

**Response to OPEN COMMENT on
HUD Funding Formula**

From the
National Homeless Information Program (NHIP)

The NHIP respectfully submits the following response to the HUD OPEN COMMENT on the Homeless Funding Formula. The response is broken down into four areas which relate both directly to the funding modification proposal and to the general issue of funding to meet the key initiatives of ending veteran homelessness, chronic homelessness and overall homelessness.

1. Modification of PPRN has little to no impact on funding

It is unclear why HUD has emphasized modification to the Preliminary Pro Rata Need (PPRN) since funding to CoC under McKinney-Vento is guided primarily by the Annual Renewal Demand (ARD). The difference between the PPRN and ARD can be as great as \$20 million or more. The NHIP does not believe that changes in the PPRN can correct current inequities in homeless funding.

While approximately 130 CoCs that have ARDs that are lower than their PPRN would benefit from an increase in the PPRN since allocation of the Bonus project and Planning allocation are a multiplicative factor of the greater of either the ARD or PPRN, these corrections do not address the general issue of Bonus and Planning allocations for CoCs with low levels of Continuum funding.

Recommendation: The NHIP recommends that HUD solicit comments related to the Funding Need for each Continuum based on current ARD received. HUD should utilize this feedback, as the Department of Veteran Affairs did, to advocate for needed increases in Federal McKinney-Vento Homeless Assistance Funding.

2. Selection of Indicators for funding

The proposed HUD alternative formulae do not adequately address the significant funding inequities across Continuums. Correlations between the indicators and actual homeless prevalence range from only 0.20 to 0.44. These levels are not very high considering this type of population data. NHIP analyses comparing homeless prevalence and current funding levels show that inequities can be as high as 100% of the current ARD. The indicators proposed by HUD do not modify funding allocation to the extent needed to correct these inequities.

By incorporating actual homeless counts, especially unsheltered counts, into the formula, it will work to improve the reliability of future counts since numbers will be better scrutinized. HUD, itself, calculates the correlation between its own chosen indicators and the reported PIT homeless count. A simply approach is to use the homeless prevalence balanced with other salient factors.

While homeless estimates have unsystematic errors of unknown proportion, these estimates are currently the best available. In addition, the errors are primarily limited to the unsheltered count. The shelter count has a very high level of accuracy.

Recommendation: The NHIP recommends using a formula that incorporates both **shelter prevalence** including the **PSH count** and **unsheltered prevalence**. The unsheltered prevalence component can be transformed using a natural log or interval approach that can minimize the impact of moderate errors and extreme values. Additional variables should include the **FMR rate** of the area since housing subsidy costs, which are the primary costs being supported by HUD, are directly related to the

FMR. Lastly, the NHIP suggests incorporating the **level of first time homelessness** as a factor since larger macro and social factors are beyond the control of local communities. A base of the **ARD** (factor of 30%) should be used for stability and need to ensure support for a portion of the currently funded projects.

The NHIP specifically suggests the following formula:

- 30% Current ARD
- 20% Sheltered +PSH (HIC) count
- 20% Unsheltered counts (interval or log transformation)
- 15% FMR level
- 15% Level of new homeless entry

3. Modification to the Planning Allocation is needed

The NHIP strongly recommends changing the allocation of Continuum Planning funds. Currently, allocation is linear using a 3% of ARD or PPRN allotment. This approach is seriously flawed since planning is not a linear function of Continuum size. Planning costs should be understood as part fixed with variable costs related to the size of the Continuum.

The State of Connecticut receives nearly \$1 million in planning funding and has a prevalence similar to Orlando, Florida which receive only about \$200,000 in planning dollars. There are currently over 100 CoCs that receive less than \$25,000 in planning funding. Even very small CoCs need a minimum level of support to carry out functions mandated by HUD.

With respect to Continuum planning dollars, HUD should establish a minimum funding level for CoC planning allocation. Implementation of all HUD initiatives in a small Continuum require a minimum amount of costs regardless of size. At the high end, very large CoCs with ARD amounts above \$10 million should not continue to receive planning allocation based on the 3% allocation. Planning costs do not continue to rise at the same rate after \$10 million.

Recommendation: The NHIP recommends that a floor of \$25,000 be instituted for planning dollars for CoCs. Planning allocation should use a sliding scale of 4% for the first \$2 million, 3% for amounts between \$2 million and \$10 million, and 2% for amounts over \$10 million.

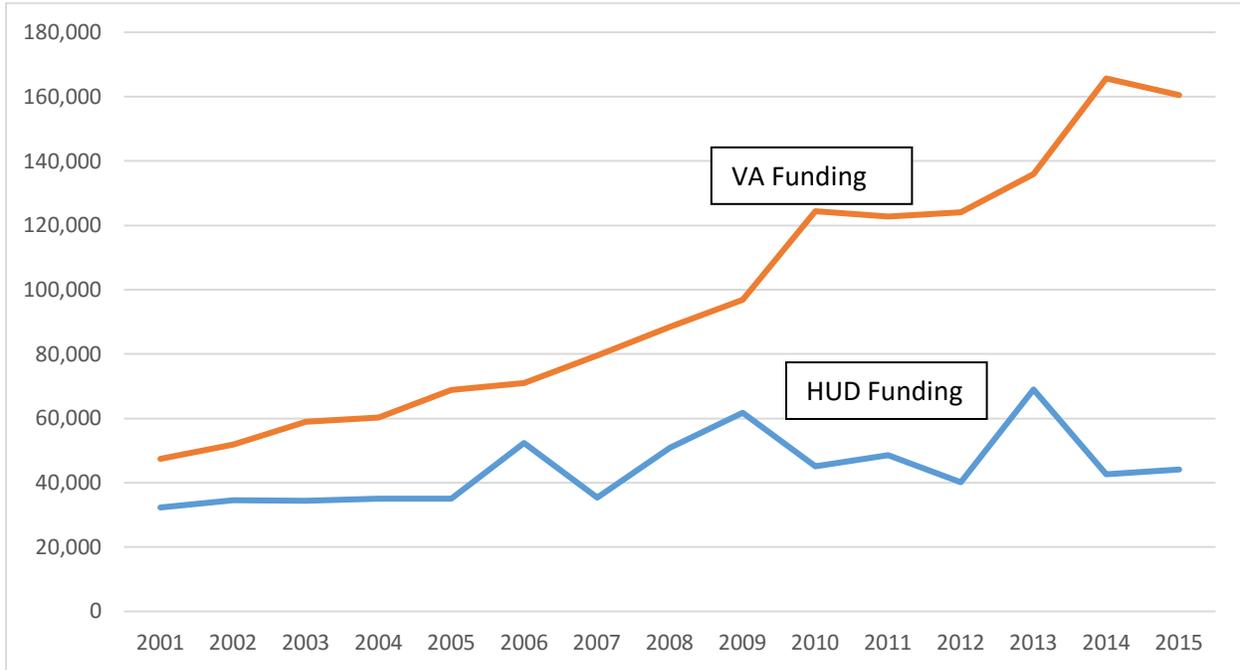
4. Overall HUD increase in McKinney-Vento is needed

The primary problem not addressed by the formula is the stagnant funding budgeted under McKinney-Vento. It is instructive to compare the rise in the Department of Veteran Affairs budget and the HUD budget over the last 20 years. The success lauded by HUD, the VA, and the administration is reducing veteran homelessness is hinged on the tremendous increase in funding for both direct veteran homeless services and “mainstream” veteran affairs, specifically service-connected compensation pay.

The chart below (figure 1) shows that VA funding has increased by nearly four-fold in the past 15 years, while HUD funding has remained essentially stagnant. Current VA funding in 2015 stands at \$160 billion, while HUD spending came to \$42 billion. Beginning in 2009, the initial year of the campaign to end veteran homelessness, VA funding began to increase more rapidly.

Figure 1: Actual Annual Expenditures by Department (VA and HUD)

Source: U.S. Federal Budget – Historical Totals (numbers in million\$)



In order to tackle the problems of chronic homelessness especially among those with serious mental illness, an initiative of the size and scope of the VA campaign is needed. While HUD is requiring Continuums to prioritize the 300,000 PSH beds already in existence across the Continuum, there is insufficient inventory to make significant strides to end or reduce chronic homelessness in many communities, especially those that do not receive an equitable amount of funding. A majority of the 300,000 are already dedicated to chronically homeless persons (estimated between 60 to 80% nationally).

Recommendation: The NHIP calls for the immediate creation of an additional 40,000 Permanent Supportive Housing vouchers which support rental subsidies, case management and administrative supports (estimated \$520 million budget increase). These subsidies should be targeted for CoCs that are currently underfunded in analyses performed by both the NHIP and HUD. This total is 50% less than current VA VASH subsidies (80,000+). The number of chronically homeless persons is estimated to be equal to or greater than the number of homeless veterans.

Sincerely

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