

KEY PRINCIPLES FOR CONSOLIDATION AND FORMULA ALLOCATION OF THE MCKINNEY-VENTO HOMELESS ASSISTANCE PROGRAMS

As organizations representing state and local governments and leaders of Continuum of Care applications across the country, we strongly support the consolidation and formula allocation of all four McKinney-Vento Homeless Assistance Programs.

While the debate continues about the relative merits of a formula-based approach to funding of homeless programs, a number of key concerns continue to lend support to this approach as the best delivery mechanism for homeless services. In short, the current competitive system works for some but falls short in a number of areas. Specifically, the current competitive process:

- Requires an inordinate amount of time for funding decisions to be made, effectively holding up tens of millions of vital dollars for more than a year.
- Consumes immense financial and staff resources solely to apply for funding.
- Fails to provide the flexibility for funding decisions based on unique state and local needs.
- Fails to provide the consistency and predictability needed for a sound, comprehensive homelessness strategy.

Given the significant short-comings in the current process, we strongly believe a modified formula-based approach would best serve those experiencing homelessness. Organizations opposing a formula-based approach often argue that under this approach, performance would not be rewarded and homeless advocates and non-profits would be left out of the process.

Our strong belief is that a formula-based program can be designed that would address the concerns of advocates while providing the benefits of a formula-based approach. Outlined below are guiding principles for such a program.

- **Codification of the Continuum of Care:** The Continuum of Care planning process provides a useful tool for planning and coordinating homeless services and should be codified. The inclusion of state and local governments, homeless service providers, faith-based groups, advocates, and homeless people in the decision making process allows programs to be tailored to local needs. Additionally, a local planning process facilitates the development of a comprehensive plan to address homelessness and allows for collaboration among partners. Lastly, the Continuum of Care plan should be consistent with the Consolidated Plan.
- **Development of Performance Measures:** Homeless programs should be designed to achieve an overarching goal - assuring that homeless people are able to enter stable housing as expeditiously as possible. Measuring the performance and effectiveness of homeless programs will provide HUD and state and local governments with the information needed to know what works and where funds should be directed. Performance measures should be developed by state and local governments with input from service providers and advocates, with final approval from HUD. Any performance measures developed should reflect local needs and be linked to overall national goals.
- **Formula Allocation Based on Threshold, Not Entitlement:** State and local governments should not receive the grant as a pure entitlement. Rather, jurisdictions would meet certain

thresholds including the development and implementation of a Continuum of Care process in order to be eligible for a federal homeless grant.

- **Need for Permanent Housing:** The provision of permanent housing for the homeless is a vital component of any strategy to assist the homeless. The creation of permanent housing should be encouraged and include the provision of housing for all homeless people, not only for the disabled, chronically homeless. Additionally, in order to ensure that people can maintain permanent housing, the renewal of all permanent housing projects should be funded through the Housing Certificate Fund.
- **Hold Harmless Clause:** To ensure that cities and states that have a demonstrated need for significant resources and a proven track record of successful programs, a permanent hold harmless clause should be included as part of a block grant. This will make certain that the “winners” under the current process are not penalized while providing vital funds to many communities that find the current system too burdensome.
- **Revised Formula Based on Homeless Need:** A new formula that better reflects homeless need should be developed within one year. HUD, along with stakeholder groups including state and local governments, advocates, and non-profits would jointly develop a set of formula factors to include in the formula.
- **Focus on Preventing Homelessness:** Within a consolidated block grant, ten percent of the entire allocation should be eligible for homelessness prevention activities. This cap would provide sufficient flexibility for state and local governments to fund these cost effective activities without significantly diverting resources from other homeless services.
- **Leveraging Requirements:** The inclusion of leveraged funds is important and should be used to promote the maximum possible investment, but any requirement should not provide strong disincentives or make projects too difficult to finance and complete. A twenty-five percent flexible match requirement that includes both hard and soft money is appropriate. In order to promote permanent housing, there should be no match requirement for permanent housing or leasing activities.
- **Administrative Fee Structure:** In order to effectively coordinate the homeless programs, the administrative fee should be set at ten percent, with half of that amount (five percent) passed through to non-profit partners and service providers.
- **McKinney-Vento Appropriations:** The McKinney-Vento Program should be authorized at \$1.6 billion, and such sums as deemed necessary in the future.

Endorsed by:

Council of State Community Development Agencies
National Association for County Community & Economic Development
National Association of Counties
National Association of Housing and Redevelopment Officials
National Association of Local Housing Finance Agencies
National Community Development Association
National League of Cities
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