching requirement by requiring that local matching funds not come from federal sources (other than CDBG funds). For the handicapped homeless program, the act specifically requires that matching funds come from state and local funds.

HUD approved 14 applications that did not support the applicants' ability to match program funds or that indicated that applicants proposed using unacceptable sources of matching funds. In one case, HUD obligated a $200,000 noninterest-bearing advance to an applicant for the acquisition/rehabilitation of a structure. The applicant estimated the costs of acquiring and rehabilitating the structure at $405,000. The applicant listed as matching funds a $40,000 grant and a $165,000 loan from a bank. Although the applicant had firm support for the $40,000 grant, the applicant had a firm commitment from the bank for only $40,000 of the $165,000 loan. The applicant did not obtain the shortfall in matching funds until 3 months after HUD had approved the grant and obligated funds. In another case, HUD approved an application that proposed using federal funds as matching funds. Among its matching funds, the applicant included funds from another HUD program to assist the homeless, the Emergency Shelter Grants Program. HUD did not question the acceptability of the applicant's matching contribution, although the source was clearly identified.

Inconsistent Treatment of Religious Organizations

HUD inconsistently approved 11 grants to primarily religious organizations. Under transitional housing program guidelines, HUD restricted the use of the funds for capital improvements at facilities owned or leased by primarily religious organizations. HUD's guidelines allow religious organizations to provide transitional housing and receive federal assistance for capital improvements only by establishing independent, private, nonprofit entities.

HUD approved applications requesting assistance for acquisition/rehabilitation from four religious organizations and conditioned grant approvals on compliance with certain requirements. HUD required two grantees to transfer site control to a nonsectarian entity, one grantee to stipulate that HUD-derived assets be disbursed to a nonsecular organization upon dissolving the corporation, and the fourth grantee to revise articles of incorporation to remove any pervasively sectarian purposes and to ensure that assets associated with the HUD grant are not distributed to sectarian organizations upon dissolution of the corporation.

In seven other cases, after selecting grantees, HUD determined that it had approved applications and obligated funds to religious organizations without including conditions in the notifications of grant approvals. In five cases, a HUD reviewer had indicated during the review process that, if funded, the applicant would be required to form a separate entity. For the sixth case, a HUD reviewer questioned whether the applicant was

pervasively sectarian because it gave religious literature to clients. For the seventh case, the HUD reviewer indicated that the grantee would not be required to form a separate entity, unless the organization was deemed pervasively sectarian. According to a HUD reviewer, these issues were overlooked and not resolved before funding approval.

To resolve these inconsistencies, HUD required the seven grantees to form separate entities, revise articles of incorporation, or certify that they will provide services free of religious influence.

HUD's Reasons for Inconsistent Reviews

According to the transitional housing program manager, interrelated factors contributing to the inconsistent review of applications included

- quick selection of grantees,
- no permanent staff,
- no second review of applications to ensure guidelines were being consistently applied, and
- poor quality of the applications.

First, the Department urged quick selection of grantees. HUD required applications by October 30, 1987, and made selections around mid-December 1987. According to the program manager, the Department wanted selections made by the legislative reporting deadline. The McKinney Act required HUD to submit an interim report summarizing program activities to the Congress by December 31, 1987.

Second, the program did not have permanent staff assigned. Except for the manager, all staff assigned to the program were on detail for varying periods of time. Over 50 percent of the program staff were assigned a few days before or after the application deadline. Some were on detail for only 30 days and left before final selections were made. As staff rotated in and out of the program, work loads were adjusted and applications changed hands so that many points that the original reviewers made were overlooked before HUD selected recipients and prepared funding approval letters. In addition to the lack of staff continuity, no formal training program was provided for reviewers, many of whom were not familiar with the program. As a result, reviewers learned about the program as they reviewed applications.

Third, HUD did not follow its plan of conducting a second review of applications to ensure that reviewers were consistently interpreting and

applying program guidelines. The transitional housing program manager had planned to divide her staff into teams, with each team headed by a team leader who would function as a second level of review. However, because of time constraints and rotation of staff, the plan was not followed. Team leaders functioned only as primary reviewers.

Fourth, the poor quality of the applications required HUD to provide time-consuming technical assistance to applicants.

According to the current director of the program, HUD is taking the following actions to improve processing of grant applications: (1) converting existing program staff to permanent full-time status and committing additional staff positions to the program; (2) establishing automated systems to track and monitor internal activities, including correspondence, application status, project status, and funding requests; and (3) rewriting review procedures and conducting training sessions to ensure that all staff are consistent in their approach to the review process. Also, a second review will be conducted on all applications to increase quality control.

Conclusions

We could not determine the effectiveness or success of the transitional housing component of the SHD Program because of the time required for grantees to (1) rehabilitate projects, (2) begin operations, and (3) help homeless families and individuals make the transition to independent living.

Measuring the program's future success will also be difficult unless HUD fully develops and implements a monitoring procedure to ensure that demonstration projects are accomplishing program goals. HUD has indicated that it is developing monitoring objectives for field office staff and is exploring ways to evaluate the grant models.

The program for permanent housing for handicapped homeless has, in effect, just begun because HUD announced the award of grants on June 29, 1988. Applicants applied for only $5 million of the $30 million available for this program. The application filing period, which closed March 31, 1988, was too close to the end of our review for us to pursue the possible causes for the low number of applications.

Because of weaknesses in HUD's application review procedures, 24 questionable grants were approved, resulting in such problems as over-funding of individual grants; inconsistent treatment of religious

organizations; funding of applicants who did not have adequate control of project sites; and funding of applicants who did not have evidence to support their ability to match program costs. HUD has taken specific steps, however, to deobligate funds, correct other problems with these grants, and revise its application review procedures to include a second review.

Recommendations

We recommend that the Secretary of HUD ensure the completion of departmental efforts to

- develop methods for measuring the success of the SHD Program in facilitating the movement of homeless persons to independent living within a reasonable amount of time, and
- establish procedures for reviewing work done by those processing grant applications to ensure that program guidelines are consistently interpreted and applied.

Agency Comments

HUD did not comment on this chapter of the report or the above recommendations. However, agency officials indicated their agreement with the above information and recommendations.

Supplemental Assistance for Facilities to Assist the Homeless

The purposes of the Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) Program are to (1) supplement ESG and SHD projects when additional funds are needed to meet the special needs of families with children, the elderly, and the handicapped, or to facilitate the use of public buildings to assist the homeless; and (2) provide comprehensive assistance for particularly innovative approaches to meeting the needs of the homeless. Because only a little over $1.3 million of the $15 million appropriated for this program had been disbursed as of May 31, 1988, it was too early to assess the results of the program. Information provided by certain recipients, however, indicates that the funds will have a significant impact on their operations.

HUD has focused the program almost exclusively on the second goal: it has funded only those projects providing comprehensive assistance for innovative approaches to meet the needs of the homeless. However, about 70 percent of the total $15 million awarded will go to aid two groups targeted by the program's first goal—the homeless elderly and families with children, and the homeless handicapped will also be served.

How the Program Works

The McKinney Act authorized $25 million each year for the SAFAH Program for fiscal years 1987 and 1988. For fiscal year 1987, $15 million was appropriated. No funds were appropriated for fiscal year 1988. The act required that, to the extent practicable, not less than 50 percent of SAFAH funds be targeted toward the homeless elderly and families with children, with a portion of such funds being used for child care facilities, and that funds be distributed equitably across geographic areas.

States, metropolitan cities, urban counties, tribes, and nonprofit organizations can apply for interest-free advances to assist in acquiring, leasing, or substantially rehabilitating facilities to aid the homeless; grants for moderately rehabilitating facilities; and grants for supportive services such as counseling, transportation, and outpatient health services. Advances are subject to a 10-year operation agreement with repayment terms based on the length of operation. Outpatient health services are limited to $10,000, and funds for administrative costs are also limited to no more than 5 percent of an advance or a grant.

The act requires applicants to make "reasonable efforts" to use all available local resources and funds through other McKinney programs before applying for SAFAH funds. It prohibits applicants from using SAFAH funds to replace any nonfederal resources. Applicants have to demonstrate

their commitment to alleviating poverty and their continuing capacity to effectively assist the homeless.

HUD published regulations on October 19, 1987, that required applicants to submit proposals by December 3, 1987. These regulations stipulated that SAFAH recipients could use funds only for new or expanded facilities and services and that individual awards would be limited to a maximum of $1 million. The regulations also restricted the use of SAFAH funds by primarily religious organizations to the providing of supportive services, unless such organizations agreed to establish, after the award, a wholly secular organization to receive funds for acquiring or renovating facilities.

Applications and Awards to Date

HUD received 251 applications for SAFAH funds, 15 of which arrived after the December 3 deadline and were returned to the applicants. The remaining 236 applications were first reviewed to ensure that the organizations met initial requirements such as eligibility, proposal feasibility, sighting and zoning rules, and consistency with Comprehensive Homeless Assistance Plans. Applications for comprehensive projects that passed this review were then rated by a panel on such things as their ability to generate funding from other sources, their ability to serve the homeless and their strategy for doing so, and their support from existing local task forces. Applicants for supplemental assistance also had to provide information on the related ESG or SHD projects. The proposals were ranked on the basis of the panel ratings, and projects were funded according to their rank. HUD staff also recommended smaller projects in four additional states to improve the geographic distribution.

Of the 236 applications HUD accepted, 105 were considered eligible; 38 of these were selected for funding on December 23, 1987, and an additional one was selected in January 1988. All SAFAH awards were for comprehensive assistance; no applications submitted in the supplemental category were rated or funded. Awards ranged from a little over $14,000 to $1 million, with an average award of over $384,000. HUD awarded funds to applicants in 24 states, with at least 2 located in each of HUD's 10 regions.

HUD staff processed the 236 SAFAH applications in 20 days. Review procedures were detailed and followed published regulations. HUD staff had prior experience in choosing grant recipients for housing programs and were trained in the details of the SAFAH program. HUD's selecting official, the General Deputy Assistant Secretary for Policy Development and

Research, reviewed and accepted the list of applicants that the staff recommended for awards.

Proposed Use of the Funds

Organizations receiving the 39 SAFAH awards planned to spend $9 million for supportive services and $6 million for shelter rehabilitation projects. About 70 percent of the funds are planned for the special homeless groups targeted by the McKinney Act. Examples of proposed projects include social service referrals and classes on parenting skills for residents of an existing transitional shelter; rehabilitation of a building as a daycare center for homeless children; establishment of a drop-in center at a city-owned building to provide food and supportive services for the homeless; an emergency telephone line providing referral services 24 hours each day; and employment counseling services for homeless women.

Too Early to Assess the Effects of SAFAH on Homelessness

Because only a little over $1.3 million of the $15 million SAFAH appropriation had been disbursed by May 31, 1988, it would be premature to assess the effect of the SAFAH program on the needs of the homeless. However, recipients we interviewed told us SAFAH funds are an important part of their projects' budget and operations, and their proposals address both the immediate and long-term needs of the homeless.

SAFAH contributed an average of 20 percent of the projects' budget, according to information obtained from the 14 applications we randomly selected to examine in detail. A recipient in Illinois who received SAFAH funds for 1 year of the project expects that a successful first year supported by SAFAH will generate additional federal funding, as well as other resources, so that the program can continue. Two recipients, one in New Jersey and another in New York, told us they would be able to increase the magnitude of assistance provided homeless groups by combining SAFAH assistance with other resources. The New Jersey recipient planned to use its SAFAH award along with other government and private funds to expand an existing emergency shelter. The New York recipient told us SAFAH funds enabled the organization to expand its network of drop-in centers.

SAFAH projects will also address both the long-term and immediate needs of the homeless. All 14 of the projects we reviewed are to provide supportive services geared to long-term problems of homelessness, such as employment and permanent housing, as well as aspects of emergency

assistance, such as food and temporary shelter. For example, one applicant proposed using SAFAH funds not only to provide employment education for homeless families but also to pay personnel at an emergency shelter for the homeless. In other proposals, recipients plan to expand emergency assistance they already provide, such as hot meals, once they obtain their SAFAH funds. If fulfilled, the planned uses would have a positive impact on homelessness in the areas where awards were made.

HUD Emphasizes Comprehensive Assistance Over Supplemental Assistance

SAFAH funds can be used for either supplemental or comprehensive assistance under the McKinney Act. HUD's regulations, however, emphasize the comprehensive assistance category, stating that awards for supplemental assistance would be made only if excess funds remain after funding acceptable comprehensive proposals.

All SAFAH applications funded by HUD were in the comprehensive assistance category. HUD officials emphasized the comprehensive assistance category because they wanted to fund "innovative" projects aimed at helping clients move to independent living and addressing all homeless individuals' needs, from food and shelter to education, employment counseling, and assistance in obtaining permanent housing. HUD also viewed its emphasis on comprehensive assistance as an opportunity to provide the funds needed by service providers to generate other resources and to design solutions that address their unique problems.

However, even with HUD's emphasis on the comprehensive category, 7 of the 14 applications we examined covered projects that also received SHD or ESG funds, and thus may have met both purposes of the program. The 14 projects also contained other components of the supplemental category that were highlighted in the act. For example, five recipients proposed to use public buildings in their projects, and three indicated they would target the handicapped. One recipient said its SAFAH proposal was really an application for assistance to supplement an SHD project, but on advice from HUD, the application was written to address the comprehensive assistance criteria.

A Georgia recipient told us that 83 percent of its project is funded by the ESG and SAFAH programs, with SAFAH funds comprising 67 percent of the total funds. If these two grants are not renewed, the recipient said it would experience difficulty generating sufficient operating funds to continue the project.

HUD Targeted the Elderly and Families With Children

As required by the McKinney Act, HUD is attempting to direct not less than 50 percent of SAFAH assistance to the elderly and families with children and use a portion of the funds for child care facilities. HUD encouraged applicants to target the elderly and families with children by indicating in its regulations that special emphasis would be given to projects that proposed to serve these groups. As part of the rating process, HUD staff calculated the amount of funds the applicants proposed to use serving target groups. HUD determined, prior to the awards, that approximately 70 percent of the SAFAH funds would assist these groups, exceeding the McKinney Act requirement for not less than 50 percent. (In addition, 4 of the 14 recipients that we reviewed also proposed child care facilities.)

Reduced Periods for Applications and HUD's Review

HUD's SAFAH regulations were released almost 60 days later than the McKinney Act mandated. To compensate for this delay, HUD reduced the amount of time applicants had to submit their proposals from the 60-day maximum provided by the legislation to 45 days. HUD officials also reduced their own application review time from 30 days to 20 days. HUD's SAFAH awards on December 23, 1987, were 45 days later than required; the McKinney Act had placed an outside limit for recipient selection of within 120 days of when funds become available. According to HUD's SAFAH program coordinator, the agency was only 4 days late in making the awards. The discrepancy is based on HUD officials' interpretation that funds become available when allotted by HUD's budget office as opposed to the date the Congress appropriated funds. However, contrary to HUD's interpretation, the act's legislative history demonstrates that the Congress intended that funds be considered available when appropriated.

We visited nine recipients and received the following comments about these time frames:

- Seven said the time frame for submitting the SAFAH application was tight. Two of the recipients said that if they had not been planning a project when they became aware of the SAFAH program they would not have been able to meet the deadline and probably could not have applied.
- One recipient who was awarded an advance to purchase a shelter for the homeless liked the expedited application and award process. The recipient said speed is important in a fast-paced real estate market because it s hard to hold property while the government makes an award decision.

- Another recipient, with an annual budget of $80 million, said it had enough time to complete the application but that it might not be adequate time for a smaller organization.

Illinois officials, who applied for but did not receive an award, also said they did not have time to submit an adequate application.

Applicant Changes Slow Project Implementation

Although HUD sent grant agreements to the recipients in late January 1988, some were not executed until March or April because of project changes requested by the recipients. As of May 31, 1988, about 9 percent of the $15 million SAFAH awards had been disbursed to the recipients.

A SAFAH program official said that several grantees requested changes in their projects. HUD approved budget changes that reflected approved changes in the schedule or method for providing services to the homeless. However, HUD refused project site changes requested by recipients and required them to proceed with the SAFAH project or withdraw. HUD's Office of General Counsel concluded that it was not permissible to allow a site change under the competitive award process. A change would be equivalent to accepting a new proposal after the applicant had documented site control to be eligible for an award.

One recipient—Houston—requested a change in project site, but then subsequently withdrew its $964,000 application in May 1988. The city had originally applied on behalf of the county mental health authority, but the proposed project site in Houston became controversial when challenged by community organizations as inappropriate to serve the intended clients—homeless mentally ill individuals. In its withdrawal letter, the county authority said it planned to proceed with state funding for its project.

On May 9, 1988, HUD awarded the withdrawn funds to 7 additional comprehensive applications, for a new total of 45 SAFAH awards. The grant agreements were sent out in May, and as of June 30, 1988, five had been returned and executed by HUD while two were pending.

SAFAH disbursements began in March for some of the grants executed during February and March. Of the 38 remaining original SAFAH recipients, 16, or 42 percent, received $1,338,000 during the 3 months ending May 31, 1988, while 22 recipients, or 58 percent, had not yet drawn any SAFAH funds.

Recipients Express Concern About Some Requirements

According to SAFAH recipients we spoke with, some SAFAH application and administration requirements were unnecessary, unclear, or meaningless.

Historic Preservation Requirements

HUD regulations require that project applicants provide one of the following:

- a letter from the State Historic Preservation Officer indicating that the facility to be funded is not a historic property;
- the State Historic Preservation Officer's agreement that even though it is a historic property, the proposed use is acceptable; or
- evidence that an environmental review for similar uses of the property has previously been done.

Of the nine recipients we spoke with, three said a certification from the State's Historic Preservation Officer indicating that their facility would not involve a historic property should not be necessary when projects provide services rather than capital improvements. For example, this requirement initially caused concern for one recipient who planned to provide supportive services because the organization had no control over how quickly the certification could be obtained and initially feared it would not be able to submit the application on time. Another recipient said the requirement hindered the preparation of the proposal. In commenting on a draft of this report, HUD advised us that the need for certifications on projects involving services only will be dropped.

Policies Regarding Religious Organizations

Recipients also took exception to HUD's policy regarding participation in the SAFAH Program by religious organizations. HUD requires such organizations to agree to provide assistance free from religious influence. Such organizations receiving an award had to establish a separate, wholly secular organization to implement the proposed activities or to receive the grant. HUD does not believe its policy deterred any religious organizations from applying for SAFAH funds, including funds for capital improvements. According to officials of a recipient religious organization, some confusion arose initially concerning the organization's eligibility for SAFAH funding of supportive services at its transitional shelter for families. Originally, the organization said it was eligible, but HUD disagreed. Later HUD acknowledged the organization's eligibility. The recipient said that since religious organizations provide much of the

emergency services for the homeless, it does not make sense to subject them to such a restrictive policy.

Health Services Regulations

According to one recipient, HUD regulations were not clear about the requirement for outpatient health services. Regulations state that applicants must demonstrate that their proposals for outpatient health services meet requirements spelled out in the Department of Health and Human Services' and HUD's guidelines. However, the regulations provide no description of the criteria for acceptable proposals. The recipient said the organization did not know how to fulfill the requirement, and the health service proposal it submitted was disapproved.

Coordination Difficult

The McKinney Act created separate homeless assistance programs with their own purposes and requirements. The SAFAH Program requires applicants to demonstrate that they have made reasonable efforts to use other available funds, including funds from the other title III and IV McKinney programs. Recipients of SAFAH awards also receive funds from other McKinney programs, but according to recipients, the disunity of the programs has had adverse effects.

We did not evaluate how well applicants addressed this requirement of attempting to use other funds, but we did find that 10 of the 14 SAFAH recipients we reviewed received funding from other McKinney programs.

SAFAH recipients also identified duplication and problems with coordination among the McKinney programs as well as concern about how the assistance can better meet needs of individual communities. Comments by some recipients include the following:

- The McKinney Act created too many homeless programs, each with its own guidelines, requirements, and deadlines, making it difficult to coordinate applications and project execution.
- These programs are unique and create a fragmented local effort to assist the homeless.
- McKinney programs, and in particular SAFAH and SHD, have duplicative application requirements, raising a question about the need for both programs.
- Different application requirements and milestones of the McKinney programs placed a heavy burden on the staff and other resources of small, nonprofit organizations.

- Combining the programs' funds into a single block grant might allow better overall coordination of homeless assistance and might better serve the needs of the community.

Conclusions

Although HUD's implementation of the SAFAH Program concentrated on only one of the two objectives set forth in the act, recipients of SAFAH awards propose to use most of the funds to serve homeless elderly and families with children, as required by the act, and HUD distributed the awards throughout the country to provide geographic equity.

Because less than 9 percent of the funds had actually been disbursed by HUD and spent by the recipients at the conclusion of our review, it is premature to assess SAFAH's effect on the homelessness problem. Recipients experienced some difficulties with HUD's program requirements during application and initial implementation, but for the most part they have overcome any hardships and resolved any disputes.

Agency Comments and Our Evaluation

HUD stated that our draft report implied that any project receiving funds in addition to SAFAH could not properly be judged as comprehensive. That was not our intention. We were attempting to show that even though HUD funded only comprehensive applications, the supplemental objectives contained in the McKinney Act may have been met because some of the comprehensive projects that HUD funded could also have qualified as supplemental objectives. This position has been clarified.

HUD also stated that its Federal Register announcement, dated January 11, 1989, implementing the 1988 McKinney Act amendments clarified that historic preservation requirements will not apply to projects involving only social services.

HUD also said that their SAFAH regulations, like the ESG Program, now provide greater flexibility for religious organizations providing services to the homeless.

Section 8 Assistance for Single Room Occupancy Dwellings

The McKinney Act has enabled HUD to provide rental assistance for the moderate rehabilitation and occupancy of approximately 1,000 single room occupancy (SRO) dwellings that would not otherwise be available to the homeless. However, on the basis of our computations, HUD has underestimated total program costs and could have financial obligations well in excess of the $35 million. Depending on the actual number of SRO units that qualify for McKinney Act assistance, total program costs could ultimately reach approximately $49 million, or about $14 million more than the original appropriation.

How the Program Works

The McKinney Act authorized $35 million in fiscal years 1987 and 1988 for HUD Section 8 Assistance for Single Room Occupancy Dwellings.[1] The entire $35 million for fiscal year 1987 was appropriated; however, no funds were appropriated for fiscal year 1988. HUD will make the $35 million available through annual Section 8 housing assistance payments over a 10-year period.

An SRO is a one-room unit in a multiunit structure. It is occupied by a single, eligible individual capable of independent living. As defined in the federal regulations, the unit does not contain food preparation and/or sanitary facilities. Traditionally, the units are occupied by single, welfare-dependent people. Under the McKinney Act, SRO units would be used for occupancy by the homeless.

Under the McKinney Act, HUD was required to allocate funds in a national competition to applicants who best demonstrated the need for assistance and the ability to carry out a program. The act specified that applications for assistance must include

- a description of the size and characteristics of the population that would occupy SRO dwellings;
- a listing of additional commitments from public and private sources that applicants might be able to provide in connection with the program;
- an inventory of suitable housing stock to be rehabilitated; and

[1]The Section 8 program was authorized by a 1974 amendment to the United States Housing Act of 1937. Its purpose is to provide lower income families with decent, safe, and sanitary rental housing through the use of housing assistance payments. Since 1974, the section 8 program has been the major HUD program for providing federally assisted rental housing Section 8 was designed to replace both low- and moderate-income subsidy programs. A principal feature of the program has been the ability to use various financing mechanisms to help develop new or rehabilitated projects.

- a description of interest expressed by builders, developers, and others (including profit and nonprofit organizations) participating in the program.

The McKinney Act also specified fire and safety improvements, cost limitations, and contract requirements. It required installing a sprinkler system that protects all major spaces, hard-wire smoke detectors, and other fire and safety improvements required by state or local law. The total cost of rehabilitation could not exceed $14,000 per unit, plus the cost of fire and safety improvements. However, to accommodate special local conditions, including high construction costs and/or stringent fire or building codes, HUD can increase this limitation by a reasonable and necessary amount. No single city or urban county is eligible to receive more than 10 percent of the assistance made available under this program. Each contract HUD enters into with a public housing authority (PHA) should

- commit the Secretary of HUD to make such authority available for an aggregate period of 10 years;
- provide the Secretary with the option to renew the contract for an additional period of 10 years, subject to the availability of appropriations; and
- provide that the first priority for occupancy of housing rehabilitated under this section shall be given to homeless individuals.

Application Review and Approval Procedures

After the SRO Program received its fiscal year 1987 appropriation in July 1987, HUD prepared a Notice of Fund Availability that specified the amount available for funding and the McKinney Act SRO Program requirements for expedited processing, use of funds, allocation of funds, fire and safety improvements, cost limitations, and contract requirements. HUD also incorporated by reference many Section 8 Moderate Rehabilitation Program regulations. This notice was published in the Federal Register on October 15, 1987.

Only PHAs already participating in the Moderate Rehabilitation Program were allowed to apply. The notice indicated that only PHAs that have already identified specific projects would likely be able to react quickly enough to submit applications by November 16, 1987, and execute an agreement by January 4, 1988—the deadlines HUD set for the program.

Screening of Applications

Over 100 PHAS applied for the program. The HUD Office of Elderly and Assisted Housing prepared a checklist of requirements that an application must meet. Applications were initially screened to ensure that HUD had received them by the November 16, 1987, deadline, and that the applicants had already participated in the Section 8 Moderate Rehabilitation Program. If these two requirements were met, then the office used the checklist to ensure that all required certifications were included in the applications. Requirements included certifying that rehabilitation work would be completed within 6 months from the agreement date and that the SRO owner had the financial means to complete the project.

Applications were rejected because of late submission, lack of required certifications, or lack of participation in the Section 8 Program. Of the more than 100 applications received, 47 met HUD's threshold screening and were ranked according to such factors as correlation between the number of units and number of homeless, number of units to be made available to the homeless, and resources of the owner. After screening the projects, HUD ranked the qualifying SRO projects for funding, using its own funding formula. This procedure resulted in the approval of 21 projects, representing 1,025 SRO dwellings located in 17 states and Puerto Rico.

In making the awards, HUD required the following from the PHAS:

- an annual contributions contract with HUD,
- an agreement to enter a housing assistance payments contract with the SRO owners, and
- completion of the renovation and signing of the housing assistance payment contract within 6 months of executing the initial agreement.

According to HUD's SRO Program Coordinator, the entire $35 million McKinney Act appropriation has been distributed to the HUD regional offices. Most program funds will not be disbursed to the PHAS until the construction phase of the program has been completed, scheduled for July 1988, and evidence of eligibility for occupancy is provided to HUD regional offices. The funds will be disbursed over a 10-year period. As of June 1988, less than $100,000 had been disbursed. These funds were for drawdowns of PHAS' administrative allowances and rental assistance for about eight units at one PHA since February 1988.

Program Has a Positive but Limited Impact

Although few funds had been disbursed by June 1988, the SRO Program has resulted in HUD's contracting with 21 public housing authorities to rehabilitate and support 1,025 SRO units that would otherwise not be available to the homeless. The units are located in existing structures that are publicly and privately owned, such as vacant schools, hotels, and multilevel buildings. Supportive services will be provided to, or be accessible by, the residents of all projects. Some of the PHAs intend to target specific groups of homeless, such as the mentally ill, substance abusers, and AIDS patients.

Table 7.1 shows the location of the approved PHAS, the number of SRO units being renovated, and the approved funding for each location.

Table 7.1: HUD-Approved PHA Project Awards

PHA location	Number of units	Approved awards	Target group
Amarillo, Texas	33	$905,256	Mentally ill
Dane Co., Wisconsin	10	324,000	
Duluth, Minnesota	60	1,807,920	
Grand Rapids, Michigan	86	2,303,424	
Jacksonville, Florida	109	3,496,284	
Lewiston, Maine	15	492,480	Mentally ill
Louisville, Kentucky	56	1,493,856	
Mayaguez, Puerto Rico	42	1,020,600	
Minneapolis, Minnesota	16	620,352	
Newport, Rhode Island	66	2,893,968	
New York, New York	67	2,554,308	
Philadelphia, Pennsylvania	90	3,246,480	Mentally ill
Phoenix, Arizona	46	1,803,384	
Portland, Oregon	58	1,854,144	Mentally ill/ substance abusers[a]
Pueblo, Colorado	14	429,408	Mentally ill/ substance abusers
San Francisco, California	33	1,899,612	AIDS victims
Sacramento, California	20	764,640	
Schenectady, New York	41	1,368,252	
Seattle, Washington	98	3,471,552	
Shreveport, Louisiana	45	1,326,780	Mentally ill
Trenton, New Jersey	20	905,040	Mentally ill
Total	**1,025**	**$34,981,740**	

[a]Also targets women who are leaving prostitution and ex-offenders who lack job skills.

Note Figures shown were calculated by GAO using HUD's criteria These figures agree with HUD's except for differences in rounding

PHAS plan to provide supportive services in 13 of the 21 locations representing approximately 600 SRO units. These services include counseling, transportation, money management, mental health, and outpatient services. Not all locations will provide all services.

As shown in table 7.1, 8 of the projects, covering 308 SRO units, will target specific groups of homeless. Of these, 203 units will be targeted for mentally ill homeless, 72 units for the mentally ill as well as substance abusers, and 33 units for homeless people with AIDS or AIDS-related conditions.

HUD Budget Process Could Underestimate Total Program Costs

According to our calculations, HUD's budget process has underestimated total program costs, which could ultimately reach $49 million by the end of its 10-year commitment, or $14 million more than the original appropriation. The resultant shortfall in funding will occur because HUD did not consider certain cost escalation factors in its original computations for project funding. In addition, most of the program funds will be used for rental assistance payments over the 10-year life of the program rather than for reimbursement of SRO rehabilitation costs.

According to the SRO coordinator, HUD calculated the approved funding amounts for the SRO projects using the Section 8 Moderate Rehabilitation Program's guidelines. According to these guidelines, the basis for computing the fair market rent for an SRO unit in the program is 75 percent of the HUD-determined fair market rent for a zero-bedroom unit in the project's locality, with 20 percent added to allow for rehabilitation expenses. To arrive at the approved funding level for each SRO project, the SRO coordinator first multiplied the computed fair market rent for each location by the proposed number of units in the project and then projected this amount over 120 months to account for the program's 10-year life.

This funding formula was applied to the approved applications according to their ranking, starting with the highest ranked application, until all program funds were committed. If a PHA's funding exceeded the McKinney Act limitation of 10 percent of available funds ($35,000,000 multiplied by 10 percent to equal $3.5 million), HUD reduced the number of units approved until the PHA was within the limit. Using this process, HUD originally funded 19 applications. One applicant had to withdraw because it could not meet the July 1988 construction deadline. The funds made available due to the withdrawn application were then reprogrammed to the next three highest ranked applications, resulting in the 21 final awards. (See table 7.1 for a listing of approved PHAs.)

According to the SRO coordinator, rental assistance payments will not be increased by HUD headquarters beyond the originally approved funding levels, but procedures allow HUD regional offices to grant exceptions of an additional 10 percent for units in a high-cost area and/or 20 percent for unanticipated construction costs. Additional funding for these exceptions will have to be approved at the regional level. No provision has been made for additional funding.

Factors Not Included in HUD's Funding Formula

The following factors were not directly addressed by HUD in its project funding calculation:

- the 7-percent per-year inflation factor used by HUD for fair market rent figures over the 10-year program period, and
- the 8-percent administration allowance that HUD is required to pay the PHAS.

Using HUD's estimated 7-percent inflation factor for fair market rents and the 8-percent administration allowance, we calculated the funding for the approved SRO projects over the 10-year life of the program. On the basis of our computations, full funding of the program could require approximately $49 million.[2] Since only $35 million has been appropriated, it appears that HUD could have underestimated program costs by $14 million, in which case the original appropriation will be exhausted by the eighth year of the program.

The SRO coordinator emphasized that the funding calculation was a rough estimate. Actual amounts cannot be determined until all construction work has been completed, and the amount of funding will depend on actual occupancy levels over the life of the program. The coordinator also estimated that HUD could exhaust the $35 million in SRO program funds in approximately the seventh or eighth year of the 10-year program. At that point, HUD will request amendment funds from the Congress to make up for the funding shortfall. According to the coordinator, the process of requesting amendment funds to make up shortfalls is routinely done with Section 8 programs.

The Program Limits Funding for Rehabilitation Costs

Our analysis of HUD's approved funding shows that $29.2 million, or 83 percent of the first year's appropriation, will be for rental assistance and that $5.8 million (17 percent) will go to reimburse SRO owners for their rehabilitation costs. That is, the average SRO unit will be reimbursed $5,658 ($5.8 million divided by 1,025 units) for rehabilitation costs.

According to the HUD SRO coordinator, the McKinney Act does not require reimbursement up to the $14,000 maximum in rehabilitation costs. The coordinator further said that if the cost of rehabilitation

[2]HUD's award calculations and our estimates did not include (1) possible exceptions for high cost areas or unanticipated construction costs (which would increase the funding required); or (2) the 30-percent tenant contribution (which would reduce the funding requirements).

exceeds the amount allotted by HUD, the SRO owner should make up the difference by obtaining funds from HUD's rental assistance payments or from supplementary sources. If the funds were appropriated exclusively for rehabilitation purposes, approximately 2,500 SRO units ($35 million divided by $14,000 per unit) could have been renovated through this program as opposed to the 1,025 now supported. However, no rental assistance could then be provided.

PHA Comments Concern Tight Deadlines

HUD's Office of Elderly and Assisted Housing solicited, screened, and accepted applications for the SRO Program. This office stopped working on the normal Section 8 Program and dedicated about 6 weeks to working on the McKinney Act SRO Program. Program participation was limited by tight application deadlines and was open to only those PHAs that have operated programs under Section 8 in the past. Nevertheless, over 100 PHAs applied. Of these, 47 applications met HUD's threshold screening, and 21 of the projects were funded. However, there is reason to believe that implementation deadlines may have been set too tightly. One grantee subsequently dropped out of the program, and several others were not expected to meet the July 1988 construction deadline.

Generally, PHA officials we visited were satisfied with HUD's administration of the program. According to these officials, the SRO projects that we reviewed would not be implemented without funding provided by the McKinney Act. Their major concerns related to the tight time frames of the program. Specific concerns were expressed by officials of the Duluth, Minnesota, and Sacramento and San Francisco, California, PHAS.

According to the Executive Director of the Duluth, Minnesota, Housing and Redevelopment Authority and other officials, the PHA would not have been able to apply for and implement the project if the SRO owners' project planning had not been well underway. The housing authority had no problem meeting HUD's application deadline because the nonprofit owners had completed considerable planning and acquired funding from state, city, and foundation sources. However, the authority experienced difficulty in completing the agreements with the SRO project owners and the paperwork with the HUD area office. The agreements and contract with HUD were completed by December 31, 1987, but it required considerable extra staff effort and the cooperation of city officials to meet that deadline.

The Sacramento PHA experienced difficulty, once the project was identified, in acquiring the appropriate approvals from the various city,

county, and legislative bodies within the 30-day time period required by HUD. In addition, it took over 2 weeks for the PHA to receive HUD's notification of award.

The San Francisco PHA had to do additional work in order to qualify for this program. Under the general Section 8 Program, applications are solicited through advertising, and they are reviewed as they come in. However, because of McKinney Act requirements and the short time frame allowed, the PHA had to seek a viable project without using the normal advertising process. The extra work involved meeting with public interest groups, city agencies, and nonprofit organizations to locate a project that would qualify. The special program manager for the San Francisco PHA believed that more programs might have qualified for funding but were not considered because the PHA did not have enough time to follow the normal application procedure.

As of April 15, 1988, 7 of the 21 projects had indicated that rehabilitation construction would not be finished by the July 1988 deadline: (1) three had construction problems, (2) three had to delay the start of construction while awaiting rulings on Davis-Bacon Act wage rate requirements, and (3) the seventh project started late because it was chosen after the initial project selection when another application was withdrawn. HUD was planning to grant extensions to these projects.

In commenting on a draft of this report, HUD stated that it extended the deadlines for submission of applications and completion of rehabilitation by a Federal Register announcement dated January 9, 1989.

Conclusions

The McKinney Act has enabled HUD to provide rental assistance to rehabilitate approximately 1,000 SRO dwelling units that would not otherwise be available to the homeless. Through use of the existing Section 8 Moderate Rehabilitation Program, HUD was able to plan and implement the program quickly. HUD's administration of the program has also ensured compliance through the application, award, and construction phases. PHAs have indicated, however, that the program's implementation deadlines are very tight and may not be met by several of the program's SRO participants.

Using the McKinney Act's first year appropriation of $35 million, HUD approved funding for 1,025 SRO dwelling units located in 21 cities across the country. Since disbursement of most rental assistance payments to SRO owners will only begin after construction has been completed (July

1988) and will continue over a 10-year period, it is too early to tell with certainty how much this program will actually cost. However, on the basis of our computations, HUD has underestimated total program costs and could expend the entire $35 million appropriation up to 2 years before its rental assistance payments contracts with sponsoring public housing agencies expire. Depending on the actual number of SRO units that qualify for McKinney Act assistance, total program costs could ultimately reach approximately $49 million, or about $14 million more than the original appropriation. Furthermore, although the act specified that as much as $14,000 per unit could be used for moderate rehabilitation, HUD has followed its guidelines limiting reimbursement of such costs to 20 percent of the computed fair market rental assistance. Since SRO owners, on average, will receive less than half of the $14,000 per unit maximum allowed by the McKinney Act for rehabilitation costs, most program funds will be used for rental assistance payments over the next 10 years rather than for reimbursement of SRO rehabilitation costs.

Recommendations

We recommend that after the construction phase of the program has been completed, the Secretary of HUD direct program officials to recompute the total amount of rental assistance payments, taking into account the PHA administrative allowance and HUD's estimated inflation factor.

We further recommend that future awards under the Section 8 SRO Program be determined using known cost escalation factors and the experience gained from the first-year program funding process.

Agency Comments and Our Evaluation

HUD contends that its funding approach does take into account the factors we cited, by not reducing the rental assistance cost estimate for the vacancies that would exist during the rehabilitation and initial leasing period, or by estimating any cost offset for tenant contributions. This approach, HUD said, is designed to create a reserve to cover the inflation factor and administration allowance that we believe understates its cost estimate. HUD said this funding approach was developed several years ago for its Section 8 Program and could reasonably sustain program operations for 7 or 8 years, and perhaps for the entire 10 years. We agree that the two factors HUD cited would tend to overstate its cost estimate and therefore offset the two factors that we cited in our report. But as HUD shows in its formula, actually none of these four factors are calculated into the formula. Rather, HUD contends that by leaving them all out, they will offset one another.

HUD also said that any greater precision in forecasting is impractical because of the difficulty of predicting inflation rates and the other factors that could influence rental rates and tenant incomes. HUD also said that the Congress recognizes the possibility of needing supplemental funds by requiring increases in assistance payments when rents increase or tenant income declines. HUD said that it will follow its normal Section 8 procedures, requesting additional funds when, and if, it finds it necessary.

We agree that precise estimates are difficult. However, the ultimate concern is not whether HUD's funding calculations include or exclude certain factors, but whether obligations exceed the amounts appropriated. HUD's comments did not address this point, and in fact, the agency acknowledges that this may be the case. If, as we were told, HUD's approach routinely results in overobligation of funds, then some modifications would seem appropriate.

HUD also stated that the Section 8 Moderate Rehabilitation Program under which the SRO homeless assistance is provided is not designed solely for rehabilitation, but primarily for rental assistance, and for other expenses such as insurance, taxes, and management. While there are benefits to be realized from rehabilitating SRO units, HUD said there are even greater benefits in providing rental assistance over a 10- or 20-year period to keep the housing affordable.

Other Observations

The McKinney Act required jurisdictions to submit a Comprehensive Homeless Assistance Plan (CHAP) before they could receive awards from the HUD programs. Many CHAPS were sketchy and did not provide detailed enough information for decision makers to assess the need for the various programs. Also, grantees in the Emergency Shelter Grants (ESG) and Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) programs stated that the restrictions on use of funds for administrative purposes and social services limited their ability to effectively use the funds.

CHAPs Have Potential to Be Useful Planning Tools

A CHAP is required from each state, city, and urban county applying for funding from any of the title IV HUD programs. The CHAP is designed to have applicants examine the need for homeless assistance in their jurisdictions in relation to existing resources and to devise an assistance strategy that will supplement and expand on the existing programs. The plan—as specified in title IV—is to include a statement of need; a brief inventory of facilities and services; a strategy that matches the needs of the homeless population with available services within that jurisdiction and recognizes the special needs of the homeless mentally ill, families with children, the elderly, and veterans; and an explanation of how federal assistance will complement and enhance available services.

According to our review of several approved CHAPS as well as discussions with agency officials, the CHAPS are meeting the requirements set forth in the McKinney Act. However, many are meeting only the minimum requirements, and in most cases we saw no indication of tangible benefits resulting from their preparation, such as identification of previously unknown gaps in services provided, or putting funds to uses that would not have occurred without preparation of the CHAP. While we would not advocate a burdensome planning process, we do believe the CHAPS' value could be enhanced by being more detailed. For example, the CHAP could compare the services available to meet the special needs of the various types of homeless persons with the estimated numbers of those types of homeless persons. Public Law 100-628 (Nov. 6, 1988) amended the McKinney Act to require all jurisdictions to submit CHAPS annually. We agree with this requirement because if the CHAPS are to serve a useful purpose, many should be re-done, but they need to be re-done with more specific requirements. We discuss some jurisdictions that have used CHAPS in this way later in this chapter.

CHAPs Varied in Length and Were Liberally Reviewed

HUD based its CHAP preparation requirements on the McKinney Act and its legislative history, and required little beyond the minimal guidance, according to our review. HUD did not disapprove any of the CHAPS that it received, although some were deficient and had to be resubmitted. The plans were typically divided into four sections based on the four requirements specified in title IV, and HUD used a checklist to ensure that all sections included the elements required in the title. However, the extensiveness of the CHAP was generally determined by the individual jurisdictions, and the amount of effort that went into the plans varied.

For example, regarding the requirement that the applicants include a statement of need for each program under which they are seeking assistance, many CHAPs did not show that the locality had made an effort to quantify the need for homeless assistance in their areas. Other CHAPS indicated that the applicant had conducted detailed surveys of existing services and compared the amount of facilities available with the actual demand for services to determine the need for assistance. Generally, HUD looked for a mention of the particular program by name and an indication of need or lack of need.

Similarly, regarding the requirement for an inventory of facilities and services already helping the homeless, some CHAPs included a list of the names, addresses, and phone numbers of the facilities without describing the services that were provided. Other inventories described their services in detail. However, HUD's processing instructions for administering CHAPs do not require a descriptive inventory. Instead, they state that, "[t]his is the applicant's inventory. We will not make qualitative judgments about its content."

Title IV's requirements call for (1) a description of a strategy for assisting the homeless and (2) an explanation of how the federal assistance will complement and enhance available services. Often, applicants met these requirements by essentially restating the approved uses of funding for each program. For example, one county described how title IV's Section 8 program will complement its available services by stating: "This assistance program will complement and enhance available services by providing housing assistance payments to homeless persons and financing assistance for moderate rehabilitation of existing structures for use as SRO units." In contrast, other jurisdictions included specific methods for implementing their plans and described how the assistance provided under title IV will help them accomplish their goals. HUD's CHAP processing instructions do not require that the CHAP include

anything beyond a reference to the particular program and, for the strategy, a reference to the particular target groups specified.

Applicant Problems in Preparing CHAPs

To assure compliance with McKinney Act requirements, HUD required that the CHAPS be submitted 45 days after official notification of the grant allocation, which, according to some applicants, was insufficient time to prepare a detailed CHAP. Applicants also found the high cost of preparing CHAPS affected their quality.

For example, we received the following reports. One applicant noted that if it had had more time for preparation, it could have received greater input from service providers and thus prepared a more thorough plan. Officials in Southern California and Illinois said that the CHAP was due around the time of their CDBG paperwork, which proved to be burdensome. Some jurisdictions found the cost of preparing the CHAPS too great to allow an adequate amount of effort to be put into them. Finally, a local official said that a lack of staff in addition to the tight time frame made it difficult to prepare a comprehensive plan and meet the mandated time frame. He was also concerned that smaller localities' CHAPS, if hastily prepared, could not compete with larger cities' CHAPS if they were used in decision-making processes for homeless housing funds.

CHAPs Could Be Useful Tools for Identifying Homeless Assistance Needs

CHAPS can be useful mechanisms for having the applicants identify specific needs for homeless assistance and coordinate assistance efforts in their areas. During our review, we found a few plans that went beyond HUD's requirements and seemed to play a tangible role in the communities' homeless assistance approach. Riverside County and Riverside City in California, for example, combined their efforts in preparing the CHAP and established a clearinghouse to coordinate homeless assistance efforts in their areas. Another county surveyed service providers in its area to determine what is currently being provided and what needs to be done. These more comprehensive plans demonstrate the CHAPS' ability to help jurisdictions be aware of where they need to focus their efforts, how they can coordinate with each other to reduce duplication, and how they can effectively increase the number of homeless served.

Grantees Would Like Fewer Restrictions on Expenditures

Two HUD programs, according to grant recipients, placed restrictions that prevented the effective use of funds for administrative and social services.

ESG

The McKinney Act placed several restrictions on how ESG money could be spent, including a 15-percent limit on certain social services and a ban on charges for administrative costs.[1] Many grantees would also like to have more flexibility to spend the money on social services, and administrative costs, most notably salaries.

Some grantees stated that shelters require staffing, and they need funds to cover this cost. According to the Director of Human Services and Neighborhood Development Division from Los Angeles, the McKinney Act's restrictions do not consider the high staffing cost of social service agencies, nor do other sources of funding that the city receives cover this cost.

According to the Community Development Director in Cook County, Illinois, the 15-percent limit should be raised because homeless often need counseling. A staff specialist in Fresno County, California, would like to see the 15-percent limit eliminated because of the importance of providing other services, such as food and counseling, to the homeless.

The Emergency Housing Coordinator from Oakland, California, had originally estimated that the city would need 31 percent of the funds for social services but changed it to 15 percent to qualify for the program. According to the Program Manager of Homeless Programs from Sacramento, California, while large cities tend to need more shelters, smaller cities tend to need program funds for job placement, low-income housing, and other social services.

SAFAH

We interviewed nine recipients of SAFAH funds to obtain their views on the amount needed for administrative costs. Five said the administrative

[1] Expenses can be categorized as capital, operations and maintenance, social services, or administrative. Capital expenditures would include the renovation, major rehabilitation, or conversion of buildings for use as emergency shelters for the homeless. Operations and maintenance costs include rent, insurance, utilities, furnishings, and maintenance. Expenditures for social services include employment, physical health, mental health, substance abuse, education, or food. An administrative cost that is not allowed, for example, is the cost of staffing to operate the shelter and process the necessary applications and reports.

cost allowance for the SAFAH program is too low. The McKinney Act limits reimbursement for administrative costs to a maximum of 5 percent of a grant or advance. SAFAH staff consider administrative costs as the costs of managing the grant, not the facility.

According to one recipient, past projects, similar to those funded by SAFAH, have generated much higher administrative costs than the 5 percent allowed under SAFAH. Another recipient said funds from other projects that it manages would have to be used to cover SAFAH administration and coordination requirements. Two other recipients disagreed with HUD's definition of administrative costs and thought that program administration costs, such as the salaries of the accountant working exclusively on the project or of the project administrator, should also be eligible for reimbursement. Recipients said an adequate allowance for administrative costs would exceed 10 percent.

Conclusion

Although the CHAPS are a good resource for establishing the need for homeless assistance, they lack sufficient detail so that their usefulness, as now prepared, is minimal in most cases.

Recommendation

We recommend that the Secretary of HUD, in requesting and reviewing future CHAP submissions, make the CHAP requirements more specific. They may, for example, help identify the number and types of homeless persons throughout the United States, help identify shortfalls in needed services, and help ensure that all homeless assistance and related programs are coordinated effectively.

Agency Comments and Our Evaluation

HUD contends that the Congress intended the CHAP to be a local planning tool. HUD pointed out that the Congress had examined a sample of homeless assistance plans and found the level of detail sufficient, and on that basis did not add to the legislatively established requirements. However, in its Federal Register announcement of December 28, 1988, HUD stated that grantees are being encouraged to review and revise their CHAPS. HUD also stated that it may make some minimal changes in the CHAP's content to enhance state and local planning.

We agree that the Congress endorsed the content of the CHAP predecessor plan, and that the content of the CHAP is similar; nor would we want

the CHAP to become an overly expensive or burdensome document to prepare. However, we believe that the CHAP has the potential to be a valuable tool at both the local and national level, a potential that is not now being realized in many cases.

HUD also stated that, at its request, the Congress had clarified in the McKinney Act reauthorization that operating costs were an eligible activity for SAFAH funds. This change would make clear that administrative costs involved only the cost of doing business with HUD, i.e., quarterly reports and an audit. The 5-percent allowance for administrative costs, HUD believes, should be more than adequate to cover this. We agree.

Methodology Used in Conducting the Survey of Emergency Food and Shelter Grant Program Recipients

We conducted a mail survey of FEMA's fiscal year 1987 EFS grant recipients. The survey was conducted between February and June 1988. Agencies that did not respond to the original February 23 mailing were sent follow-up questionnaires to encourage response.

We used FEMA's computerized file of agencies' names and addresses to draw a simple random sample for the survey. The file contained 8,269 names and addresses of fiscal year 1987 check recipients, but these were not all unique listings.[1] We eliminated all duplicate listings to arrive at a final universe size of 7,568 unique agencies from which we randomly selected 1,137 agencies. Eighty-two of the agencies selected for the survey were small agencies that had fiscal agents listed as the recipients of their checks. We contacted these fiscal agents in January to obtain the addresses of the agencies so that all questionnaires could be mailed directly to the organizations selected.

All sample surveys are subject to sampling error. The sampling error is the maximum amount by which results obtained from a statistical sample can be expected to differ from the true universe characteristic (value) we are estimating. At the 95-percent confidence level, this means that the chances are 19 out of 20 that if we surveyed all fiscal year 1987 grant recipients, the results would differ from the estimates we obtained by less than the sampling error of these estimates. All sampling errors for the estimates in this report program were calculated at the 95-percent confidence level and are reported in the following tables.

Table I.1: Point Estimates and Sampling Errors for Table 3.1: Social Factors Rated as "Extremely Important" Causes of Homelessness

Factors	Estimate	Sampling error
Unemployment	55.5%	±3.0
Low wages	42.5%	±3.0
Decrease in available subsidized housing	43.0%	±3.0
Increase in cost of housing	42.9%	±3.0
Decrease in federal aid, such as AFDC	28.0%	±2.7
Deinstitutionalization	25.5%	±2.7
Inability to gain access to social services	9.8%	±1.8
Lack of social services	7.4%	±1.6

Note: N = 879

[1] FEMA's list is an administrative list used to mail checks and is not a list of unique agencies that receive funds. For example, in some cases an agency will apply for funds from more than one program jurisdiction and as a result will be listed as a check recipient more than once.

Table I.2: Point Estimates and Sampling Errors for Table 3.2: Personal Factors Causing Homelessness for "Many" or "All or Almost All" Clients

Factors	Estimate	Sampling error
Inability to find work	46.2%	±3.0
Loss of job	38.4%	±3.0
Eviction	27.2%	±2.7
Family conflict	27.5%	±2.7
Alcohol/drug abuse	24.3%	±2.6
Mental illness	12.5%	±2.0
Loss of government benefits	10.2%	±1.8
Transience as a chosen lifestyle	11.0%	±1.9
Home became uninhabitable	8.2%	±1.7

Note N = 879

Table I.3: Point Estimates and Sampling Errors for Services Routinely Provided by Organization Size

	Estimate	Sampling error
Very small (N = 189)		
Groceries/food vouchers	62.4%	± 6.4
On-site shelter	6.3%	± 3.2
Off-site shelter	9.0%	± 3.8
Rental/mortgage assistance	11.6%	± 4.2
Utility assistance	14.3%	± 4.6
Small (N = 261)		
Groceries/food vouchers	64.8%	± 5.3
Food kitchen (prepared meals)	23.0%	± 4.7
On-site shelter	14.9%	± 4.0
Off-site shelter	17.6%	± 4.3
Rental/mortgage assistance	28.0%	± 5.0
Medium (N = 207)		
Groceries/food vouchers	62.3%	± 6.1
Food kitchen (prepared meals)	35.7%	± 6.0
On-site shelter	31.4%	± 5.8
Rental/mortgage assistance	32.4%	± 5.9
Large (N = 134)		
Groceries/food vouchers	45.5%	± 7.8
Rental/mortgage assistance	23.9%	± 6.7
Prepared meals	53.7%	± 7.8
On-site shelter	51.5%	± 7.8
Psychological counseling	27.6%	± 7.0
Job placement	29.9%	± 7.1
Very Large (N = 56)		
Groceries/food vouchers	50.0%	± 12.1
On-site shelter	33.9%	± 11.4
Rental/mortgage assistance	33.9%	± 11.4
Utility assistance	42.9%	± 12.0
Prepared meals	48.2%	± 12.1

Table I.4: Point Estimates and Sampling Errors for Sources of Funding by Total Operating Budget

	Very small ($10,000 or less)	Small ($10,001-$50,000)	Medium ($50,001-$150,000)	Large ($150,001-$500,000)	Very large ($500,001+)
Average amount from.					
FEMA	62 6% (±4.9)	34.7% (±3.6)	15.7% (±2 3)	10.6% (±2.3)	4.5% (±2.4)
Other federal agency	1.7% (±1 4)	7.2% (±2.4)	8.3% (±2.7)	11.8% (±4.0)	35.5% (±11.7)
State	2 4% (±1.8)	8.0% (±2.3)	13.4% (±3 2)	21.3% (±4.9)	26 2% (±10.3)
Local	2 3% (±1.9)	5.6% (±1.7)	10.6% (±2 8)	9 8% (±2.6)	12.8% (±9.0)
Private	29.9% (±4.8)	42.0% (±4.2)	48 2% (±4 8)	43.6% (±5 9)	18.7% (±10.7)
Other	1 1% (±1.1)	2.6% (±1.5)	3.9% (±1 9)	3 0% (±2.4)	2.4% (±2.2)
Percent of agencies in this size	22 4% (±2 6)	30.7% (±2.9)	24.7% (±2 7)	16.0% (±2 3)	6 2% (±1.5)
Average total operating budget of agencies in this size	**$4,621.71**	**$26,508.31**	**$91,328.07**	**$259,767.84**	**$1,519,038.88**
	(±$355 65)	(±$1,346.43)	(±$3,523.62)	(±$14,368.06)	(±$710,326.68)

Note N = 811

Table I.5: Point Estimates and Sampling Errors for In-Kind Donations by Organization Size

	Very small ($10,000 or less) N=189	Small ($10,001-$50,000) N=255	Medium ($50,001-$150,000) N=204	Large ($150,001-$500,000) N=137
Type of donation:				
Food	60.35% (±6 4)	76.6% (±4.8)	82 6% (±4.8)	91.0% (±4.5)
Clothing	37.6% (±6 4)	58.6% (±5.5)	77.8% (±5 2)	74.6% (±6.8)
Space	41 3% (±6.5)	39.1% (±5.5)	34.8% (±6.0)	32.8% (±7 3)
Time	75.1% (±5 7)	83.9% (±4.1)	89.4% (±3.9)	88.8% (±4.9)
Other	20.6% (±5.3)	20.7% (±4.5)	25.1% (±5.5)	26.9% (±7.0)

Table I.6: Shelter Provision in January 1988—Point Estimates and Sampling Errors

	Estimate	Sampling error
Agencies providing shelter in January 1988	41 3%	± 4 7
Agencies providing on-site shelter in January 1988	58 4%	± 4.7
Total shelter nights provided to.[a]		
Alcohol abusers	28.1%	± 4.2
Drug abusers	17 2%	± 4 2
Mentally ill	16 4%	± 5 2
Veterans	22 1%	± 5 5
Agencies providing shelter used in the analysis of total shelter nights that went to		
Alcohol abusers	64 5%	± 4.5
Drug abusers	57.0%	± 4.7
Mentally ill	58 0%	± 4.7
Veterans	59.5%	± 4 7
Total shelter nights provided to		
Children (0-16)	26 1%	± 5.4
Adults		
17-35	36 0%	± 3 7
36-55	27 3%	± 5 3
56 or older	10 7%	± 2.3
Total shelter nights provided to		
Whites	46.6%	± 6.4
Blacks	37.0%	± 8.1
Hispanics	11.3%	± 3 0
American Indians	4 1%	± 2 3
Asians	0 8%	± 0 3
Agencies providing shelter used in the analysis of total shelter nights that went to		
Age and ethnic groups	86 0%	± 3 3
Total nights of shelter provided in January 1988	1 36 million nights	± 331,000 nights
Average bed capacity	42 6 beds	± 10 beds
Average length of stay in January 1988	8 8 nights	± 1 8 nights
Agencies providing shelter used in the analysis of average length of stay	77 1%	± 4 0

[a]Percents do not total to 100 since people may be classified in more than one of the categories

Table I.7: Prepared Meal Provision in January 1988—Point Estimates and Sampling Errors

	Estimate	Sampling error
Agencies providing prepared meals in January 1988	34.7%	± 2.9
Total number prepared meals served in January 1988	5.04 million	±1.14 million
Agencies that provided meals in January 1988 serving:		
One meal per day	33.4%	± 4.9
Two meals per day	17 7%	± 3.9
Three meals per day	48 2%	± 5 2
Total meals served provided to:		
Children (0-16)	15 3%	± 3.6
Adults 17-35	27.3%	± 4.4
36-55	25.7%	± 5.1
56 or older	31.9%	± 9.6
Total meals served provided to.		
Whites	47 0%	± 5.8
Blacks	36 6%	± 5 7
Hispanics	11.3%	± 3.7
American Indians	2.7%	± 1.5
Asians	0.6%	± 0.3
Agencies providing meals used in the analysis of meals served to people based on age, sex, and ethnic group in January 1988	88 2%	± 3 3
Clients receiving prepared meals who were:		
Alcohol abusers	33.7%	± 5.6
Drug abusers	22 1%	± 5.5
Mentally ill	18.7%	± 5 8
Homeless	59.1%	± 9.9
Agencies providing meals used in the analysis of meals served to:		
Alcohol abusers	70 8%	± 4.7
Drug abusers	61.3%	± 5.0
Mentally ill	58.4%	± 5.1
Homeless	93.7%	± 2.5

Table I.8: Grocery Bag Provision in January 1988—Point Estimates and Sampling Errors

	Estimate	Sampling error
Agencies providing groceries in January 1988	58.8%	± 3.0
Total food bags distributed in January 1988	945,681 bags	± 219,455 bags
Agencies providing groceries used in the analysis of total number of bags distributed	94.4%	± 1.8
Agencies providing groceries that distributed standard food bags	76.8%	± 3.4
Average length of time food bags intended to last	5.4 days	± .41 days
Grocery providers with standard food bags intending their food bags to be supplemental food source	52.6%	± 4.5
Grocery providers with standard food bags intending their food bags to be sole-source of food	40.6%	± 4.5
Grocery providers with standard food bags failing to supply supplemental/ sole-source information	6.8%	± 2.3
Total number of grocery bags distributed provided to households with.		
One adult with children	38.1%	± 4.9
Two adults with children	34 3%	± 5.1
One adult	17.2%	± 3.4
Two adults	9 7%	± 2.0
Elderly	5.6%	± 1.4
Agencies providing groceries used in the analysis of grocery bags distributed to household types	84 5%	± 2.9
Total number of grocery bags distributed provided to·		
Whites	53.8%	± 6.6
Blacks	22 3%	± 4.7
Hispanics	17.2%	± 7.0
American Indians	5.4%	± 3.0
Asians	1 3%	± 0.5
Agencies providing groceries used in the analysis of grocery bags distributed to ethnic groups	84.1%	± 2.9
Total number of grocery bags distributed provided to the elderly	5.6%	± 1.4
Agencies providing groceries used in the analysis of grocery bags distributed to the elderly	91 1%	± 2.3

Table I.9: Point Estimates and Sampling Errors for Demand for Services and Eligible Requests Denied/Referred Elsewhere in January 1988

	Estimate	Sampling error
Requests denied/referred elsewhere for:		
Shelter	4.4%	± 2.1
Prepared meals	0.7%	± 0.5
Groceries	7.1%	± 4.3
Utility assistance	23.6%	± 10.3
Rental/mortgage assistance	130.2%	± 50.3
Agencies reporting increased overall demand for services in calendar year 1987	68.6%	± 2.8

Table I.10: Point Estimates and Sampling Errors for Administration Requirements

	Estimate	Sampling error
Agencies that felt FEMA requirements were:		
Less burdensome than other nonprofit organizations	26.2%	± 2.7
About the same as other nonprofit organizations	33.6%	± 2.9
More burdensome than other nonprofit organizations	23.2%	± 2.6
Agencies that found FEMA restriction on funds were:		
Less restrictive than other nonprofit organizations	18.0%	± 2.3
About the same as other nonprofit organizations	36.3%	± 2.9
More restrictive than other nonprofit organizations	28.9%	± 2.8

Table I.11: Point Estimates and Sampling Errors for Timing of Receipt of Checks

	Estimate	Sampling error
Agencies reporting receipt of first FY 1987 check after March 1, 1987	58.4%	± 3.0
Agencies reporting that timing of check caused a problem in meeting spending deadline	33.6%	± 3.8

Table I.12: Point Estimates and Sampling Errors for Program Requirements and Guidance

	Estimate	Sampling error
Agencies satisfied with national FEMA requirements	81.3%	± 2.4
Agencies satisfied with program guidance	84.3%	± 2.2

Table I.13: Point Estimates and Sampling Errors for Accomplishments With EFS Funds (Comments Made by Survey Respondents)

	Estimate	Sampling error
Agencies that commented they were able to:		
Provide more food/meals, feed more people, provide more nutritious meals, or expand meal program	46.2%	± 4.5
Help more people by expanding services	22.1%	± 5.4
Provide shelter to keep people off the streets	13.4%	± 5.7
Provide **any** type of services (would not have functioned without EFS funds)	12.2%	± 5.7

Table I.14: Point Estimates and Sampling Errors for Agencies Participating in HUD's ESG Program

	Estimate	Sampling error
FEMA EFS grantees who routinely provide on-site shelter and also receive ESG funds	31.8%	± 5.5
Median ESG grant for FEMA EFS grantees who routinely provide shelter	$13,100 (N=73)	± $5,373

Survey Questionnaire and Results

Note: To obtain as many usable responses as possible, all questionnaires were reviewed and edited for consistency and agencies were contacted by telephone to resolve any ambiguous response patterns. In cases where our analysis indicated that responses to an item were not reliable, no summary statistic is reported in this appendix.

United States General Accounting Office

GAO

Survey of FEMA Emergency Food and Shelter Program Recipients

U.S. GENERAL ACCOUNTING OFFICE
SURVEY OF FEMA EMERGENCY FOOD AND SHELTER
GRANT RECIPIENTS

The U.S. General Accounting Office, an independent agency of Congress, is reviewing federal programs for the homeless which are funded under the Stewart B. McKinney Homeless Assistance Act. We are requesting your assistance in a nationwide survey of FEMA Emergency Food and Shelter program fund recipients. Your organization was randomly selected from a list of all recipients of FEMA Emergency Food and Shelter Program funds. You may have received these funds from your state or local government, United Way, Red Cross or another voluntary agency.

INSTRUCTIONS

* The questionnaire should be completed by either the Executive Director of your food and/or shelter operation or the person who is most familiar with this operation.

* If your organization is responsible for more than one operation, please respond only for the operation named in the address.

* The questionnaire should not take long to complete and your responses will be kept confidential; neither your name, nor the name of your organization, will be disclosed in our report.

* Please complete the questionnaire and return it to us **within 10 days of receipt**, in the enclosed business reply envelope.

* If you have any questions please call Mr. Paul Bryant in Washington, D.C. collect at (202) 426-1645.

* In the event that the envelope is misplaced, the return address is:

Mr. Paul Bryant
U.S. General Accounting Office
441 G Street, N.W.
Room 4476
Washington, D.C. 20548

Thank you for your cooperation.

ID(1-4)
CD1 (5)

I. CAUSES OF HOMELESSNESS

Because you have direct experience with the homeless population in your area, we would like your opinions about some of the factors that cause nomelessness.

1. How important, if at all, do you believe the following social factors are in causing the current homeless problem in your city or town? (6-14)

N=879

CHECK ONE BOX FOR EACH FACTOR

	NOT AT ALL IMPORTANT (1)	SOMEWHAT IMPORTANT (2)	IMPORTANT (3)	EXTREMELY IMPORTANT (4)	NO BASIS TO JUDGE (5)	MISSING DATA
a. Unemployment	2.3%	10.1%	24.6%	55.5%	1.8%	5.7%
b. Low wages	1.7	11.9	35.0	42.5	2.0	6.7
c. Decrease in available subsidized housing	5.8	12.3	22.5	43.0	8.5	7.8
d. General increase in cost of housing	4.9	13.9	27.0	42.9	4.1	7.3
e. Decrease in government aid (e.g. AFDC, housing vouchers, food stamps)	5.8	19.5	33.2	28.0	5.5	8.1
f. Inability to gain access to social services	18.3	36.7	21.5	9.8	5.3	8.3
g. Lack of social services	23.8	33.1	19.6	7.4	6.8	9.3
h. Deinstitutionalization of the mentally ill	9.1	19.1	21.0	25.5	16.6	8.6
i. Other (please specify)						

2. Of the social factors listed above (including any you might have added), in your opinion, what are the three most important factors causing the current homeless problem in your city or town? (Write in the letter of the factor from the above chart.) (15-17)

1. Most important factor: A=40.8%
2. Second most important factor: _____
3. Third most important factor: _____

3. Consider the homeless people your operation currently serves. For about how many of these people is each of the following personal factors a major contributor to their homelessness? (18-27)

N=879

CHECK ONE BOX FOR EACH FACTOR

	FEW IF ANY (1)	SOME (2)	ABOUT HALF (3)	MANY (4)	ALL OR ALMOST ALL (5)	NO BASIS TO JUDGE (6)	MISSING DATA
a. Eviction	12.3%	34.9%	8.9%	17.9%	9.3%	6.0%	10.7%
b. Loss of job	6.4	31.7	9.1	28.7	9.7	4.2	10.2
c. Inability to find work	6.1	20.8	12.2	30.4	15.8	4.3	10.4
d. Mental illness	21.3	36.9	6.3	10.6	1.9	11.7	11.4
e. Alcohol/drug abuse	9.9	35.0	10.0	19.1	5.2	10.4	10.4
f. Loss of government benefits	24.9	37.0	5.2	9.1	1.1	10.2	12.4
g. Family conflict	7.8	38.6	9.1	17.0	10.5	7.2	9.9
h. Home became uninhabitable	36.9	29.9	1.5	6.5	1.7	11.8	11.7
i. Transience as a chosen lifestyle	33.2	33.4	3.2	8.3	2.7	7.8	11.3
j. Other (please specify)							

4. Of the personal factors listed above (including any you might have added) in your opinion what are the three most important factors causing homelessness among the people your operation currently serves? (Write in the letter of the factor from the above chart.) (28-30)

1. Most important factor: C=21.5%

2. Second most important factor: ______

3. Third most important factor: ______

II. DESCRIPTION OF OPERATION

5. For each of the services listed below, please check the box that best describes how frequently your operation directly provides that service to the homeless and/or needy. If your operation does not provide the service directly but does refer clients to other agencies for the service, please check the box marked 'Referral only basis'. (31-48)

CHECK ONE BOX FOR EACH SERVICE

N=879

	1. Routinely provided	2. Occasionally provided	3. Infrequently provided (special cases)	4. Referral Only basis	5. Not Provided	6. Missing Data
a. Food kitchen (serve prepared meals)	29.9%	2.6%	2.4%	24.7%	33.4%	6.9%
b. Food pantry or food vouchers (distribute groceries or vouchers to individuals)	59.5	9.7	4.6	14.3	7.4	4.5
c. Food truck/canteen	1.4	1.0	2.3	8.1	79.2	8.1
d. Food bank (dist. groceries to other organizations)	11.8	4.8	3.2	18.3	53.4	8.5
e. Emergency on-site shelter	23.9	3.5	2.8	22.2	39.9	7.6
f. On-site transitional housing	11.8	3.8	1.9	22.3	51.9	8.3
g. Off-site shelter (e.g. hotel/motel rooms, etc.)	16.4	19.2	11.5	19.7	25.8	7.4
h. Rental or mortgage assistance	25.3	18.1	8.4	19.7	22.0	6.6
i. Utilities assistance	30.4	14.2	7.4	22.5	18.3	7.2
j. Permanent housing placement	10.6	9.7	4.2	32.3	35.4	7.8
k. Entitlements and benefits assistance/advocacy	27.3	9.7	3.9	22.6	27.6	8.9
l. Psychological counseling	14 4	7.3	3.4	35.9	30.3	8.6
m. Job placement/counseling	17.4	12.6	4.4	34.7	22.9	8.0
n. Other counseling	33.6	14.8	6.4	18.1	19.0	8.2
o. Day care	7.5	4.1	2.0	28.3	49.4	8.6
p. Transportation to or from work	7.5	13.2	9.7	11.9	48.7	9.0
q. Transportation to shelters, appointments, kitchens, etc.	15.5	17.1	12.7	10.0	35.8	8.9
r. Other (please specify)						

III. SHELTER PROVIDED IN JANUARY 1988

6. Did your operation directly provide shelter to the homeless in January of this year? By directly we mean actually providing beds, hotel/motel vouchers, etc. -- not referrals. (Check one) N=879 (49)

55.3% 1. [ ] No ---> Go on to Section IV

41.3% 2. [ ] Yes --> Continue with the next question

3.4% Missing

7. If you provide shelter on-site, how many people can you provide on-site shelter to at one time? If you do not provide shelter on-site please write in N/A. (50-53)

Enter Number Mean=42.5 (N=212)

8. Is your shelter operation open all year? (Check one) (54)

77.7% 1. [ ] Yes

5.8% 2. [ ] No ---> Enter months of operation:

16.5% Missing ______ TO ______
(month) (month)
(55-58)

9. If you provide shelter on-site, how many nights per week is your shelter open? If you do not provide shelter on-site, please write in N/A. (59)

Enter Number____________

10. During the month of January what was the total number of nights of shelter you provided? By total number of nights of shelter we mean adding together the number of people sheltered each night in January. For example, if you provided shelter to 20 people every night in January then **20 people for 31 nights equals 620 total nights of shelter.** (60-65)

Enter total number nights of shelter in January Mean=582.9 (N=351)

11. How many, if any, eligible people did you turn away or refer elsewhere in January of this year? If you cannot provide an estimate, please write in "Don't Know". (66-69)

Enter number people turned away/referred elsewhere Mean=24.8
(If none, enter zero) (N=292)

12. Consider the total number of nights of shelter you provided in January (from Question 10). Please report below the percentage of those shelter nights that went to people in each of the following age, sex, and ethnic categories. (If you do not have records or exact figures, please provide your best estimate.) ID(1-4) CD2 (5)

ENTER PERCENT

N=312	AGE	PERCENT	N=312	SEX	PERCENT	ETHNIC GROUP N=322	PERCENT
CHILDREN:	0-16	26.1%	CHILDREN: (0-16)	Boys	10.3%	Asian	0.8%
				Girls	10.7%	Black	37.0%
ADULTS:	17-35	36.0%	ADULTS:	Males	54.6%	Caucasian	46.6%
	36-55	27.3%		Females	24.5%	Hispanic	11.3%
	56-62	7.5%				Native American	4.1%
	OVER 62	3.2%			100%	Other (Specify)	0.3%
(6-20)		100%	(21-32)			(33-50)	100%

13. Did you provide shelter to **families** in January 1988? (Check one) (51)

    1. [ ] No ---> Skip to Question 15

    2. [ ] Yes ---> Continue with next question

14. Again considering the total number of nights of shelter you provided in January (from Question 10), what percentage of those shelter nights went to people in each of the following family types? If you do not have records or exact figures, please provide your best estimate. (These percents **do not** have to add to 100%) (Enter Percent) (52-57)

    a. One parent with child(ren)_____%

    b. Two parents with child(ren)_____%

15. If possible, please estimate the percentage of total shelter nights provided in January 1988 (from Question 10) that went to people in each of the categories below. If you cannot provide an estimate please indicate by writing in "Don't Know". (These percents do not have to add to 100%) (58-72)

	ENTER PERCENT
Physically Handicapped	3.3% (N=211)
Mentally Handicapped	6.0% (N=211)
Mentally Ill	16.4% (N=211)
Alcohol Abusers	28.1% (N=234)
Drug Abusers	17.2% (N=207)

16. If possible, please indicate approximately what percentage of the total shelter nights provided in January of this year (from Question 10) went to veterans. If you cannot provide an estimate please indicate by writing "Don't Know". (6-8)

    Enter Percent Veterans 22.1% (N=216)
    (If none, enter zero)

17. Is it possible for you to estimate the **unduplicated** number of people you provided shelter to in January of this year? By **unduplicated** we mean the number of **different** people who at one time or another **in January** received shelter from your operation. (Check one) (9)

    1. [ ] No, cannot provide estimate

    2. [ ] Yes, number of unduplicated people is about: __________ (10-15)

18. Which, if any, of the following types of information do you regularly keep records on for your shelter operation? (Check all that apply) (16-24)

    1. [ ] No records kept
    2. [ ] Age of clients
    3. [ ] Sex of clients
    4. [ ] Race of clients
    5. [ ] Family composition
    6. [ ] Veteran status
    7. [ ] Total number sheltered
    8. [ ] Unduplicated number sheltered
    9. [ ] Other (specify)__________

ID (1-4)
CD3 (5)

IV. PREPARED MEALS PROVIDED IN JANUARY 1988

19. Did your operation provide prepared meals to the homeless and/or needy in January of this year? This could include meals provided to people in your shelter. (Prepared meals would include hot and cold meals such as sandwiches, etc.) N=879 (25)

60.5% 1. [ ] No ---> Go on to Section V

34.7% 2. [ ] Yes --> Continue with the next question

4.8% Missing

20. Which meals are served regularly at your operation? (Check all that apply) (26-28)

64.9% 1. [ ] Breakfast

76.7% 2. [ ] Lunch

71.8% 3. [ ] Dinner

21. Is your prepared meal operation open all week? (Check one) (29)

68.2% 1. [ ] Yes

30.5% 2. [ ] No ---> Enter number of days open per week: Mean=4.16 (30)

1.3% Missing

22. Is your prepared meal operation open all year? (Check one) (31)

95.1% 1. [ ] Yes

4.6% 2. [ ] No ---> Enter months of operation:

0.3% Missing

____ TO ____
(month) (month) (32-35)

23. During the month of January of this year, what was the total number of prepared meals provided by your operation to the homeless and/or needy? (36-41)

Enter total number prepared meals served Mean=2549.09 N=297

24. How many, if any, eligible people did you turn away or refer elsewhere for meals in January of this year? If you cannot provide an estimate, write in "Don't Know".

Enter number turned away/referred elsewhere (If none, enter zero) Mean=16.00 (N=257) (42-46)

25. Consider the total number of meals you served in January (reported in Question 23). What percentage were served to people in each of the following age, sex, and ethnic categories? (If you do not have records or exact figures, please provide your best estimate.)

ENTER PERCENT

	AGE	PERCENT		SEX	PERCENT	ETHNIC GROUP	PERCENT
N=269 CHILDREN:	0-16	15.3 %	CHILDREN: (0-16)	Boys N=261	7.4 %	Asian N=275	0.6 %
				Girls	7.4 %	Black	36.6 %
ADULTS:	17-35	27.3 %	ADULTS:	Males	47.8 %	Caucasian	47.0 %
	36-55	25.7 %		Females	37.6 %	Hispanic	11.3 %
	56-62	9.4 %				Native American	2.7 %
	OVER 62	22.5 %			100%	Other (Specify)	1.8 %
(47-61)		100%	(62-73) ID (1-4) CD4 (5)			(6-23)	100%

26. Did you provide prepared meals to **families** in January 1988? (Check one) (24)

    1. [ ] No ---> Skip to Question 28

    2. [ ] Yes ---> Continue with next question

27. Again considering the total number of prepared meals you provided in January (from Question 23), what percentage of those meals went to people in each of the following family types? If you do not have records or exact figures, please provide your best estimate. (These percents **do not** have to add to 100%.) (Enter Percent) (25-30)

    a. One parent with child(ren)____%

    b. Two parents with child(ren)____%

28. If possible, please estimate the percentage of total meals provided in January 1988 (from Question 23) that went to people in each of the categories below. If you cannot provide an estimate please indicate by writing in "Don't Know". (These percents **do not** have to add to 100%) (31-45)

	ENTER PERCENT
Physically Handicapped	12.6% (N=203)
Mentally Handicapped	9.4% (N=187)
Mentally Ill	18.7% (N=178)
Alcohol Abusers	33.7% (N=216)
Drug Abusers	22.1% (N=187)

29. If possible, please indicate approximately what percentage of the total meals provided in January 1988 (from Question 23) went to veterans. If you cannot provide an estimate please indicate by writing "Don't Know". (46-48)

    Enter Percent Veterans 17.7 % (N=182)
    (If none, enter zero)

30. Approximately what percentage of the total meals served in January 1988 (from Question 23) went to people who were actually homeless? If you do not know the exact percent, please provide your best estimate. (49-51)

    Enter Percent 59.1 % (N=286)
    (If none, enter zero)

31. Which, if any, of the following types of information do you regularly keep records on for your meal operation? (Check all that apply) (52-60)

    1. [ ] No record kept
    2. [ ] Age of clients
    3. [ ] Sex of clients
    4. [ ] Race of clients
    5. [ ] Family composition
    6. [ ] Veteran status
    7. [ ] Total number meals served
    8. [ ] Unduplicated number of people served
    9. [ ] Other (specify)____________

V. GROCERIES PROVIDED IN JANUARY 1988

32. Did your operation directly provide groceries (not vouchers) to individuals or families in January 1988? (Check one) N=879 (61)

39.7% 1. [ ] No ---> Go on to Section VI

58.8% 2. [ ] Yes---> Continue with the next question

1.5% Missing

33. Does your grocery operation have a relatively standard food bag (or box) that it distributes? (Check one) N=517 (62)

22.6% 1. [ ] No ---> Skip to Question 36

76.8% 2. [ ] Yes---> Continue with the next question

0.6% Missing

34. How many days is this standard grocery bag or box intended to last? (63-64)

Enter number of days Mean=5.4 (N=391)

35. Is your standard food bag (or box) intended to be a supplemental source of food, or the sole source of food for this time period? (N=397) (65)

52.6% 1. [ ] Supplemental source of food

40.6% 2. [ ] Sole source of food

6.8% Missing

36. During the month of January of this year, what was the total number of grocery bags or boxes that your operation provided to the homeless and/or needy? (66-70)

Enter total number bags or boxes provided Mean=291.1 (N=488)

37. How many, if any, eligible people did you turn away or refer elsewhere in January of this year? If you cannot provide an estimate, please write in "Don't Know". (N=423)

Enter number people turned away/referred elsewhere Mean=18.2 (71-75)

ID(1-4)
CO5 (5)

38. Consider the total number of grocery bags or boxes your operation provided in January (from Question 36). Please report below the percentage of those grocery bags (or boxes) that went to people in the following household type and ethnic categories. If you do not have records or exact figures, please provide your best estimate. (6-38)

HOUSEHOLD TYPE	PERCENT
One adult, no children	17.2 % (N=437)
Two adults, no children	9.7 % (N=437)
One adult, with children	38.1 % (N=437)
Two adults, with children	34.3 % (N=437)
Other (specify)	0.7 % (N=437)
	100%

ETHNIC GROUP	PERCENT
Asian	1.3 % (N=435)
Black	22.3 % (N=435)
Caucasian	53.8 % (N=435)
Hispanic	17.2 % (N=435)
Native American	5.4 % (N=435)
Other (specify)	0.1 % (N=435)
	100%

39. What proportion of the grocery bags (or boxes) you provided in January 1988 (from Question 36) went to elderly adults? If you do not know the exact percent, please provide your best estimate. (39-41)

Enter Percent Elderly Adults 5.6 % (N=471)
(If none, enter zero)

40. Which, if any, of the following types of information do you regularly keep records on for your grocery operation? (Check all that apply) (42-51)

1. [ ] No records kept
2. [ ] Age of clients
3. [ ] Sex of clients
4. [ ] Race of clients
5. [ ] Family composition
6. [ ] Family size
7. [ ] Veteran status
8. [ ] Total number bags provided
9. [ ] Unduplicated number of people served
10. [ ] Other (specify)__________

VI. RENTAL, MORTGAGE AND UTILITY ASSISTANCE

41. Did your operation provide rental, mortgage and/or utility assistance (payments) for individuals or families during January of this year? (Check one) N=879 (52)

57.0% 1. [ ] No ---> Go on to Section VII
38.8% 2. [ ] Yes---> Continue with the next question
4.2% Missing

42. During the month of January of this year, what was the **total number** of households your operation provided **rental or mortgage assistance** (payments) for? (53-56)

Enter number of households mean=15.97
(If none, enter zero) (N=242)

43. What was the total dollar amount spent by your operation during the month of January providing these households with rental or mortgage assistance (payments)? If you do not know the exact amount, please provide your best estimate. (57-63)

Enter total dollar amount $ median=793.50
(If none, enter zero) (N=240)

44. How many, if any, requests for rental or mortgage assistance from eligible people did you deny or refer elsewhere in the month of January? If you cannot provide an estimate, please write in "Don't Know". (64-67)

Number requests denied/
referred elsewhere: mean=18.54
(If none, enter zero) (N=196)

45. During the month of January of this year, what was the **total number** of households your operation provided **utilities assistance** (payments) for? (67-70)

Enter number of households median=11.0
(If none, enter zero) (N=270)

46. What was the total dollar amount spent by your operation during the month of January providing these households with utilities assistance (payments)? If you do not know the exact amount, please provide your best estimate. (71-76)

median=661.00
Enter total dollar amount
(If none, enter zero)

47. How many, if any, requests for utilities assistance from eligible people did you deny or refer elsewhere in the month of January? If you cannot provide an estimate, please write in "Don't Know". (77-80)

Number requests denied/
referred elsewhere: mean=22.83
(If none, enter zero) (N=211)

ID(1-4)
CD6 (5)

VII. OTHER SERVICES PROVIDED IN JANUARY 1988

48. During the month of January, what was the number of people or requests you served in each of the following service categories; and how many, if any, people did you turn away or refer elsewhere in January? If you do not provide one or more of the services listed below, please indicate this by writing in N/A. If you cannot provide an estimate, please write in "Don't Know".

ENTER NUMBER OF PEOPLE:

SERVICE	PROVIDED	TURNED AWAY/ REFERRED ELSEWHERE
Permanent housing placement		
Psychological counseling		
Job placement/counseling		
Entitlement and benefits assistance advocacy		
Other counseling services		
Day care		
Transportation to or from work		
Transportation to shelters, appointments, food kitchens, etc.		
Other service (specify)		
	(6-41)	(42-77)

VIII. SERVICES SUMMARY

49. Regarding the number of people and all of the services you provided to them (prepared food, shelter, and other services) was January a typical month for your operation? (Check one) N=879 (78)

49.3% 1. [ ] Yes

26.1% 2. [ ] No, fewer people than usual were served/sheltered in January

15.9% 3. [ ] No, more people than usual were served/sheltered in January

2.5% 4. [ ] Don't know
6.3% Missing

50. During the period of January 1987 to January 1988, did the overall demand for the services your operation provides to the homeless increase or decrease or remain the same? (Check one) N=879 (79)

28.4% 1. [ ] Increased greatly

40.2% 2. [ ] Increased somewhat

15.8% 3. [ ] Stayed the same

4.3% 4. [ ] Decreased somewhat

0.7% 5. [ ] Decreased greatly

4.0% 6. [ ] Don't know
6.6% Missing

ID(1-4)
CD7 (5)

See Chapter 3

IX. FUNDING

51. What were your **total expenses** for your food and/or shelter operation and related services (total amount of dollars spent including salaries and administrative expenses) for your latest completed budget year? (6-13)

Enter Amount $______________

52. What is the time period covered by the above year? (Enter dates)

Beginning Date ____/____ (month/ year)

Ending Date ____/____ (month/ year) (14-21)

53. Of the total expenses reported above in Question 51, approximately what percentage came from each of the following sources? (If you cannot provide an exact breakdown, you may estimate, but please be sure that your figures add to **100%**) (22-39)

ENTER PERCENT

Emergency Food and Shelter FEMA funds _____%

Other Federal Funds _____%

State Funds _____%

City/Local Government Funds _____%

Private funds _____%

Other (Please specify)

______________ _____%

100%

54. What is the total amount of FEMA Emergency Food and Shelter **Phase V** money you were awarded between October 1, 1986 and September 30, 1987? (This money had to be spent by September 30, 1987.) (40-45)

Enter Amount $______________
(If none, enter zero)

55. What is the total amount of FEMA Emergency Food and Shelter **Phase VI** money you were awarded since October 1, 1987? Please include any funds you have not yet received but that you have been notified you will be receiving. (46-51)

Enter Amount $______________
(If none, enter zero)

56. Which, if any, of the following types of in-kind donations did your operation receive during your last completed budget year? (Check all that apply) (52-57)

1. [ ] No donations received
2. [ ] Food donations
3. [ ] Clothing donations
4. [ ] Use of free space
5. [ ] Volunteer services
6. [ ] Other (specify)

57. Can you provide an estimate of the dollar value of in-kind donations (excluding volunteer services) received in your last completed budget year? (Check one) (58)

1. [ ] No donations received
2. [ ] Cannot provide estimate
3. [ ] Yes, estimate is:$_________

(59-66)

58. Approximately how many, if any, hours of volunteer service did your operation use during your last completed budget year? (If you do not have figures and cannot provide an estimate, please indicate by writing "Don't Know") (67-73)

Enter number of volunteer hours _________

ID(1-4)
CD8 (5)

X. ADMINISTRATION OF THE FEMA EMERGENCY FOOD AND SHELTER PROGRAM

59. Overall, how would you say FEMA's program requirements (such as accounting requirements, record keeping, audits, etc.) compare to other non-profit funding organizations (such as foundations, state or city governments, etc.) in terms of the burden placed on your organization? (Check one) N=879 (6)

12.9% 1. [ ] FEMA requirements much less burdensome

13.3% 2. [ ] FEMA requirements somewhat less burdensome

33.6% 3. [ ] FEMA requirements about the same as other organizations

15.2% 4. [ ] FEMA requirements somewhat more burdensome

8.0% 5. [ ] FEMA requirements much more burdensome

15.1% 6. [ ] No basis to judge

1.9% 7. Missing

60. Overall, how would you compare the restrictions that FEMA has on the use of its funds with the restrictions placed on funds by other non-profit organizations (such as foundations, state or city government, etc)? (Check one) N=879 (7)

8.0% 1. [ ] FEMA much less restrictive

10.0% 2. [ ] FEMA somewhat less restrictive

36.3% 3. [ ] FEMA about the same as other organizations

20.6% 4. [ ] FEMA somewhat more restrictive

8.3% 5. [ ] FEMA much more restrictive

15.1% 6. [ ] No basis to judge

1.7% Missing

61. About when did you receive your first check from FEMA in Phase V of the FEMA Emergency Food and Shelter program? (This money had to be spent by September 30, 1987.) (8-11)

Enter date:____/____
month/year

62. How much of a problem, if any, did the timing of your receipt of this Phase V (1987) check cause your operation in meeting the September 30, 1987 spending deadline? (Check one) N=879 (12)

49.3% 1. [ ] No problem

17.5% 2. [ ] Minor problem

17.7% 3. [ ] Moderate problem

10.0% 4. [ ] Major problem

2.2% 5. [ ] Don't Know

3.3% 6. Missing

63. Overall, how satisfied or dissatisfied are you with the national FEMA program requirements in the last year? (Check one) N=879 (13)

31.4% 1. [ ] Very satisfied

49.9% 2. [ ] Generally satisfied

11.3% 3. [ ] Neither satisfied nor dissatisfied

4.0% 4. [ ] Generally dissatisfied

1.0% 5. [ ] Very dissatisfied

2.4% 6. Missing

115

64. How satisfied or dissatisfied are you with the program guidance you received in each of the following areas in the last year? (14-19)
N=879

CHECK ONE COLUMN FOR EACH ITEM

PROGRAM GUIDANCE	VERY SATISFIED (1)	GENERALLY SATISFIED (2)	NEITHER (3)	GENERALLY DIS-SATISFIED (4)	VERY DIS-SATISFIED (5)	NO BASIS TO JUDGE (6)	Missing
a. Guidance regarding eligible and ineligible expenditures	39.4%	46.9%	4.1%	3.3%	1.4%	2.2%	2.8%
b. Guidance on requirements for accounting for funds	38.3	48.0	3.8	3.6	1.4	1.9	3.0
c. Guidance on documenting expenses	38.0	47.7	4.2	3.5	1.4	1.7	3.5
d. Guidance on reporting	37.9	48.5	4.8	3.1	0.9	1.8	3.1
e. Your local board's response to questions about the program	42.7	38.5	6.1	3.1	1.1	4.8	3.8
f. Other (specify)							

65. Overall, how satisfied or dissatisfied are you with the program guidance you received in the last year? (Check one) N=879 (20)

35.7% 1. [ ] Very satisfied

48.6% 2. [ ] Generally satisfied

8.8% 3. [ ] Neither satisfied nor dissatisfied

3.1% 4. [ ] Generally dissatisfied

0.3% 5. [ ] Very dissatisfied
3.5% Missing

66. What suggestions, if any, do you have for improving the FEMA Emergency Food and Shelter program? (Explain below) (21)

XI. ESG PROGRAM FOR THE HOMELESS

The following questions are about the U. S. Department of Housing and Urban Development's (HUD) Emergency Shelter Grants (ESG) program.

N=233 Routine Shelter Providers

67. Have you received any **information** about the HUD Emergency Shelter Grants (ESG) program? (Check one) (22)

3.4% Missing

43.8% 1. [ ] No --->Skip to Question 73

52.8% 2. [ ] Yes--->Continue with next question

N=123 Providers who received info

68. From which of the following sources did you receive this information? (Check all that apply) (23-27)

69.9% 1. [ ] State/local government

21.1% 2. [ ] Local board

25.2% 3. [ ] Homeless advocacy group

8.1% 4. [ ] Other food/shelter provider

15.4% 5. [ ] Other (specify)

N=123

69. Have you applied to your local or state government for any funds under the ESG program? (Check one) (28)

26.0% 1. [ ] No --->Continue with next question

73.2% 2. [ ] Yes--->Skip to Question 71

0.8% Missing

N=28 Providers who did not apply

70. What is the **primary** reason that you did not apply for ESG funds? (Check one) (29)

N=8 1. [ ] ESG program not appropriate to our operation

N=6 2. [ ] Not enough time to apply/deadlines too tight

N=7 3. [ ] Application requirements were too burdensome/time consuming

N=3 4. [ ] Did not want to comply with restrictions on religious organizations

N=4 5. [ ] Other (specify)

Skip to Question 73

N=90 Providers who applied

71. Were you awarded any funds under the ESG program? (Check one) (30)

5.6% 1. [ ] No --->Skip to Question 73

11.1% 2. [ ] Don't know, application pending-->Skip to Question 73

82.2% 3. [ ] Yes--->Enter date(s) and amount(s) of award in space below:

1.1% Missing

GRANT 1:

Date Awarded: ____/____ (month/ year) (31-34)

Amount Awarded: $__________ (Enter Amount) (35-42)

GRANT 2:

Date Awarded: ____/____ (month/ year) (43-46)

Amount Awarded: $__________ (Enter Amount) (47-54)

72. What proportion of these funds have you spent, or are you planning to spend, for the following purposes? (Enter percents) (55-66)

Operating expenses (utilities, maintenance, etc.) ______%

Services (counseling, placement, health, etc.) ______%

Renovation (expansion, rehabilitation, and/or conversion) ______%

Other (specify) ______%

100%

XII. CONCLUSION

73. Overall, what, if anything, have you been able to accomplish with the use of FEMA funds that you would not have been able to accomplish otherwise? (Explain below) (67)

74. If you have any other comments that you would like to add regarding federal programs to assist the homeless please write them below. (68)

75. Please provide the name, title and telephone number of the person who completed this questionnaire in case we need to contact you about your responses. (69)

Name:____________________

Title:____________________

Phone:(   )____________
area   number

HUD's Actions Following Approval of 24 Questionable SHD Grants

Case	HUD's actions	Funding before deobligation	Funds deobligated	Percent of total deobligated	Funding after deobligation
A	On May 10, 1988, HUD deobligated grant by $57,475 because grantee overstated operating costs. HUD also required grantee to report monthly on progress in securing additional matching funds of $20,808 because grantee did not have sufficient matching funds.	$234,015	$57,475	25	$176,540
B	On March 29, 1988, HUD deobligated grant by $67,390 after grantee lost control of project site because of inadequate site control. The grantee's new project site required fewer acquisition/ rehabilitation and operating funds.	372,500	67,390	18	305,110
C	On May 10, 1988, HUD deobligated grant by $363,190 because grantee overstated operating costs. In addition, HUD requested grantee to report monthly on progress in securing additional matching funds.	1,700,225	363,190	21	1,337,035
D	On May 10, 1988, HUD deobligated grant by $70,000 to correct an error it had made in calculating the amount of acquisition/rehabilitation advance for which the applicant was eligible.	377,450	70,000	19	307,450
E	On May 3, 1988, HUD sent the grantee a letter requesting (1) evidence of matching funds (50 percent of the requested rehabilitation advance), (2) evidence that they formed a nonsectarian, nonprofit organization for the receipt of rehabilitation funds, and (3) a signed lease agreement that gives site control to the new organization for 10 years. HUD gave the grantee until May 27, 1988, to respond. On June 29, 1988, the grantee notified HUD that it did not intend to continue the project.	100,000[a]	[a]	[a]	[a]

(continued)

Case	HUD's actions	Funding before deobligation	Funds deobligated	Percent of total deobligated	Funding after deobligation
F	On January 6, 1988, HUD issued an approval letter with the condition that upon dissolution of the entity, the grantee would be required to distribute HUD-derived assets to a nonreligious entity. Subsequently, HUD determined that since the grantee did not own the building it was rehabilitating, the grantee would not have building-related assets to distribute upon dissolution. On March 10, 1988, HUD recommended that the grantee certify that it would operate in a nonsectarian manner. On June 30, 1988, the grantee complied with HUD's request.	$1,305,318	0	0	$1,305,318
G	On May 10, 1988, HUD deobligated a grant by $20,000 to correct an error it had made in calculating the amount of rehabilitation funds for which the grantee was eligible. HUD also required the grantee to provide evidence that it had sufficient other funds to proceed with the project. On June 30, 1988, the grantee notified HUD of progress in obtaining matching funds.	835,500	$20,000	2	815,500
H	On March 8, 1988, HUD required grantee to provide evidence of matching fund commitment. Grantee complied with requirement on March 11, 1988.	451,135	0	0	451,135
I	On June 2, 1988, HUD deobligated grant by $413,470 because the grantee had overstated its operating costs. Also, on March 9, 1988, HUD required grantee to provide evidence of matching funds. Grantee has complied with request.	1,321,245	413,470	30	967,775
J	On March 8, 1988, HUD required grantee to submit evidence to support matching funds. Grantee complied with request on March 9, 1988.	250,000	0	0	250,000
K	On May 6, 1988, HUD deobligated grant by $15,000 after improperly funding 100 percent of the grantee's estimated rehabilitation costs. In addition, HUD disallowed the use of federal funds as a match for rehabilitation costs.	843,205	15,000	2	828,205

(continued)

Case	HUD's actions	Funding before deobligation	Funds deobligated	Percent of total deobligated	Funding after deobligation
L	On May 5, 1988, HUD notified grantee that it would have to form a separate nonsectarian entity or revise its articles of incorporation to remove religious purposes. On May 4, 1988, grantee followed the second option, but after review by its legal staff, HUD requested grantee to make additional revisions. As of June 30, 1988, this issue has been resolved.	$649,200	0	0	$649,200
M	On May 18, 1988, HUD deobligated grant by $82,500 because it had improperly funded 100 percent of the grantee's estimated rehabilitation and acquisition costs. In addition, HUD's legal staff determined that the grantee was pervasively sectarian; thus, because the grantee is receiving acquisition and rehabilitation funds, HUD required the grantee to form a separate nonsectarian entity. As of June 30, 1988, grantee had not formed a separate entity.	639,390	$82,500	13	556,890
N	HUD asked grantee to provide additional support for estimated operating costs, matching funds, and site control. As of May 23, 1988, grantee had complied with HUD's request.	461,355	0	0	461,355
O	In April 1988, HUD required grantee to resubmit evidence to support rehabilitation costs and matching funds, and to revise articles of incorporation to remove religious purpose. In June 1988, HUD accepted the evidence provided by the grantee	329,750	0	0	329,750
P	On May 4, 1988, HUD deobligated grant by $1,330 because it had erred in calculating the amount of funds awarded for operating costs.	304,055	1,330	0.4	302,725
Q	On January 6, 1988, HUD notified grantee of funding approval, although grantee had not provided a firm commitment of matching funds. After grant approval, the grantee submitted a firm commitment letter dated January 15, 1988.	137,500	0	0	137,500
R	On March 21, 1988, HUD required grantee to form a separate nonsectarian entity to receive acquisition and rehabilitation funds The grantee complied on March 30, 1988.	110,149	0	0	110,149

(continued)

Case	HUD's actions	Funding before deobligation	Funds deobligated	Percent of total deobligated	Funding after deobligation
S	In February 1988, HUD asked grantee to provide additional evidence of its ability to match program costs. The grantee complied on March 25, 1988.	$1,879,660	0	0	$1,879,660
T	In April and May 1988, HUD asked grantee to provide additional documentation to support estimated annual operating costs and matching funds. On June 9, 1988, HUD notified grantee that it had accepted the evidence provided by the grantee.	1,985,000	0	0	1,985,000
U	On May 23, 1988, HUD asked the grantee to provide a firm commitment of matching funds for rehabilitation costs. On June 9, 1988, the grantee complied with HUD's request.	943,345	0	0	943,345
V	On March 17, 1988, HUD required the grantee to revise articles of incorporation to delete all religious purpose language because the grantee is receiving acquisition and rehabilitation funds. On April 15, 1988, grantee complied and HUD determined that the new articles of incorporation meet program requirements.	383,816	0	0	383,816
W	On May 5, 1988, HUD required the grantee to form a separate nonsectarian entity or revise its articles of incorporation to delete religious purpose language because grantee is receiving acquisition and rehabilitation funds. On June 15, 1988, the grantee notified HUD that it had formed a separate entity.	168,000	0	0	168,000
X	During February and March 1988, HUD requested the grantee to provide evidence to support ability to match grant funds. HUD has accepted evidence that the grantee provided in April and May 1988.	353,590	0	0	353,590
	Total	**$16,195,403**	**$1,090,335**		**$15,005,040**

[a]As of June 30, 1988, HUD had not completed final action.

120

Comments From the Federal Emergency Management Agency

Note: GAO comments supplementing those in the report text appear at the end of this appendix

Federal Emergency Management Agency
Washington, D.C. 20472

DEC 28 1988

Mr. John M. Ols, Jr.
Associate Director
Resources, Community and
Economic Development Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Ols:

We appreciate not only this opportunity to provide comment but also the amount of time and work that went into the compilation of this report, particularly the survey conducted during January of 1987 which should prove to be an invaluable resource for us in administering this unique program. Based on our review of the draft report Homelessness: HUD and FEMA Progress in Implementing the McKinney Act (GAO/RCED/89-50), we are providing the following comments:

See comment 1.

It is puzzling that a report which places so much emphasis on timeliness (i.e. noting amounts awarded and disbursed during winter months, etc.) is unable to list the date an appropriation was made (when the money was available for distribution) and how long the Emergency Food and Shelter (EFS) National Board Program then took to make a distribution. In order to clarify the chronology of the past year we would like to offer the following timeline that charts our activity in administering the EFS Program together with the National Board.

Appropriations/Disbursement Cycle

Date of P.L. 100-71 appropriation: July 18, 1987
(McKinney Act passed: July 22, 1987)
FEMA awards $10 million to National Board: August 3, 1987
Jurisdictions selected, notice mailed: October 9, 1987
First checks disbursed: November 12, 1987

Appropriations/Disbursement Cycle

Date of P.L. 100-120 appropriation: December 4, 1987
FEMA awards $113,929,000 to National Board: December 4, 1987
Jurisdictions selected, notice mailed: December 15, 1987
First checks disbursed: February 9, 1988

Appropriations/Disbursement Cycle

Date of P.L. 100-404 appropriation: August 16, 1988
FEMA awards $114 million to National Board: October 3, 1988*

Jurisdictions selected, notice mailed: October 7, 1988
First checks disbursed: November 4, 1988

* Note that no awards could be made until the beginning of the fiscal year, as the appropriations language suggested.

See comment 2.

For Phase VI the National Board carried over the $10 million supplemental appropriation (P.L. 100-71) made during the summer in order to have it available during the winter months. That announcement was sent to qualifying counties on October 14, 1987. The first check was mailed out to a recipient agency on November 12, 1987. The next step was FEMA's appeal to the Office of Management and Budget to provide a full appropriation rather than an incremental one that other programs were receiving under the Continuing Resolution (P.L. 100-120). OMB agreed with FEMA's contention and nearly $114,000,000 was made available to the program as of December 4, 1987. The subsequent award mailing to jurisdictions was then mailed out on December 15, 1987.

See comment 3.

Those dates are not meaningless. They are evidence of a program that is prepared to move rapidly, due to a National Board and staff that still consider this an emergency program. We think a two week (or less) turnaround is a good record, not deserving of the terse statements that appear in the **Analysis** section with no context. It is apparent that the choice in this matter is between local control and responsibility or some type of automatic disbursement procedure carried out regardless of local needs or an organization's audit status. We at FEMA and the National Board continue to feel that the strength of this program lies in the decision-making process at the local level. What is sacrificed in time is more than compensated by having a program that is responsive to local needs, reflects a community consensus and is both effective and accountable.

See comment 4.

It is important to remember that we are awarding these funds quite quickly. That knowledge is especially useful since we also allow retroactive payment for services. This option can be helpful to agencies willing to expand their services prior to our disbursement date. Perhaps this is an option that not all agencies can use, but it should have been noted. Essentially, all of the steps we have taken endeavor to get all the necessary information out to local communities so that they can determine the pace of their own allocations based on their local practices.

See comment 5.

Another point for distinction is the matter of the extended spending periods. We appreciated GAO's suggestions in this regard. But it should also be stated that such extensions were not possible prior to the passage of the McKinney Act (particularly Section 104 (b) AVAILABILITY UNTIL EXPENDED). Prior to that time, the EFS program was a product of appropriations acts and was thus governed strictly within a given fiscal year. In fact it is useful to remember that the National Board cannot make fund awards prior to the commencement of a fiscal year.

See comment 6.

We do appreciate your recommendation of early passage of appropriations measures. But given the context of your other statements it may seem a curious request. If the intimation is that this program is incapable of having funds out within four months then an August appropriation would have little impact. However, using Phase VII as an example(see chronology above), you may wish to note that the Appropriations measure was passed in August, the first checks were mailed on November 4, 1988 and by December 31,1988,we should have more than $30 million on the streets with an additional $35 million in second and third checks ready to be mailed when requested.

If all of this appears to be FEMA blowing its own horn, that is not the case. But we do want to defend a National Board and staff that have worked with great ingenuity and dedication to make this a successful program.

See comment 7.

Another prime area of concern listed in the report is that our distribution formula may not be covering areas most in need. As noted we will be addressing that question in compliance with P.L. 100-628. In connection with that study we are reviewing other formulas used at the Federal level for national programs. However, we must state that from reviewing your report your conclusion seems to be that though our formula was flawed, there really were no alternatives that would significantly improve the distribution pattern. Why couldn't those observations appear on page four of the initial discussion rather than being buried back on page twenty-seven? If 55% of respondents to the survey see unemployment as the main cause of homelessness, then why is our formula so lacking?

Now on p. 24.

See comment 8.

The section on Luzerne and Lackawanna Counties is confusing. Yes, we qualify entire counties based on cities within them. Should we disqualify cities that have low unemployment rates if they are located within counties that have a high rate? Later in the piece the report notes the "questionableness" of the data we are employing by noting that the State Set-Aside Board in Pennsylvania had given a larger award to Luzerne than Lackawanna. From our perspective, that is the EFS system operating as it should: State Set-Aside Board noting an anomaly in our awards and compensating for it. That is why we created the Set-Aside system. The National Board was aware of the Luzerne County situation and advised the State Set-Aside Board to consider the county's needs. Finally, after establishing that Luzerne was a much larger county than Lackawanna the report then seems puzzled that a State Board would give it a larger award than Lackawanna received from the National Board. From our view it is a bigger county receiving a bigger award to supplement other local efforts. That is how this program is supposed to work.

See comment 9.

We emphasized the word supplement because it does not appear in the report and it is crucial to any understanding or appreciati of the EFS program. The idea of the program being supplemental is

not always an easy admonition for local volunteers to follow, particularly given the longevity of the program. But it becomes very difficult to maintain such a tenor when this report equates our disbursements with the only funds an agency will have. (Those identified in the survey as being in such a position are generally food pantries run by volunteers. Perhaps they would cease to exist without EFS, but we suspect not.)

See comment 10.

Overall, we read this as a report that inherently has a keen understanding of this program, but brushes past that awareness to pin the structure of the report on misreadings and dangling statements that are neither insightful nor constructive. We deeply appreciate the work that went into this report, particularly the survey which is the type of information most programs can only wish for. And we also appreciate the cooperative spirit of the GAO staff that have been both wise and helpful in their workings with the National Board and its staff. It is based on those very considerations that this report, particularly the Executive Summary, seems so disappointing.

I trust these thoughts and concerns will be considered in your preparation of the final report.

Sincerely,

Julius W. Becton, Jr.
Director

The following are GAO's comments on the Federal Emergency Management Agency's letter dated December 28, 1988.

GAO Comments

1. The dates of appropriation and disbursement for the first two McKinney Act appropriations were included in our draft report. The dates of the third appropriation have been added to the final report.

2. Acknowledged in the executive summary and chapter 2 of the report.

3. A footnote has been added to the body of the report acknowledging this.

4. Narrative has been added to the body of the report acknowledging that this option is available to the agencies.

5. In light of FEMA's interpretation that the National Board cannot award funds prior to the beginning of the fiscal year, we have modified our suggestion to the Congress that in making appropriations, it consider forward funding or other language that would allow using the funds for periods other than the standard fiscal year.

6. As suggested, we have added the Phase VII appropriation to the report, with the notation that a few months were still required to achieve significant disbursements.

7. Acknowledged in the body of the report.

8. We recognize that the state set-aside procedure helps alleviate any deficiencies in the allocation formula. For this reason, we offer increased state set-asides as a means to further enhance the allocation. Our purpose in presenting the Luzerne/Lackawanna example was not to criticize the state set-aside procedure, but to show that there were deficiencies in the national allocation formula.

9. Discussion with FEMA personnel indicated that the intent of this comment was to emphasize that for most EFS recipients, the EFS funds were not their predominant source of funds. We agree. As our draft and final reports showed, we found that about 10 percent of the recipients relied totally on the EFS Program for their operating funds.

10. We believe that the executive summary accurately portrays the results of our review. Nonetheless, we have made several changes to the executive summary and chapter 2 to emphasize the diligent efforts and positive accomplishments of FEMA and National Board staff.

Comments From the Department of Housing and Urban Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

U S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C 20410-6000

OFFICE OF THE ASSISTANT SECRETARY
FOR POLICY DEVELOPMENT AND RESEARCH

FEB 27 1989

Mr. John M. Ols, Jr.
Associate Director
Resources, Community and Economic
Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Ols:

This responds to your December 12, 1988 letter to the Department of Housing and Urban Development (HUD) transmitting a proposed report to the Congress entitled "Homelessness: HUD and FEMA Progress in Implementing the McKinney Act".

For the purpose of clarification and accuracy, the following points are called to your attention.

EMERGENCY FOOD AND SHELTER PROGRAM

See comment 1

1. We disagree that the conclusions drawn from the GAO survey of FEMA's 1987 Emergency Food and Shelter Program grantees have any more validity than just providing a "snapshot" of what some people think about the causes of homelessness. While these grantees were able to provide information on the number of people they served and the services provided, we question what empirical evidence grantees had to draw conclusions on causes of homelessness. It is a quantum leap from learning that an individual is homeless because he has been evicted to deciding that a decrease in the amount of subsidized housing causes homelessness. This is especially troublesome because there has been an increase rather than a decrease in the availability of subsidized housing. Over the last eight years, there has been an increase in the number of families receiving housing assistance: from 3.1 million families to over 4.2 million families today. While the report does attribute information on causes to these grantees, comments such as these continue to perpetuate an inaccurate picture of assisted housing policy and the causes of homelessness.

See comment 2.

2. The sections on the FEMA program and HUD's Emergency Shelter Grant Program suggest that the allocation formulas for these two programs should be altered to take into account the degree of homelessness in a community. In theory this makes sense; but practically it is quite difficult to operationalize.

If HUD were to add an element to the formula on the number of homeless locally it would have little valid data to use. It might also put HUD in the position of reviewing and sanctioning (or not sanctioning) the myriad of statistically invalid studies conducted locally.

The Census Bureau, as part of the 1990 census, will be undertaking a count of the homeless, which may be of use in allocating homeless assistance funds at some later point in time. But even Census acknowledges the problems in obtaining accurate counts. For example, it will be counting all people on the streets on one specific night who are not engaged in money-making activities. This may result in an overcount. On the other hand, Census will be working with local contacts to identify all shelters in order to count the homeless there on the same night. We know from experience that communities have varying degrees of knowledge about the full extent of their local homeless networks. Failing to identify all the shelters in a locality may result in an undercount. So even with this large scale effort, the information produced may not be useful for distributing homeless assistance funds.

All of this is not to suggest that the current formulas adequately target homeless funds to those communities that need them most. Both FEMA and HUD have been required by the McKinney Amendments to prepare reports to Congress on alternative formulas. We view this as an opportunity to determine if, in fact, there are allocation factors which can be used to target the funds better.

EMERGENCY SHELTER GRANT (ESG)

See comment 3

1. At the time GAO drafted this report, data on the uses of the McKinney Act authorized funds were not available. However, these data are now available, and we believe Congress would benefit from their inclusion in the report. The break-out of the $50 million Supplemental Appropriation is as follows:

1987 ESG PROGRAM
Planned Expenditures
(Dollars in Thousands)

Activity	State Program Amount	State Program Percent	Entitlement Amount	Entitlement Percent	Total Amount	Total Percent
Rehabilitation	$11,776	56%	$16,760	58%	$28,536	57%
Services	1,195	5	2,266	8	3,461	7
Operations	7,983	38	10,020	35	18,003	36
Total	$20,954	100%	$29,046	100%	$50,000	100%

3

We believe these data and an accompanying text should be substituted for the current discussion and speculation presented at pages 52-53 of the report.

2. The Emergency Shelter Grants (ESG) Program, unlike the other HUD Programs, did not enter into long-term contracts with projects. Rather, HUD entered into contracts with States, Entitlement cities, and counties that, in turn, had discretion to enter into multi-year funding contracts with homeless providers. Like the GAO study, we found the State of California, and a number of cities in California using their discretion to support shelters with long-term funding contracts. This, of course, significantly slowed their drawdown of Federal funds. If a number of States and Entitlement recipients chose to use long-term contracts, then the ESG program drawdown rate as a whole would be slow. While we don't know how many grantees are using long-term contracts, we have some evidence to suggest that their use may not be widespread outside of California.

See comment 4.

3. The GAO study might have indicated that HUD was responding to the many expressions of Congressional intent that first HUD, then State and local governments and ultimately homeless providers obligate and spend "emergency" homeless funds in an expedited manner. The tight application deadlines HUD imposed on itself and grantees responded to these Congressional concerns. The tight application deadlines were somewhat offset by the 180-day deadline for obligating (getting under contract) funds once HUD had made awards to Entitlement cities or the State had made awards to local governments.

See comment 5. Now on p. 49.

4. The description on participation by religious organizations should be updated. It is not true, as stated on page 58, that HUD limits participation to religious organizations that establish a separate, nonprofit entity to receive funding for rehabilitation. The subsequent reference in the same paragraph to a November 23, 1987, Report by the House Committee on Government Operations also does not reflect existing policy.

Under our current regulations, first promulgated on October 19, 1987, the Department has provided a mechanism for rehabilitation of church-owned property by nonprofit organizations which may be established by the type of religious entity which the United States Supreme Court has described ('pervasively sectarian') as ineligible to receive assistance. Alternatively, the religious organization can utilize an existing nonprofit entity. Further, under these regulations the religious organization can itself run the homeless program pursuant to a contractual arrangement with the nonprofit entity. We do not know if the anecdotal evidence described on pages 58-59 was gathered before or after implementation of the current regulations. The Department's experience has been that the regulations have both facilitated and improved utilization in this program of the important contributions which religious organizations have traditionally brought to solving the problems of the homeless.

4

See comment 6.

5. The statement on page 60 that "grantees had to choose shelters quickly" to meet the application deadline for their ESG funds is misleading. There has never been any requirement that applications must be site specific. Rather, grantees are only required to indicate how they plan to spend the money among the eligible categories of activities. Once they have received their funds they may go out with an RFP and select shelters to fund. In fact, many of the examples in the report indicate that sites are selected after ESG funds are awarded.

COMPREHENSIVE HOMELESS ASSISTANCE PLAN (CHAP)

See comment 7

1. The report recommends that if Comprehensive Homeless Assistance Plans (CHAPs) are to be useful, they must provide more detail, such as by comparing the services available to meet special needs of various types of homeless persons with the estimated numbers of those types of homeless persons. However, the legislative history makes it clear that this approach was considered and rejected by the Congress. For example, in developing the CHAP legislation, Congress examined a sampling of homeless assistance plans submitted under the original HUD homeless assistance legislation and indicated that the level of detail in these plans, similar to that now required in the CHAP, was sufficient. They intended the CHAP to be a local planning tool. For this reason, HUD has not added to the requirements set forth in the Act and has established review procedures consistent with Congressional intent that the CHAP not be an impediment to receipt of funds by grantees. At the same time, HUD did take the opportunity in the CHAP Notice published in the Federal Register on December 28, 1988, to "encourage" grantees to "review and revise" their existing CHAPs.

See comment 7.

2. Grantees that told GAO that if they had had more time they could have prepared a more thorough plan will have that opportunity. The recent McKinney Act amendments require an annual CHAP submittal. In addition, grantees may amend their CHAPs at any time. We agree with Congress that the CHAP should serve as a local planning document. We intend to have this Department serve as a clearinghouse and provide technical assistance on CHAPs. Additionally, we are reviewing options for making some minimum changes in the content of CHAPs that will enhance State and local planning on homeless needs and resources.

SUPPLEMENTAL ASSISTANCE FOR FACILITIES TO ASSIST THE HOMELESS (SAFAH)

See comment 8. Now on p. 72.

1. The conclusion in the second paragraph of the opening discussion on the Supplemental Assistance for Facilities to Assist the Homeless (SAFAH) program (and in the conclusion on page 90) is slightly distorted. Both the in excess and comprehensive categories gave priority to projects for the homeless elderly and homeless families with children, by virtue of Section 432(d)(4) of the McKinney Act. The fact that the statutory language on the comprehensive category refers to homeless families and individuals is more the result of a drafting error than an indication of Congressional intent.

5

See comment 9 Now on p. 67.

2. The report intimates (page 82)that projects that receive other funding in addition to SAFAH funding cannot be comprehensive. This is not correct. Most homeless projects (not just those covered by McKinney Act funding) have to package funding from many sources. This is a frequent complaint of shelter providers -- that no one source provides all the funding they need. Comprehensiveness is a measure of the scope of the project rather than of the source of funding.

Now on p 67 See comment 10

3. Page 82 also intimates that comprehensiveness was somehow nominal rather than substantive. Applicants calling for technical assistance during the application preparation period were reminded that the Notice of Funds Availability for the program gave a priority to applications in the comprehensive category. The kind of applications HUD expected under this category was explained to them. No one was ever told to simply call an "in excess" application comprehensive in order to make it more competitive.

See comment 6.

4. The report incorrectly states that HUD has not established program reporting requirements for the SAFAH program (page 86). Grantees are required to submit a quarterly narrative progress report with their quarterly financial reports. The confusion in the report may have arisen because HUD does not prescribe the content of these narrative reports.

Now on p. 70 See comment 11

5. Page 87 of the report notes that HUD would reconsider the need for historic preservation certifications for certain types of projects when SAFAH is reauthorized. The Notice implementing the McKinney Amendments changes to the SAFAH program will clarify when historic preservation and other environmental requirements do not apply to projects which are solely for the provision of social services.

See comment 11

6. As is the case with the Emergency Shelter Grants program, so too HUD's SAFAH regulations now provide greater flexibility for religious organizations providing services to the homeless.

Now on p 88 See comment 12

7. The report claims (page 112) that one recipient of SAFAH funds believed that, on the basis of past projects, administrative costs would be higher than five percent allowed under the program. Given that administrative costs cover only the cost of doing business with HUD (the bulk of which amounts to quarterly narrative and financial reports and an audit), we do not understand why any recipient would need to spend more than 5 percent of its grant on these administrative functions. The report also notes (on the same page) that two grantees believe that operating costs should have been covered under administrative costs. The statutory language on eligible cost unfortunately omitted operating costs. Congress agreed with HUD on this interpretation and, at HUD's request in the McKinney Amendments, made operating costs an eligible activity for subsequently approved SAFAH projects.

SECTION 8 ASSISTANCE FOR SINGLE ROOM OCCUPANCY DWELLINGS

Now on p. 75 See comment 8.

1. Page 95. The phrase "and evidence of occupancy for a 30-day period is provided to HUD regional offices" is incorrect.

   Most of the program funds (housing assistance payments) will not be disbursed to Public Housing Agencies (PHAs) until construction is completed and there is evidence that the unit is eligible for occupancy. This phrase is also incorrect because if the unit is not leased within 15 days of the effective date of the Housing Assistance Payments (HAP) Contract, the owner is entitled to vacancy payments in the amount of 80 percent of the Contract Rent for a period not to exceed 60 days from the effective date of the HAP Contract.

Now on p. 76. See comment 8.

2. Pages 95-96. The Report notes that over half of the projects will provide supportive services. It should be noted that all of the Single Room Occupancy (SRO) projects selected indicated the availability of supportive services. In some cases, the supportive services are being provided on-site; in other cases, the services are accessible to the residents of the project.

Now on p. 78. See comment 13.

3. Page 97. GAO contends that HUD underestimated total program costs that could ultimately reach $14 million more than the original appropriation, and that this shortfall occurred because HUD did not consider "known cost escalation factors" in its original computations for project funding.

   When the Department reserves budget authority for a PHA, the amount is based on the number of units to be rehabilitated and leased and the current area Fair Market Rents (FMRs) times 10 years. Specifically:

Number of Units to be Reserved	X	Current FMRs	X	12 Months	=	Annual Contribution	X 10 years =	Budget Authority Reserved

   This funding approach does consider the escalation factors cited by the GAO. By providing the FMR for each unit, and not adjusting for the rehabilitation and lease-up periods or tenant contributions, the Department intentionally created a Project Reserve that was designed to pay for future increases in rents and administrative fees. This funding method has been used for all Section 8 Programs.

   The Department carefully considered its funding approach in the early years of the Section 8 program, taking into account the actual cost factors such as rent inflation and tenant contributions, and determined that the FMR funding approach could reasonably sustain Program operations for 7 or 8 years without any need for supplemental funds. At the same time, the Department recognized that because of expected but unpredictable rent inflation over a long period of assistance, contract amendments would be required in later years to increase funding authority. It was determined impractical, however, to try to set the funding level for periods over 5 years because the rate of inflation is very unpredictable.

7

The crux of the issue concerning sufficiency of budget authority is the problem of projecting long-range costs based on complex and unpredictable variables. The Department has extensive data on past and current rent levels and good Census data on sources and amounts of income of those likely to participate in the program. We can also identify the factors that will influence future changes in rents and incomes. All of this information, however, does little to assist us in improving our current method. For example, the major factors influencing participant incomes are changes in SSI, SSD, Social Security, and AFDC payments and local wage levels. AFDC, SSI, and SSD payments have been especially erratic so far this decade, primarily because State governments have not pursued a consistent or predictable course of action with respect to State contributions. Assistance payments of this type are the primary sources of income for most program participants. A few States have more or less consistently indexed their payment levels to an inflation index, but these are the exception. Trying to guess when States that have not changed their contribution levels in three or four years are likely to do so and by how much is a highly speculative effort. Long-term estimates of change are usually not very accurate and, therefore, not very meaningful, i.e., there is no such thing as a known cost escalation factor. Projecting changes in rents is equally difficult for more than a 5-year period.

Now on p. 78. See comment 11.

4. Page 97. The GAO report states that most of the program funds will be used for rental assistance payments for 10 years rather than for reimbursement of SRO rehabilitation costs.

The SRO program, as noted in the report, is based on the Department's Section 8 Moderate Rehabilitation Program as described in Section 8(e) of the United States Housing Act of 1937. Although this program is designed to compensate owners for the costs of moderate amounts of rehabilitation, it also supports the costs of owning, managing, and maintaining rental units over a 10-year term. The Moderate Rehabilitation Program was designed with FMRs 20 percent higher than the Section 8 Existing FMRs, in recognition that an additional amount was needed to cover rehabilitation debt service, but that the great majority of project expenses relate to costs other than rehabilitation (e.g., debt service for purchase, insurance, taxes, management).

Now on p. 79. See comment 13.

5. Page 99. The program coordinator estimated that program funds will be exhausted in the seventh or eighth year of the 10-year program.

The point at which funds will run out depends upon several unknowns, e.g., change in tenant income, rent inflation, etc. Then again, the level of funding that was appropriated could carry the program through its 10-year period.

See comment 6.

6. Page 99. The GAO report states that it would be difficult to project how much tenants would be likely to contribute over the 10-year program period.

We find that projecting how much tenants will contribute is no more difficult than estimating changes in the rental market.

132

Now on p 79. See comment 13.

7. Page 99. The GAO report indicates that their estimates for the total amount of program funds required did not include "(2) the 30 percent tenant contribution (which would reduce the funding requirements)".

Excluding tenant contributions from GAO calcu'ations undercuts the validity of GAO's argument regarding HUD's underestimation of program costs by more than $14 million. We cannot assume that homeless persons will contribute very little towards rent. In fact, tenants of the SRO projects are no longer homeless and may well experience significant increases in income. For example, out of 45 tenants in an SRO project in Portland, Oregon, 12 were employed when they moved in and 8 more have become employed since moving in.

See comments 6.

8. Page 100. "Section 8 guidelines...limited reimbursement [for rehabiliation costs] to 20 percent of the computed fair market rental assistance."

The Section 8 guidelines do not limit the percentage of rent available for amortization of rehabilitation. In fact, the rent calculation process limits the amount of the rent for costs other than rehabilitation to the Existing FMR, so that 20 percent is the minimum, rather than the maximum available for rehabilitation costs. In the event that the costs other than rehabilitation are less than the Existing FMR, more than 20% is available for rehabilitation costs.

Now on p 80. See comment 11

9. Page 100. The GAO report states that if the funds appropriated were used exclusively for rehabilitation purposes, approximately 2,500 instead of 1,025 SRO units could have been renovated through the program. No rental assistance, however, could then be provided.

The Section 8 Moderate Rehabilitation Program is not designed to use funds appropriated for rehabilitation purposes exclusively. The Moderate Rehabilitation Program is a rental assistance program, and its primary purpose is to provide housing assistance payments to owners on behalf of eligible individuals/families. There are some benefits to be realized through the rehabilitation of buildings not currently available as decent, safe, and sanitary housing. However, there are even greater benefits in providing rental assistance to keep the housing affordable to homeless individuals for a ten or twenty-year period. The program requirement that supportive services be made available to residents of SRO projects is also expected to be beneficial in stabilizing or improving the lives of the residents.

Now on p 81 See comment 11.

10. Page 102. The second Notice of Fund Availability for FY 1989 funds provides extended deadlines for submission of applications and completion of rehabilitation.

Now on p. 81. See comment 13.

9

11. Page 103. Conclusion. GAO concludes that although it is too early to tell with certainty how much the SRO program will actually cost, it still contends that HUD has underestimated total program costs and could spend the entire $35 million that was appropriated several years before the expiration of the 10-year period.

The Department is aware that funds appropriated by Congress for the SRO Program may not cover all of the units for the full term (10 years). However, Congress recognizes the cost uncertainties associated with providing housing assistance over long periods. Congress also understands that the Section 8 Programs may at some point in time need amendment funds, since Section 8(c)(6) of the U.S. Housing Act of 1937 requires the Department to assure that assistance payments for each project can be increased on a timely basis to cover increases in rents or decreases in family income.

Now on p. 82. See comment 11.

12. Recommendations (Page 103)

GAO has recommended that the total amount of rental assistance for the SRO be recomputed taking into account the PHA administrative allowance and HUD's estimated inflation factor, and that HUD request a supplemental appropriation to cover any resulting funding shortfall.

In response to GAO's recommendation, we will follow our normal Section 8 procedures should a funding shortfall occur, i.e., requesting amendment funds when necessary and if appropriate.

Very sincerely yours,

James W. Stimpson

James W. Stimpson
Deputy Assistant Secretary
for Policy Development

The following are GAO's comments on the Department of Housing and Urban Development's letter dated February 27, 1989.

GAO Comments

1. We disagree that the respondents answers inaccurately reflect the subsidized housing situation. The number of private units affordable to low income households has steadily declined during the 1980's by about 1 million units, while the demand for affordable rental units increased by about 2 million households. In the period 1985-88 the number of renting households that met HUD's income eligibility criteria increased by about 500,000 while only about 320,000 additional rental units were added to HUD's subsidized housing stock. It is not surprising, therefore, that our respondents rated a decrease in the supply of federally subsidized housing as a key cause of homelessness given that the demand for low-cost housing may outstrip the supply in many local markets.

2. We do not agree that the differences in responses to questions 1 and 3 "discount the validity of the causes of homelessness" cited by the respondents. One question asks about causes in the service providers' **city or town**, while another focuses on the causes for the clientele of a **specific agency**. The general condition in any city or town is not necessarily reflected in the circumstances of the individuals receiving assistance from a particular service provider. It is possible, and "valid", for a respondent to cite a housing problem as an important factor in homelessness in their general area and at the same time to report that most of the clients of their specific agency are homeless as a result of a loss of jobs or mental illness.

3. Revised material incorporated into final report.

4. The McKinney Act contained provisions limiting the time available for regulation issuance, fund allocations, and CHAP review and approval; the latter is limited so that funds not wanted by some communities could be reallocated to others. We are aware of no provisions requiring that the funds be obligated or spent quickly. Nonetheless, we sympathize with HUD's interpretation and acknowledge it in the body of the report.

5. We were aware that regulations were published allowing religious organizations tc lease its facility from a separate organization, as well as to transfer title to a separate organization. Our final report has been modified to make this distinction clear. Nonetheless, it does require establishing or locating a separate organization. The comments we received were made after the issuance of these regulations.

6. Statement deleted from final report.

7. We agree that the Congress endorsed the content of the CHAPS' predecessor plan and that the content of the CHAP is essentially the same. We also would not want the CHAP to become an overly burdensome document to prepare. However, we contend that the CHAP has the potential to be a valuable tool at both the local and national level; a potential that is not now being realized in many cases.

8. The report language has been clarified.

9. The language in the report draft was intended to convey that even though HUD funded only comprehensive applications, many of those funded could also have met the requirements of the supplemental, or "in excess," category. We were not attempting to suggest that any comprehensive projects were improperly approved. We have clarified the report language.

10. The applicant told us that it was advised to re-write the application as a comprehensive application to improve the likelihood of being funded. We do not believe that such re-writing necessarily implies a nominal distinction between the two, only that some projects may be able to qualify under both funding categories.

11. The final report acknowledges this statement.

12. We believe there may have been some confusion among the recipients as to the distinction between certain operating costs and administrative costs. We believe the authority to fund operating costs coupled with this definition of administrative costs should ease the recipients' concerns.

13. We agree that precise estimates are difficult. But the issue is whether HUD's funding calculations tend to stay within the amount appropriated. HUD's comments did not address this issue. If, as we were told, they routinely result in overobligation of funds, then some modification of the cost estimates would seem appropriate.

Major Contributors to This Report

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