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U.S. Department of Housing and Urban Development  
Office of Policy Development and Research

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# Allocating Homeless Assistance by Formula

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Report to Congress

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**December 1992**

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## EXECUTIVE SUMMARY

The National Affordable Housing Act (NAHA) of 1990 requested HUD to study the feasibility of allocating homeless assistance by formula and to submit its recommendations in a report to Congress. At the beginning of its inquiry, the Department hosted a meeting of researchers and others knowledgeable in the field of homelessness. Although very little support for a formula allocation was expressed at the meeting, the discussion did lead to an examination of four direct measures of homelessness that might be used as a basis for a formula and several other indirect measures as potential proxies for homelessness. From the four direct measures, the shelter portion of the Census Bureau's Street and Shelter (S-Night) count was chosen as the most valid basis for a formula. A formula was constructed using the S-Night shelter count, and the allocation of funds under this formula was compared with the current distribution of HUD homeless assistance funds.

In addition to the formula based on the S-Night shelter count, a second formula was constructed based on several proxies for homelessness. However, this report argues that a direct application of the S-Night count is preferable to using the proxies tested against it.

While not without limitations, the shelter portion of the S-Night count is the most valid available direct measure of the incidence of homelessness in every jurisdiction that would be affected by a formula distribution of homeless assistance funds. A formula using proxy measures of the sheltered homeless could also be devised from the available data, but this method is not superior to a formula based directly on the S-Night shelter count. The report concludes that it is feasible to allocate by formula the funds now distributed under the three programs proposed by NAHA for consolidation -- Emergency Shelter Grants (ESG), the Supportive Housing Demonstration (SHD), and Supplemental Assistance for Facilities to Assist the Homeless (SAFAH). But it also presents a number of alternatives to the formula structure proposed in NAHA, in particular, consolidation of current programs.

Although some form of further consolidation maybe desirable, formula distribution may not be an improvement over the present system. As a third alternative, a consolidated, competitive program would result in a more equitable and predictable allocation of funds while increasing program effectiveness and efficiency. In fact, the Congress recently took a step toward this approach in the Housing and Community Development Act of 1992, by adopting the Administration's proposal to consolidate SHD and SAFAH into one program.

## I. INTRODUCTION

### Mandate for the Study

Section 823 of the National Affordable Housing Act of 1990 instructed the Secretary of HUD to "carry out a study to determine the feasibility of allocating homeless assistance by a formula that distributes housing assistance for the homeless in accordance with the relative incidence of homelessness in jurisdictions across the United States. If the Secretary determines that the use of such a formula is feasible, the Secretary shall develop one or more such formulas. In determining alternative allocation formulas, the Secretary shall consider:

- (1) objective measures of the incidence of homelessness;
- (2) the relation between the supply of affordable housing for very low-income families and the number of such families in the jurisdiction;
- (3) poverty;
- (4) housing overcrowding;
- (5) any other relevant factors, including the reliability of data pertaining to homelessness."

Section 403(b) of NAHA proposed a formula-based program by consolidating Emergency Shelter Grants, the Supportive Housing Demonstration, and Supplemental Assistance for Facilities to Assist the Homeless into one program. The statute directed that the program be implemented only if a formula were recommended by HUD and subsequently enacted by Congress. The consolidated program would retain all of the specific requirements and restrictions of the individual programs. Jurisdictions would decide which activities to fund with their formula grants.

Section 823 of NAHA also instructed HUD to consult with "organizations representing homeless persons, nonprofit organizations, public housing agencies, and State and local housing and service agencies." Prior to proceeding with the data analysis and report preparation, the Department held a meeting, on January 28, 1992, with various experts, representatives of government agencies, and groups representing the homeless to gather opinions about direct and indirect indicators of homelessness. A list of attendees, an agenda, and detailed minutes of the meeting are included at the end of the report as Section VII.

## II. METHODOLOGY

The first task in exploring the feasibility of a homeless formula is to determine if there exists a measure of homelessness that meets the following standards of data availability and accuracy:

1. The data are available for all potentially eligible communities; and
2. The data provide an accurate description of homeless need.

Generally, a measure that would best meet these two standards is one which measures homelessness directly, i.e., an actual count of homeless persons. Once a direct measure is found that meets these two criteria, the distribution of funds based on a formula using this measure can be examined.

An alternative to a formula based on a direct measure, especially where a direct measure does not exist or is problematic, would be one based on several different factors that indirectly represent the need for which assistance is being provided. Such formulas include, for example, HUD's formulas for allocating Community Development Block Grant (CDBG) and HOME program funds. The report mandate, by requesting HUD to consider such factors as the supply of affordable housing, poverty, and housing overcrowding implies that Congress may be interested in a proxy-based formula for allocating homeless assistance. Several proxies that have been tested by researchers or thought by others to be potential causes of homelessness are, therefore, considered. These proxies are tested together in a formula and the distribution of funds from such a formula is examined.

These two distributions, one based on a direct measure and one based on proxies, are each tested against the current distribution of funds under the three programs proposed by NAHA to be consolidated under a formula. The report then considers which method of distribution would serve as the more appropriate formula.

Once the feasibility of a formula has been determined, the specifics of how it would function under the NAHA proposal are discussed. The last part of the report discusses the implications of alternatives to the particular formula-based program proposed under NAHA.



### III. DIRECT MEASURES OF HOMELESSNESS

#### a. National Estimates from 1984-1990

The first step in analyzing the feasibility of a formula for distributing homeless assistance is to find a direct measure of homelessness that is accurate and available for every jurisdiction potentially affected by a formula. Although there have been several efforts since the mid-1980s to provide national estimates of homeless persons in the United States, only four have attempted to collect data in a uniform and systematic way:

(1) the 1984 HUD "Report to the Secretary on Homeless and Emergency Shelters,"<sup>1</sup> which provided a national estimate of the homeless based on information from six sources -- interviews with knowledgeable observers in 60 metropolitan areas, a national sample of shelter managers, reviews of local studies, site visits to ten metropolitan areas, discussions with national organizations, and telephone interviews with State government officials in all 50 States;

(2) a 1987 Urban Institute study<sup>2</sup>, which estimated the number of homeless nationally by sampling homeless persons using soup kitchens and shelters;

(3) a second HUD study, "The 1988 National Survey of Shelters for the Homeless,"<sup>3</sup> which produced a national estimate of shelter bed capacity based on interviews with shelter managers sampled from 65 cities and counties with populations of 25,000 or more; and

(4) the Census Bureau's Street and Shelter (S-Night) count.

Of these four, only the S-Night count is potentially useful as the direct basis for a formula, since it is the only attempt to count the homeless that provides information for every large jurisdiction across the country. It is by far the most ambitious effort to count the number of homeless persons nationally, and the only attempt at a census of local jurisdictions. The 1984 HUD study data are available at the county level only; the Urban Institute count, while statistically valid as a national estimate, was not intended to provide reliable local estimates of homeless persons; and the 1988 HUD shelter survey included only 65 cities and counties in its sample.

#### b. Census Street and Shelter Night (S-Night)

Before using the S-Night count to develop a homeless assistance formula, it is useful to discuss, in some detail, the methodology employed by the Census Bureau and to summarize the assessments of the count by the General Accounting Office and by experts on homelessness.

### (1) Summary of S-Night Procedures

On the night of March 20, 1990, and during the early morning hours of March 21, 1990, the Census Bureau conducted a count of persons visible at pre-identified street locations and in pre-identified emergency shelters for the homeless. The Census included in its definition of emergency shelters permanent and temporary emergency housing; missions; hotels and motels charging \$12 or less per night; Salvation Army shelters; hotels and motels used entirely for homeless persons regardless of the nightly rate; rooms in hotels and motels used partially for the homeless; and similar places known to have persons staying overnight who have no usual home elsewhere. Visible on-the-street locations included street blocks, abandoned or boarded up buildings, bus and train stations, parks, and open public and commercial locations designated by city and community sources as places where homeless persons could be found at night.

### (2) Summary of independent quality reviews

#### The Process

The Census Bureau sponsored independent assessments of the S-Night shelter lists and the on-site street enumeration. For the shelter assessment, Census selected a sample of 39 census district offices. Researchers compiled independent lists of local shelters to be compared with the shelters identified by local governments. The assessment of the street enumeration took place in five cities -- New York, Chicago, Phoenix, Los Angeles, and New Orleans. The researchers assembled teams of observers to examine the street enumeration activities. The teams also had the task of interviewing a sample of homeless street persons to determine whether or not they had been counted and to gauge their awareness of the Census effort.

#### Conclusions from the Assessments

There was general agreement among the independent assessors that the Census methods were thorough in identifying shelters to enumerate. In fact, on S-Night the Census enumerated 966 shelters in the sample jurisdictions, which represented twice the number of shelters independently identified by the research teams (462).

The street enumeration was not considered to be as accurate as the shelter enumeration. Barbara Bryant, Director of the Census Bureau cited the following problems, identified by independent assessors, with the S-Night street count<sup>4</sup>:

1. Many enumerators were not at the right place at the right time.

2. Many enumerators did not interview the right people.
3. Many enumerators did not ask the right questions nor did they follow other instructions.
4. Many homeless were unlikely to be found at the locations identified on the S-Night street lists.

Additionally, even if the street enumeration had operated precisely as planned, the chosen method of enumerating the homeless on streets at night would have resulted in many persons in outdoor locations not easily observed being missed by the count. The Census deliberately excluded some street locations from the enumeration because they were considered dangerous and Census enumerators were instructed not to enter abandoned buildings.

### (3) Other limitations of the data

The S-Night counts used for the analyses in this report do not include persons counted on S-Night in shelters for battered women and runaway persons because those data were not available at the jurisdiction level in time for the report. The national count for these two types of shelters is 22,000 persons, or 9 percent of the total number of persons counted in shelters and visible on the street on S-Night. The addition of these counts to the total would not be expected to add a significant amount to any particular jurisdiction's total S-Night count.

Some critics of S-Night claim that the count should have included as homeless certain persons counted during the regular Census, such as those in homes or halfway houses for drug/alcohol abuse, women and infants in maternity homes for unwed mothers, agricultural workers in dormitories, inmates in prisons, patients in mental hospitals, and the precariously housed. The Department, however, does not consider such persons as homeless, nor has Congress included them as eligible for the three programs proposed for consolidation.

Additionally, even though the Census count was believed accurate in areas that participated in identifying shelters, some areas were completely missed because local jurisdictions failed to respond. This is particularly true for areas with populations of less than 50,000. The General Accounting Office in its report of December 1991, "1990 Census: Limitations in Methods to Include the Homeless," noted that although the participation rate by larger jurisdictions -- those with populations greater than 50,000 -- was high (99 percent), overall only 36 percent of all jurisdictions contacted by the Census responded to requests to identify shelters and street locations to enumerate<sup>5</sup>.

#### (4) Using S-Night as a Direct Measure of Homelessness

While the S-Night count may provide a reasonably accurate count of homeless persons living in shelters, it is not a complete count of homeless persons. The Census Bureau has made this clear. In a Congressional hearing held on May 9, 1991 Barbara Bryant said: "As we have been careful to point out since the inception of planning for S-Night, these figures do not represent a count of the total population of homeless persons at the national, state, or local levels."<sup>6</sup> The Department heard this same concern expressed at its public meeting on January 28, 1992. For example, Laura Dekever Waxman, representing the U.S. Conference of Mayors, said: "... it is our adopted policy that the results of the count should not be used as a basis for public policy decisions. And, therefore, we would oppose using it as a basis for a formula that measures homelessness."<sup>7</sup> Ellen Bowyer Thompson of the Council of State Community Development Agencies echoed this sentiment: "We would not want to see the S-Night count used as the single measure for any kind of formula."<sup>8</sup> Moreover, the public meeting provided little if no support for allocating homeless assistance funds by formula.

It is important to note, however, that the accuracy of the shelter count portion of S-Night is generally acknowledged. As indicated earlier, the independent assessors gave this count high marks. The General Accounting Office also supports this conclusion. In its report of December 1991, the GAO concluded that the shelter portion of the count "appears to have gone quite well." Others knowledgeable in the field have expressed similar assessments of the shelter portion of S-Night. At the January 28th meeting, Tony Russo of CONSERV, a Washington, D.C., shelter provider, observed that "from the local level, I found the bed count for D.C. to be quite good."

Additional support for the accuracy of the shelter portion of S-Night comes from comparing it with the shelter bed count for the cities sampled for HUD's report, "The 1988 National Survey of Shelters for the Homeless." The S-Night shelter count is almost perfectly related to the shelter bed count from the HUD survey (the two estimates have a correlation coefficient of .975, with 1.0 representing a perfect relationship).

Consequently, this study of the feasibility of a formula accepts the validity of the S-Night shelter count while recognizing that there are no valid data to represent unsheltered homeless persons (e.g., those in cars, parks, and under bridges).

c. Implications of Using a Shelter Count for a Formula Distribution

Before examining the distribution of funds based on the S-Night shelter count, it is necessary to discuss the implications of using for a formula only a count of persons in shelters. The number of persons counted in shelters in a particular city on a particular night is not necessarily an accurate reflection of the complete homeless population. There is no way of knowing the number of persons missed by a shelter-only count and whether this number differs dramatically from city to city. A city with a large number of street persons living in abandoned buildings would not have a count that is as close to the size of its homeless population as another city in which most of the homeless are served by shelters. The first city would not receive funds under a formula based on a shelter count in proportion to the amount of need. As an additional complication, some communities opened up temporary shelters (e.g., armories) just for S-Night. This may have resulted in an inaccurate representation of the sheltered population in those cities, compared with others.

City aggressiveness in dealing with the homeless problem may affect the proportion of the homeless counted in shelters. Communities that have devoted substantial resources to building homeless shelters, and have the financial capacity to do so, would do well under a formula based on a shelter count compared with other communities that may have large homeless populations but not the commitment on the part of their political leadership or the financial ability to support a large shelter system.

Furthermore, advocates, as well as the Federal government, have been trying to move away from emergency to more permanent housing solutions for the homeless. A formula based on a shelter count might be viewed as penalizing those communities which have directed funds away from temporary shelters to more permanent housing solutions. Moreover, a formula based on a shelter count may act as a disincentive for providing more permanent types of housing for the homeless in the future. However, the latter consideration is mitigated by the fact that the next S-Night count, as part of the next Census, will not occur for another seven years. It seems unlikely that a local jurisdiction would tailor its homeless assistance policies to take advantage of a formula based on shelter counts that may or may not be replicated a decade later. In fact, the Census Bureau is already examining ways to change its methodology for counting homeless persons for the year 2000.

While keeping these caveats in mind, this report proceeds to examine the consequences of using the S-Night shelter count as a direct measure on which to base a homeless assistance formula.

#### IV. DISTRIBUTION OF FUNDS USING THE S-NIGHT SHELTER COUNT

The following analysis begins with a discussion of the parameters for the formula constructed for the purposes of this study and the distribution of the S-Night shelter count among cities and States. The likely distribution of funds using this formula is then compared with current program allocations for the three programs proposed for consolidation under NAHA: the Supportive Housing Demonstration Program (SHDP), the Supplemental Assistance for Facilities to Assist the Homeless program (SAFAH), and the Emergency Shelter Grants (ESG) program. A compelling reason for using the distribution of funds under the current system as a basis for comparison is that if a formula is to be considered feasible, it must result in some degree of stability and continuity in the allocation of homeless assistance. A description of each of the three programs is provided below:

NAME OF PROGRAM	DESCRIPTION
<p>The Supportive Housing Demonstration Program (SHDP)</p> <p>(\$150 million appropriated in FY 1992)<sup>1</sup></p>	<p>Funds are awarded to States, units of local governments and non-profit organizations through a national competition. The program provides supportive housing and services to deinstitutionalized homeless individuals, homeless families with children, homeless individuals with mental disabilities and other homeless persons. Eligible activities include the acquisition and rehabilitation of structures, the provision of supportive services, and operating costs.</p>

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<sup>1</sup>The 1992 Act consolidated SHDP and SAFAH under one program called the Supportive Housing Program.

NAME OF PROGRAM	DESCRIPTION
<p>The Supplemental Assistance for Facilities to Assist the Homeless Program (SAFAH)</p> <p>(\$11 million appropriated in FY 1992)</p>	<p>Funds are awarded by a national competition. The eligible activities and applicants were the same for this program as those described under SHDP in FY 1987 and FY 1990 (there were no appropriations for the program in FY 1988 and FY 1989). In FY 1992 and FY 1993 the eligible applicants were limited to States. The program provides comprehensive assistance for particularly innovative programs or methods for meeting the immediate and long-term needs of the homeless.</p>
<p>The Emergency Shelter Grants Program (ESG)</p> <p>(\$73 million appropriated in FY 1992)</p>	<p>Funds are distributed by formula allocation to States, metropolitan cities, and urban counties are based on the Community Development Block Grant (CDBG) formula, which uses several objective measures of community need. The program provides grants for rehabilitation of buildings for use as emergency shelters for the homeless and for the payment of certain operating costs, essential services, and homeless prevention activities. Because of a minimum grant size (\$37,000), only 317 jurisdictions were eligible to receive allocations in 1992. Under the CDBG program, 837 cities and counties are entitled to receive funds under the formula.</p>

### a. Constructing a Formula

Three important questions must be addressed in the construction of a funding formula. The first question to consider is what size city would be "entitled" to receive funds directly. For this analysis, the 199 cities with populations of 100,000 persons or more have been selected. These cities represent 65 percent of the S-Night shelter count. Cities with populations above 50,000 represent 75 percent of the S-Night shelter count; including them would add 357 cities to the formula distribution while only adding 10 percent of the S-Night shelter count.<sup>9</sup> Assuming that the level of funding available is approximately \$250 million, the dilution of funds that would occur by allocating to these smaller cities is reason enough not to include them in a homeless formula. On the other hand, limiting the formula to cities with populations greater than 250,000 reduces the number of entitled cities from 199 to 64, while including only 51 percent of the total S-Night shelter count. The 100,000 population figure seems to be a good middle ground in that it captures those cities with the major portion of the country's homeless problem while avoiding an unacceptable dilution of funds distributed by formula.

The second question is what type of jurisdiction should be entitled to receive funds directly under the formula. Cities have been chosen over metropolitan areas because allocating to metropolitan areas would imply a further selection process for funds to reach political jurisdictions or other entities capable of administering the funds. The ESG formula, in addition to States and cities, allocates funds directly to "urban counties." These generally are suburban counties or consortia of jurisdictions and represent all areas outside the major cities within metropolitan counties. Under the formula proposed here, urban counties are not included as direct recipients of homeless funds because they are often upper-income areas without significant homeless populations. County jurisdictions are eligible to apply for funding under the competitive programs but few have chosen to exercise this option.

The third question concerns the share that cities should receive directly under the formula ("entitled areas") and the share that should go to States for distribution to areas outside of their entitled jurisdictions ("non-entitled areas of States"). Among the factors to be considered are the relative need for homeless assistance in entitled and non-entitled areas and recent funding patterns for homeless programs.

Sixty-five percent of the homeless individuals identified in the S-Night shelter count were located in cities with populations greater than 100,000. Similarly, the distribution of funds through the two current competitive programs, SHDP and SAFAH, has been 65 percent for these cities and 35 percent for the rest of

the country during FY 1987-FY 1990, the period for which the latest data are available.

It is difficult to provide comparable statistics for the ESG program. During FY 1987-FY 1990, cities with populations greater than 50,000<sup>10</sup> and urban counties received 57 percent of total ESG allocations directly from HUD. However, States routinely allocate a major share of their ESG funds to these same metropolitan cities and urban counties, with the result that an estimated 73 percent<sup>11</sup> of the total amount of ESG funds allocated during FY 1987-FY 1990 went to such jurisdictions.

Given the split in funding between entitled and non-entitled jurisdictions under the two competitive programs, the distribution of funds under the formula program (ESG), and the split in the S-Night shelter count, the analysis in this report assumes a 65/35 split in homeless funds between cities with populations greater than 100,000 and other areas. It is assumed that cities with populations greater than 100,000 would receive direct allocations under the formula, with balances allocated to States.

#### b. The S-Night Distribution

Table 1 lists the 25 cities with the largest S-Night shelter counts. All are cities with populations of 100,000 or more persons. Among these cities, New York City has more than 20 percent of the total S-Night shelter count or 23,383 persons' counted in shelters.<sup>12</sup> Seven other cities each have more than 2 percent of the S-Night shelter count (Chicago has 4.5 percent or 5,180 persons counted in shelters), and ten additional cities have more than 1 percent of the shelter count each. Together these 18 cities account for 58 percent of the homeless in all of the 199 cities with populations above 100,000. Therefore, any formula based on the S-Night shelter count will give a large share of funds to these cities, while a large number of cities will receive a small amount of funds.

Non-entitled areas of States show a similar pattern. Two States, New York and California, each have more than 10 percent of the S-Night shelter count, and six States contain more than half the total number of homeless individuals.

Table 1

NUMBER OF PERSONS COUNTED IN SHELTERS ON S-NIGHT  
AND PERCENTAGE OF TOTAL COUNT FOR CITIES OVER 100,000,  
FOR THE 25 CITIES WITH THE LARGEST S-NIGHT SHELTER COUNT

CITY	NUMBER	PERCENTAGE
NEW YORK, NY	23383	20.22
CHICAGO, IL	5180	4.48
WASHINGTON, DC	4682	4.05
LOS ANGELES, CA	4597	3.98
SAN FRANCISCO, CA	4003	3.46
PHILADELPHIA, PA	3416	2.95
SAN DIEGO, CA	2846	2.46
ATLANTA, GA	2431	2.10
BOSTON, MA	2245	1.94
SEATTLE, WA	2170	1.88
NEWARK, NJ	1974	1.71
HOUSTON, TX	1780	1.54
PHOENIX, AZ	1710	1.48
PORTLAND, OR	1553	1.34
NEW HAVEN, CT	1344	1.16
SACRAMENTO, CA	1287	1.11
DALLAS, TX	1200	1.04
DENVER, CO	1169	1.01
BALTIMORE, MD	1144	0.99
DETROIT, MI	1141	0.99
MINNEAPOLIS, MN	1052	0.91
OKLAHOMA CITY, OK	1016	0.88
CINCINNATI, OH	989	0.86
SAN JOSE, CA	917	0.79
MIAMI, FL	896	0.77

Table 2

NUMBER OF PERSONS COUNTED IN SHELTERS ON S-NIGHT  
AND PERCENTAGE OF TOTAL COUNT FOR NON-ENTITLED AREAS OF STATES

STATE	NUMBER	PERCENTAGE
CALIFORNIA	10083	16.0%
NEW YORK	7458	11.8%
NEW JERSEY	4717	7.5%
PENNSYLVANIA	3805	6.0%
FLORIDA	3505	5.6%
MASSACHUSETTS	2946	4.7%
WASHINGTON	1745	2.8%
TEXAS	1735	2.8%
CONNECTICUT	1718	2.7%
MICHIGAN	1660	2.6%
ILLINOIS	1635	2.6%
NORTH CAROLINA	1368	2.2%
MARYLAND	1363	2.2%
OHIO	1336	2.1%
VIRGINIA	1252	2.0%
INDIANA	1181	1.9%
OREGON	1064	1.7%
COLORADO	1000	1.6%
SOUTH CAROLINA	973	1.5%
OKLAHOMA	872	1.4%
GEORGIA	872	1.4%
WISCONSIN	834	1.3%
MINNESOTA	789	1.3%
MISSOURI	612	1.0%
IOWA	604	1.0%
KENTUCKY	537	.9%

STATE	NUMBER	PERCENTAGE
LOUISIANA	530	.8%
WEST VIRGINIA	451	.7%
MONTANA	445	.7%
MAINE	419	.7%
NEW MEXICO	409	.7%
UTAH	383	.6%
NEW HAMPSHIRE	377	.6%
KANSAS	377	.6%
ALABAMA	370	.6%
ARKANSAS	349	.6%
IDAHO	344	.5%
TENNESSEE	331	.5%
HAWAII	313	.5%
DELAWARE	313	.5%
ARIZONA	313	.5%
MISSISSIPPI	290	.5%
SOUTH DAKOTA	289	.5%
NORTH DAKOTA	279	.4%
VERMONT	232	.4%
RHODE ISLAND	229	.4%
WYOMING	183	.3%
ALASKA	137	.2%
NEVADA	100	.2%
NEBRASKA	74	.1%

c. Comparisons of the Formula Distribution with the Distribution of Funds under the Programs Proposed for Consolidation.

The first column in Tables 3 and 4 represents the portion of the \$234 million appropriated in FY 1992 for SHDP, SAFAH, and ESG that a particular jurisdiction would receive under the S-Night formula. The second column in Tables 3 and 4 indicates the portion of the \$234 million that would be allocated annually based on the percentage of funds that jurisdictions actually received during FY 1987-FY 1990 under these three programs. (From here forward, this amount will be referred to as "current program allocations"). The analysis examines funding during FY 1987-FY 1990 to smooth the changes that occur in discretionary spending from year to year. The amounts for ESG represent direct allocations only, and do not include estimates of the amounts that States have distributed to entitlement cities. As explained previously, the formula assumes that 65 percent of the funds go to cities with populations greater than 100,000 (\$152 million per year). An individual city's formula share is determined by the city's S-Night percentage multiplied by \$152 million.

The dollar differences between funds received per year under a formula based on the S-Night shelter count and current program allocations are relatively small for most of the cities with the greatest number of homeless persons. However, a few large cities would gain or lose a great deal under the formula. Compared with current program allocations under SHDP, ESG, and SAFAH, Seattle would lose the most (\$1.30 million). In contrast, New York City would gain more than \$6 million (Table 3).

Table 4 shows amounts that would be allocated to each State for nonentitlement areas. New York would gain the most dollars for its nonentitled areas under a formula based on S-Night, with a \$5.01 million gain, while Virginia would lose the most -- \$4.64 million.

Table 5 compares the dollar and percentage differences for the 25 cities with the largest S-Night shelter counts, the other 174 cities with populations greater than 100,000, 199 cities combined, and the States. The 25 cities would receive \$81.2 million, based on current program allocations; their formula share would be \$97.5 million, a 20 percent increase. The other 174 cities would receive \$55.8 million under current program allocations, and \$54.5 million by formula, a reduction of 2 percent. All 199 cities combined would receive \$15 million more under the formula, an 11 percent increase. The remainder of the country, the non-entitlement areas of States, would therefore receive \$15 million less, a reduction of 15 percent.

Table 6 shows that 32 of the 199 cities would lose more than 50 percent under a formula allocation (the average amount lost would be approximately \$500,000). In contrast, Table 7 shows that 61 cities would gain more than 50 percent under a formula allocation (on average, gaining about \$430,000). Overall, 92 cities would gain under

a formula, and 71 cities would lose, with the average amount gained being \$81,000 greater than the average amount lost.

As indicated previously, this formula allocation assumes funds going to nonentitled areas of States are 35 percent of the \$234 million, or \$82 million. This is \$15 million (15 percent) below the current program allocation that they would be likely to receive under SHDP, ESG, and SAFAH. Thus, it may appear that cities would gain under a formula at the expense of States. However, during the four year period from FY 1987-FY 1990, States are believed to have allocated 40-50 percent of their ESG funds to entitlement cities. When this is taken into account, there is almost no net change in current program allocations compared to the formula amount (Tables 8 and 9).

#### d. Conclusions

This analysis has shown that replacing the current mix of programs with a formula based on S-Night would result in cities with the largest shelter counts experiencing a gain of \$16.3 million per year or 20 percent, and all cities with populations above 100,000 gaining \$15 million or 11 percent. States, on the other hand, would experience a 15 percent loss in the shift to a formula distribution. However, when considering an estimate of the amount of ESG funds that States have distributed to entitlement cities during FY 1987-FY 1990, the net differences in aggregate amounts gained under the formula by cities and lost by States are negligible.

Some individual cities and States would probably gain or lose large amounts under a formula. This does not mean that a formula is impractical, however. Funding continuity could be ensured during the transition from the current system to a formula through a variety of program designs. For cities that stand to gain several million dollars under a formula, a maximum percentage gain could be established. Similarly, for those cities and States that would experience large losses during the transition to a formula, a hold-harmless provision setting a maximum percentage decrease in funds during the transition could be developed. In addition to program designs to achieve funding continuity, jurisdictions also have the means to ease the transition. For example, a jurisdiction would have the ability to redirect CDBG funds to homeless activities during that time if it were to lose a large amount of homeless assistance. Regardless of the mechanism used, it is certainly possible to ensure continuity during a transition from the current mix of programs to the formula proposed here, assuming a level of funding close to the current level. Once the transition was completed, funding continuity and predictability would be virtually guaranteed.

Table 3

DISTRIBUTION OF A \$234 MILLION ANNUAL ALLOCATION:  
 FORMULA VERSUS CURRENT PROGRAM ALLOCATIONS, FOR THE 25 CITIES  
 (Dollars in Millions)

CITY	FUNDS UNDER THE FORMULA <sup>1</sup>	COMPARABLE HUD HOMELESS PROGRAM FUNDS <sup>2</sup>	DOLLAR DIFFERENCE
NEW YORK, NY	\$30.75	\$24.33	\$6.42
CHICAGO, IL	6.81	6.77	0.04
WASHINGTON, DC	6.16	5.69	0.47
LOS ANGELES, CA	6.05	4.76	1.29
SAN FRANCISCO, CA	5.26	4.10	1.16
PHILADELPHIA, PA	4.49	4.93	-0.44
SAN DIEGO, CA	3.74	1.97	1.77
ATLANTA, GA	3.19	2.82	0.37
BOSTON, MA	2.95	2.80	0.15
SEATTLE, WA	2.86	4.16	-1.30
NEWARK, NJ	2.60	0.86	1.74
HOUSTON, TX	2.34	2.98	-0.64
PHOENIX, AZ	2.25	1.59	0.66
PORTLAND, OR	2.04	1.40	0.64
NEW HAVEN, CT	1.76	0.10	1.66
SACRAMENTO, CA	1.69	0.29	1.40
DALLAS, TX	1.58	1.14	0.44
DENVER, CO	1.54	1.70	-0.16
DETROIT, MI	1.51	2.45	-0.94
BALTIMORE, MD	1.51	1.79	-0.28
MINNEAPOLIS, MN	1.38	0.39	0.99
OKLAHOMA CITY, OK	1.34	0.84	0.50
CINCINNATI, OH	1.31	0.96	0.35
SAN JOSE, CA	1.20	1.62	-0.42
MIAMI, FL	1.17	0.77	0.40

1. The formula assumes cities with populations greater than 100,000 receive 65 percent of the total amount appropriated, or \$152 million. An individual city's funding is determined by the city's S-Night percentage multiplied by \$152 million.

2. A particular city's percentage of funds received during FY 1987-FY 1990 multiplied by \$234 million.

Table 4

DISTRIBUTION OF A \$234 MILLION ANNUAL ALLOCATION:  
 FORMULA VERSUS CURRENT PROGRAM ALLOCATIONS  
 TO NONENTITLED AREAS OF STATES  
 (Dollars in Millions)

STATE	FUNDS UNDER THE FORMULA <sup>1</sup>	COMPARABLE HUD HOMELESS PROGRAM FUNDS <sup>2</sup>	DOLLAR DIFFERENCE
NEW YORK	\$9.66	\$4.65	\$5.01
CALIFORNIA	13.06	10.50	2.56
FLORIDA	4.55	2.43	2.12
WISCONSIN	1.08	0.37	0.71
OKLAHOMA	1.13	0.55	0.58
WASHINGTON	2.26	1.70	0.56
NORTH CAROLINA	1.77	1.31	0.46
KENTUCKY	0.70	0.25	0.45
OREGON	1.38	1.02	0.36
PENNSYLVANIA	4.92	4.58	0.34
NEW MEXICO	0.53	0.27	0.26
COLORADO	1.29	1.06	0.23
IDAHO	0.44	0.24	0.20
HAWAII	0.41	0.22	0.19
WYOMING	0.24	0.08	0.16
CONNECTICUT	2.23	2.08	0.15
SOUTH DAKOTA	0.38	0.24	0.14
DELAWARE	0.41	0.38	0.03
GEORGIA	1.13	1.11	0.02
MONTANA	0.57	0.55	0.02
ARIZONA	0.41	0.45	-0.04
MINNESOTA	1.02	1.08	-0.06
TENNESSEE	0.43	0.49	-0.06
KANSAS	0.49	0.58	-0.09
NORTH DAKOTA	0.36	0.51	-0.15
VERMONT	0.30	0.47	-0.17
UTAH	0.50	0.72	-0.22
IOWA	0.79	1.08	-0.29

STATE	FUNDS UNDER THE FORMULA <sup>1</sup>	COMPARABLE HUD HOMELESS PROGRAM FUNDS <sup>2</sup>	DOLLAR DIFFERENCE
SOUTH CAROLINA	\$1.26	\$1.56	\$-0.30
NEW JERSEY	6.11	6.42	-0.31
WEST VIRGINIA	0.58	1.00	-0.42
ALASKA	0.18	0.64	-0.46
LOUISIANA	0.69	1.17	-0.48
MISSISSIPPI	0.38	0.89	-0.51
ALABAMA	0.48	1.03	-0.55
NEVADA	0.13	0.72	-0.59
RHODE ISLAND	0.29	0.94	-0.65
MISSOURI	0.79	1.87	-1.08
TEXAS	2.25	3.45	-1.20
OHIO	1.73	2.96	-1.23
NEBRASKA	0.10	1.49	-1.39
INDIANA	1.53	3.07	-1.54
MASSACHUSETTS	3.82	5.36	-1.54
ARKANSAS	0.45	2.05	-1.60
ILLINOIS	2.12	3.91	-1.79
MICHIGAN	2.15	4.00	-1.85
MARYLAND	1.77	3.73	-1.96
MAINE	0.54	3.05	-2.51
NEW HAMPSHIRE	0.49	3.39	-2.90
VIRGINIA	1.63	6.27	-4.64
TOTAL	82.00	97.00	-15.00

1. The formula assumes nonentitled areas of States receive 35 percent of the total amount appropriated in FY 1992 or \$82 million. An individual State's share is determined by the State's S-Night percentage in nonentitled areas multiplied by \$82 million.

2. A particular state's percentage of funds received during FY 1987-FY 1990 multiplied by \$234 million.

Table 5

FORMULA AMOUNT, COMPARABLE AMOUNT,  
DOLLAR AND PERCENTAGE DIFFERENCES  
FOR CITIES AND STATES  
(Dollars in Millions)

	FORMULA AMOUNT	COMPARABLE PROGRAM FUNDING AMOUNT	DOLLAR DIFFERENCE	PERCENTAGE DIFFERENCE
25 CITIES	\$97.5	\$81.2	\$16.3	20%
REMAINING 174 CITIES	\$54.5	\$55.8	-\$1.3	-2%
ALL 199 CITIES	\$152	\$137	\$15	11%
STATES	\$82	\$97	-\$15	-15%

Table 6  
 NUMBER OF CITIES AND STATES  
 BY PERCENTAGE LOSS UNDER A FORMULA

LOSSES	25 LARGEST	ALL 199	STATES
OVER 50%	0	32	12
35%-49%	1	12	6
20%-34%	3	10	6
6%-19%	3	11	5
0%-5%	0	6	1
TOTAL	7	71	30

Table 7  
 NUMBER OF CITIES AND STATES  
 BY PERCENTAGE GAIN UNDER A FORMULA

GAINS	25 LARGEST	ALL 199	STATES
0%-5%	1	6	2
6%-19%	3	10	3
20%-34%	3	9	4
35%-49%	4	6	1
OVER 50%	7	61	10
TOTAL	18	92*	20

\*36 cities did not have an S-Night shelter count and did not receive funds under the three programs.

Table 8

COMPARISON OF PROGRAM ALLOCATIONS UNDER  
ALTERNATIVE ESG ASSUMPTIONS, FOR  
CITIES WITH POPULATIONS OVER 100,000  
(Dollars in Millions)

NO ESG REALLOCATION TO CITIES	30% ESG REALLOCATION TO CITIES	40% ESG REALLOCATION TO CITIES	50% ESG REALLOCATION TO CITIES	S-NIGHT FORMULA AMOUNT
\$137	\$147	\$150	\$154	\$152

Table 9

COMPARISON OF PROGRAM ALLOCATIONS  
UNDER ALTERNATIVE ESG ASSUMPTIONS, FOR STATES  
(Dollars in Millions)

NO ESG REALLOCATION TO CITIES	30% ESG REALLOCATION TO CITIES	40% ESG REALLOCATION TO CITIES	50% ESG REALLOCATION TO CITIES	S-NIGHT FORMULA AMOUNT
\$97	\$88	\$85	\$81	\$82

## V. INDIRECT MEASURES OF HOMELESSNESS - PROXIES

### a. Why Proxies?

Proxies are most often used in a formula in one of two cases: 1) when a direct measure does not exist; or 2) when an indirect measure based on proxies is believed to be superior to existing direct measures. This study has already shown that a direct measure of homelessness, the S-Night shelter count, is available for every jurisdiction potentially affected by a formula distribution and is an accurate although incomplete measure of the distribution of homelessness.

With regard to the second case, if a direct measure other than S-Night could be found that constituted a more complete count of the homeless and had a large enough sample on which to base statistically reliable conclusions about jurisdictions potentially affected by a formula, it would make sense to test various proxies against it and, possibly, to use a proxy-based formula. However, none of the other three direct measures is superior to the S-Night count as a basis to test proxies: the 1984 HUD study does not provide more accurate information on its sample of jurisdictions since it was based in part on provider opinions of the number of homeless locally (unless one believes that providers' opinions are as accurate as the Census count); the Urban Institute study is based on too small a sample (20 cities) to draw statistically reliable conclusions about proxies for all jurisdictions; and the HUD 1988 study, like the S-Night shelter count, is a shelter-only survey, but for a much smaller number of jurisdictions. Given these limitations, it would be a meaningless exercise to test proxies against these three direct measures.

There is no particular reason to use a proxy-based formula when the direct measure itself is available. At the meeting on January 28, 1992, the consensus reached was that a formula based on proxies of any kind is far less desirable than a formula based on a direct measure of homelessness. However, there may be value in beginning to explore in some depth proxies for potential future use. For example, the validity of the 1990 Census data will diminish as the decade progresses and it is possible that the shelter and other counts of the homeless will not be repeated in 2000. Beyond that, the analysis of proxies is for informational purposes only, to observe the factors correlated with homelessness.

### b. Description of the Factors to be Tested

The ground rules for examining various proxies as part of this study are laid out in NAHA, which instructs the Department to consider the degree to which homelessness is related to "the supply of affordable housing for very low-income families and the

number of such families in the jurisdiction; poverty; and housing overcrowding." Through its review of four studies<sup>13</sup> examining the causes of homelessness and its own experience in working directly with programs assisting the homeless, the Department has also identified several other factors which may have a significant effect on homelessness. These factors, along with the three specified by NAHA, are listed below with a brief description of each.

(1) Relationship of the supply of affordable housing for very low-income persons to the number of such families in the jurisdiction - Lack of affordable housing is frequently suggested as a major cause of homelessness. Communities with a severe lack of affordable housing for very low-income persons are expected to have larger rates of homelessness. Housing affordability is related to both the supply of units and the incomes of persons likely to rent those units. Since the income data from the 1990 Census were not available in time for this report, a reasonable measure of housing affordability was chosen that compares rent levels and income levels. This measure is expressed as the ratio of the 1990 Section 8 Existing Fair Market Rent ("FMR") to the rent affordable by a four person family with an annual income equal to fifty percent of area median family income, assuming the family uses thirty percent of income for rent.

(2) The Rental Vacancy Rate - Another housing factor expected to have a significant effect on homelessness is the vacancy rate for rental units. The rental vacancy rate is considered to be an indicator of the "tightness" of the rental market within a particular jurisdiction. Low rental vacancy rates indicate a market where rental housing is scarce, resulting in an increase in rents and a corresponding decrease in the number of rental units available to very low-income persons. However, the overall rental vacancy rate for all units may not be an accurate indication of the number of "low" rent units available. Unfortunately, the rental vacancy rates for "low" rent units are not yet available from the 1990 Census. Therefore, the overall vacancy rate is used despite its limitations.

(3) Poverty - Income is also expected to be a major cause of homelessness. It is reasonable to assume that as a poor person's income declines, it becomes more difficult to avoid homelessness. Peter Rossi, in his book Down and Out in America makes the case that poverty is a major cause of homelessness: "The extremely poor constitute the pool from which the homeless are drawn; they are at high risk of becoming homeless and from time to time find themselves in that condition."<sup>14</sup> Cities with large concentrations of persons in poverty are expected to have large concentrations of homeless persons. This measure was also included because

it was specifically mentioned in NAHA, and because another homeless assistance formula is based on persons in poverty, namely the formula for the U.S. Department of Health and Human Service's Community Services Block Grant.

Persons in poverty as measured by the 1980 Census are the latest such data available on a jurisdiction by jurisdiction basis. Income data from the 1990 Census will not be available until the end of 1992.

(4) Housing Overcrowding - The number of overcrowded units may indicate the extent of the precariously housed population within a particular community. A relatively large number of overcrowded units is expected to affect the rate of homelessness as persons are forced out of housing with too many persons per room.

The measure of housing overcrowding used in this analysis is the same as the official definition of overcrowding customarily used by HUD - more than one person per room. Data on housing overcrowding are from the 1990 Census.

(5) Unemployment - Communities with relatively large numbers of unemployed persons are expected to have relatively higher rates of homelessness than communities with relatively small unemployment rates. The Emergency Food and Shelter Program administered by the Federal Emergency Management Agency (FEMA) entitles approximately 1,200 jurisdictions each year on the basis of high unemployment and poverty rates. The amount of each jurisdiction's allocation is based on unemployment figures only. All four studies examined tested the effect of the unemployment rate on homelessness.

This study uses 1990 unemployment data obtained from the Bureau of Labor Statistics (BLS).

(6) Single-Person Households - Communities with a large number of single-person households may also have a large number of people without family support systems to provide them with temporary housing when they face a loss of income or a personal crisis. Additionally, nearly three-quarters of the homeless population consists of single persons, particularly single males. Martha Burt, in her study of the determinants of homelessness, found single-person households to be the largest single predictor of homeless rates.<sup>15</sup>

The percentage of all households counted during the 1990 Census that consist of single persons is used in this analysis.

(7) Female-headed households - The number of female-headed households among homeless families is believed to be high

and disproportionate to that group's representation in the general population. Additionally, a relatively large number of female-headed households is likely to be associated with a substantial number of poor persons, particularly when the female-headed households are mothers with children. This factor was included to determine its direct effect on homelessness, if any, holding constant the effect of poverty as well as the other factors.

The number of female-headed households used here includes elderly female-headed households in addition to households headed by a young female parent with children because the latter group could not be separated from the total in time for this report. Female-headed households, expressed as a percentage of all households counted during the 1990 Census, is used in this analysis.

(8) Nonwhite Persons - The size of the minority population within a particular community is expected to be related to the rate of homelessness because there are a disproportionate number of blacks and Hispanics among the homeless compared to their share of the general population. Therefore, like female-headed households, the size of the minority population is expected to be related to poverty. This factor is included to examine its separate effect on homelessness holding the effect of poverty, as well as the other factors, constant.

The number of non-white persons, expressed as a percentage of all households counted during the 1990 Census, is used in this analysis.

Table 10

## LIST OF PROXIES USED IN THE ANALYSIS

Variable	Reference Name	Source
Ratio of FMR to the rent affordable to very-low income families.	RATIO	The ratio of the 1990 FMR to the rent affordable by a four person family with an annual income of 50% of median, assuming 30% of income used for rent (including utilities).
Rental vacancy rate	VACRENT	The 1990 Census
Percentage of persons below the poverty line	POVERTY	The 1980 Census
Percentage of housing units with more than one person per room	CROWDED	The 1990 Census
The unemployment rate	UNEMPLOY	Bureau of Labor Statistics (1990)
Percentage of single persons households	ALONE	The 1990 Census
Percentage of female headed households	FEMALEHEAD	The 1990 Census
Percentage of non-white persons	NONWHITE	The 1990 Census

c. Effect of the Proxies on Homeless Rates - When Acting Alone

The eight proxies listed above were tested separately against the S-Night shelter count (expressed as a rate per 10,000 population) for the 199 cities with populations greater than 100,000. The results from the simple correlations are presented in Table 11.

Table 11

SIMPLE CORRELATION COEFFICIENTS BETWEEN  
THE S-NIGHT SHELTER COUNT AND  
EIGHT HOMELESS PROXIES

VARIABLE	CORRELATION COEFFICIENT
RATIO	.0903
VACRENT	-.1309
POVERTY	.4286*
CROWDED	.1005
UNEMPLOY	.2562*
ALONE	.4509*
FEMALEHEAD	.2872*
NONWHITE	.2692*

\*Significant at the 99.9 percent level.

The number of single person households (ALONE) in the jurisdiction is most closely related to the S-Night shelter count (correlation coefficient of .4509) and the direction of the relationship is as expected -- the larger the number of single person households in the jurisdiction, the higher the incidence of homelessness. The number of persons in poverty also is closely related to the S-Night shelter count (correlation coefficient of .4286). All the variables were related to the S-Night shelter count in the expected direction. (Low vacancies, for example, are expected to be related to a high rate of homelessness.) The three housing variables -- the rental vacancy rate, the percentage of overcrowded housing units, and the ratio of FMR to the rent affordable to very-low income families -- are the only three variables not statistically significant.

d. Effect of the Proxies on Homeless Rates - When Acting As a Group

After the analysis of the separate effect of each proxy on homeless rates, the factors were tested together against the rate of the S-Night shelter count to observe the effects of the variables acting as a group. The specified model does fairly well in explaining the variance in the rate of the S-Night shelter count (An R-square of .4614, which means that 46.14 percent of the difference in homeless rates is explained by the specified model). Four of the eight variables included in the model were statistically significant at the 90 percent confidence level. Those variables, along with the other proxies tested, are listed below.

Table 12

## PROXIES TESTED AS A GROUP

Dependent Variable = PER10000

VARIABLE	REGRESSION COEFFICIENT	EXPECTED SIGN	t-STATISTIC
ALONE	2.8131	(+)	7.479**
VACRENT	-.8214	(-)	-4.630**
UNEMPLOY	.4991	(+)	1.920*
CROWDED	.1268	(+)	1.800*
POVERTY	.3993	(+)	1.302
RATIO	.4838	(+)	1.079
FEMALEHEAD	-.4721	(+)	-1.014
NONWHITE	.0986	(+)	.592
(CONSTANT)	.1356		

\*Statistically significant at the 90 percent confidence interval.

\*\*Statistically significant at the 95 percent confidence interval.

R-Square = .4614

As when tested alone, the proxy with the largest effect on homeless rates when considered with the group is the number of single person households in the jurisdiction. The rate of homelessness is extremely sensitive to changes in the number of one-person households. There is almost a 3 percent increase in

the rate of homelessness when the number of one-person households increases by 1 percent<sup>16</sup>. Homeless rates are also sensitive to changes in the rental vacancy rate, the unemployment rate, and the percent of overcrowded units. There is almost a one-to-one relationship between percentage change in the rental vacancy rate and percentage change in the rate of homelessness. On the other hand, the rate of homelessness is insensitive to changes in the percent of the population that is non-white. Moreover, the three proxies specifically mentioned by NAHA -- overcrowded housing, poverty, and the housing affordability measure -- were not statistically significant at the 95 percent confidence interval. Only one -- overcrowded housing -- was significant at the 90 percent level.

With the exception of the finding on the unemployment rate, the results from this study are consistent with the results of the studies reviewed. As noted earlier, Martha Burt also found a strong, statistically significant relationship between one-person households and homelessness (measured by Burt as 1988 shelter bed capacity per 10,000 population). Tucker, Burt, and Benjamin also found the rental vacancy rate to be a statistically significant predictor of homelessness. Of the three studies that tested the effect of the incidence of blacks and Hispanics on homelessness (Burt, Benjamin, and Honig and Filer), only one concluded that the measure was significant (Honig and Filer).

The statistically significant effect of the unemployment rate on homelessness is surprising. None of the four studies reviewed found the unemployment rate to be a significant predictor of homelessness. Burt, however, in addition to the overall unemployment rate, examined other measures of employment to determine the effect on the rate of homelessness. She tested the proportion of manufacturing, construction, and retail employment and found that, together, they account for 25.3 percent of the variance in homeless rates.

One of the variables in the model, the number of female-headed households, had a relationship to the dependent variable in the opposite direction from expected. This is probably because this measure is highly related to poverty. Additionally, the effect of the percentage of the population that is non-white on homelessness is near zero when holding the effect of poverty, as well as the other factors, constant.

Given the unexpected direction of the relationship of female-headed households on homelessness and the near zero effect of the minority population on homelessness, the model was examined a second time without these two factors. Table 13 presents the results without these two variables.

Table 13

PROXIES TESTED AS A GROUP  
WITHOUT FEMALEHEAD AND NONWHITE

Dependent Variable = PER10000

VARIABLE	REGRESSION COEFFICIENT	EXPECTED SIGN	t-STATISTIC
ALONE	2.8372	(+)	7.726**
VACRENT	-.8228	(-)	-4.664**
CROWDED	.1481	(+)	2.386**
UNEMPLOY	.3519	(+)	1.635*
POVERTY	.2663	(+)	1.288
RATIO	.5761	(+)	1.317
(CONSTANT)	1.1773		

\*Statistically significant at the 90 percent confidence interval.

\*\*Statistically significant at the 95 percent confidence interval.

R-Square = .4576

As expected, this revised model is similar to the earlier one which included female-headed households and the percent of the population that is nonwhite. The amount of variance explained by the revised model, as measured by the R-square, is slightly lower than the variance explained by the original model (an R-square of .4576 compared to .4614).

The next section compares the distribution by formula based on these six proxies with the distribution based directly on the S-Night shelter count.

e. Distribution Based on Proxies

Because the proxies were tested against the S-Night shelter count, the distribution of funds by a formula based on the six proxies listed in Table 13 is expected to be very similar to the distribution by a formula based directly on the S-Night shelter count. However, as in all formulas based on multivariate analysis, the proxies explain only part of the difference in homeless rates measured by S-Night -- in this case 46 percent of the difference. Therefore, it is necessary to examine separately the effect on funds distribution of a formula based on proxies.

Table 14 shows that several of the 25 cities with the largest S-Night shelter counts would experience large differences in the amount of funds they would receive under a formula based on proxies compared with current program allocations (the formula uses the six proxies tested in the second model, the result of which were presented in Table 13). Washington, DC would lose the most under a proxy-based formula, receiving \$2.4 million per year less than it received in program funding. Larger changes are found when looking at those cities that would gain under a proxy-based formula. Table 14 shows that New York City would receive \$34 million more under the formula than it received in program funding.

Table 15 compares the differences between a formula based directly on the S-Night shelter count and one based on proxies. In general, funding continuity would be better maintained under a formula based directly on the S-Night shelter count.

f. Usefulness of Proxies for Distributing Funds

The proxy measures chosen for analysis do a credible job of predicting the count of homeless persons in shelters on S-Night. However, the proxy-based formula would not maintain funding continuity as well as the formula based directly on the S-Night shelter count. For example, if a yearly maximum percentage change were established, say 10 percent, it might take several years for a formula to phase in. Also, since the proxies were tested against the S-Night shelter count, it would seem logical to base a formula directly on that S-Night count rather than on proxies for it. This does not mean that the results from the proxy analysis should be dismissed entirely. The analysis may provide valuable information for public policy decision-making. For example, unemployment and one-person households have statistically significant effects on the incidence of homelessness and housing cost does not. The policies affecting these two phenomena go well beyond the purview of the homeless assistance programs that are the subject of this study, but may provide useful information on the targeting of other Federal programs to address homelessness.

Table 14

DISTRIBUTION OF \$234 MILLION:  
 FORMULA ALLOCATION BASED ON PROXIES VERSUS  
 CURRENT PROGRAM ALLOCATIONS (25 CITIES)  
 (Dollars in Millions)

CITY	FUNDS UNDER PROXY FORMULA	COMPARABLE HUD HOMELESS PROGRAM FUNDS	DOLLAR DIFFERENCE
NEW YORK, NY	\$58.67	\$24.33	\$34.34
CHICAGO, IL	8.14	6.77	1.37
WASHINGTON, DC	3.26	5.69	-2.43
LOS ANGELES, CA	11.61	4.76	6.85
SAN FRANCISCO, CA	4.17	4.10	0.07
PHILADELPHIA, PA	3.67	4.93	-1.26
SAN DIEGO, CA	1.89	1.97	-0.08
ATLANTA, GA	0.77	2.82	-2.05
BOSTON, MA	2.20	2.80	-0.60
SEATTLE, WA	2.43	4.16	-1.73
NEWARK, NJ	0.57	0.86	-0.29
HOUSTON, TX	1.87	2.98	-1.11
PHOENIX, AZ	0.66	1.59	-0.93
PORTLAND, OR	1.47	1.40	0.07
NEW HAVEN, CT	0.35	0.10	0.25
SACRAMENTO, CA	0.83	0.29	0.54
DALLAS, TX	1.64	1.14	0.50
DENVER, CO	0.99	1.70	-0.71
DETROIT, MI	2.37	2.45	-0.08
BALTIMORE, MD	1.78	1.79	-0.01
MINNEAPOLIS, MN	0.97	0.39	0.58
OKLAHOMA CITY, OK	0.32	0.84	-0.52
CINCINNATI, OH	1.17	0.96	0.21
SAN JOSE, CA	\$0.51	\$1.62	\$-1.11
MIAMI, FL	0.91	0.77	0.14

Table 15

DISTRIBUTION OF \$234 MILLION:  
 FORMULA VERSUS CURRENT PROGRAM ALLOCATIONS  
 (Dollars in Millions)

CITY	PROXY FORMULA VERSUS COMPARABLE HUD HOMELESS FUNDS	S-NIGHT FORMULA VERSUS COMPARABLE HUD HOMELESS FUNDS
NEW YORK, NY	\$34.34	\$6.42
CHICAGO, IL	1.37	0.04
WASHINGTON, DC	-2.43	0.47
LOS ANGELES, CA	6.85	1.29
SAN FRANCISCO, CA	0.07	1.16
PHILADELPHIA, PA	-1.26	-0.44
SAN DIEGO, CA	-0.08	1.77
ATLANTA, GA	-2.05	0.37
BOSTON, MA	-0.60	0.15
SEATTLE, WA	-1.73	-1.30
NEWARK, NJ	-0.29	1.74
HOUSTON, TX	-1.11	-0.64
PHOENIX, AZ	-0.93	0.66
PORTLAND, OR	0.07	0.64
NEW HAVEN, CT	0.25	1.66
SACRAMENTO, CA	0.54	1.40
DALLAS, TX	0.50	0.44
DENVER, CO	-0.71	-0.16
DETROIT, MI	-0.08	-0.94
BALTIMORE, MD	-0.01	-0.28
MINNEAPOLIS, MN	0.58	0.99
OKLAHOMA CITY, OK	-0.52	0.50
CINCINNATI, OH	\$0.21	\$0.35
SAN JOSE, CA	-1.11	-0.42
MIAMI, FL	0.14	0.40

## VI. ISSUES RELATED TO A FORMULA DISTRIBUTION

### a. The NAHA Formula

This study has demonstrated that a formula allocation of the funds now distributed separately under the three programs proposed for consolidation by NAHA is feasible. If homeless assistance funds were to be distributed by formula, the most reasonable way would be to allocate these funds based on the S-Night shelter count. The data from the S-Night shelter count are readily available and generally considered to be valid as an indication of the incidence of homeless persons in shelters.

Such an allocation system based on a direct, objective measure of need -- the S-Night shelter count -- would also be equitable, assuming that all homeless persons require equal funding. This study has also shown that a formula could be devised that would minimize large shifts in funds during the transition period from the current system to a formula-based program, thereby assuring funding continuity and predictability.

However, the formula-based program proposed by NAHA may not be simpler nor more effective than the existing mix of homeless programs. As was shown in Chapter IV, some individual States and cities still could experience large shifts in funding during the change to a formula allocation. Moreover, the proposal for a formula-based program in NAHA would maintain the level of complexity already present in the three programs because it would retain all the requirements of each of these categorical programs rather than create a truly consolidated and streamlined formula allocation program.

Other alternatives are available to provide for a more flexible and efficient distribution of homeless assistance funds. The next section discusses some of these alternatives to the formula-based program proposed by NAHA.

### b. Alternative Formula-Based Approaches

Instead of limiting the distribution of funds by formula to the three programs mentioned by NAHA (SAFAH, SHDP, and ESG), a formula could be applied to all homeless assistance funds administered by the Department. This would add to the above three programs the Section 8 Single Room Occupancy (SRO) Moderate Rehabilitation program, and the Shelter Plus Care program. Under such a system, providers would probably receive funds more quickly than is currently the case and their funding streams would be more predictable. A less "categorical" block grant approach could result in a more predictable and efficient distribution of homeless assistance funds than awarding grants through a series of competitive programs. Further, such a

consolidation of programs would allow recipients to develop coordinated strategies and programs. The current system, in which a particular community may receive funds from several different programs administered by several different entities, makes development of coordinated strategies difficult.

However, even if all of HUD's programs were consolidated under one formula-based program, awards may often be insufficient for large-scale projects. Even where awards are substantial, local pressures may cause block grant funds to be spread thinly, resulting in many small, inconsequential activities rather than a few more noteworthy projects where innovation and experimentation are likely outcomes. Additionally, a formula distribution allows for complete flexibility on the part of a local jurisdiction to target funds to particular segments of the homeless population. Given this discretion, local officials may decide to assist homeless persons who are easier to serve rather than the more troubled segments of the homeless population. Both HUD and the Congress have in recent years expressed concern that, even under the current system of programs, some hard-to-serve groups receive too little attention. Thus, the Shelter Plus Care program, targeted to single mentally ill persons, substance abusers, and persons with AIDS, was enacted in 1990 and HUD has now proposed a "Safe Havens" program for the treatment-resistant mentally ill who are not well served by the current system of shelters.

#### c. An Alternative to a Formula Distribution

For ease of program administration at the Federal level and to address the call from providers for simplification of the current distribution system, some form of program consolidation may be preferable to the existing method of distributing homeless assistance. While one option is program consolidation through a formula block grant, another is to consolidate some or all of HUD's homeless assistance programs and to distribute the funds competitively. An approach similar to the latter alternative was offered by the Department in the Administration's FY 1993 legislative package. The proposal would consolidate SAFAH and the Permanent Housing for the Handicapped Homeless program under the Transitional Housing Program. Additionally, the three separate components of Shelter Plus Care would be combined into one unified program. It could be argued that this competitive alternative represents a middle ground between the two extremes of multiple categorical programs, on the one hand, and a consolidated formula-based system on the other. A single competitive program would retain many of the advantages of a formula without being encumbered with its drawbacks.

Looked at from the standpoints of equity, predictability, and program effectiveness and efficiency, a consolidated,

competitive program would likely score well on all three. The distribution under the consolidated program would probably be similar to that of formula allocation based on the homeless shelter count. A competitive mechanism might result in greater funding fluctuation from year to year. Still, it seems reasonable to conclude that the distribution of funds through one competitive process could meet the demands of equity and predictability, especially if need and geographical diversity were built into the selection criteria. The case for this competitive alternative is even more compelling when considered in terms of program effectiveness and efficiency. One set of requirements, one application, and one competitive process would replace a half-dozen of each. The Administration proposal to consolidate the SAFAH and the Transitional and Permanent Housing programs all under one competitive program is an example of this type of consolidation. In fact, this consolidated program was included in the Housing and Community Development Act signed by the President on October 28, 1992. This approach could be expanded to the Department's other homeless programs. While much thought still needs to be given to the development of a consolidated, competitive program for all of HUD's homeless programs, such a direction is worth pursuing.

VII. PUBLIC MEETING

- a. List of Attendees
- b. Meeting Agenda

**Attendance List**  
**Homeless Formula Meeting**  
**January 28, 1992**  
**HUD**  
**Departmental Conference Room**  
**Washington, D.C.**

# **U.S. Department of Housing and Urban Development (HUD)**

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### **The Interagency Council on the Homeless**

Marsha Henderson  
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## MEETING AGENDA

HOMELESS FORMULA REPORT  
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
JANUARY 28, 1992

- 9:30 - 9:45 Welcome/Introductions/Statement of Purpose  
John C. Weicher, Assistant Secretary for  
Policy Development and Research
- 9:45 - 10:00 Statement from Anna Kondratas, Assistant  
Secretary for Community Planning and  
Development
- 10:00 - 10:15 Background of Study  
- Congressional Mandate  
- Consolidation Proposal  
- Other Homeless Formulas
- 10:15 - 11:15 Direct Measures of Homelessness  
- The Census Street and Shelter Count (S-Night)  
- Shelter Bed Counts  
- Counts of Service Users  
- Other Direct Measures of Homelessness
- 11:15 - 11:30 Break
- 11:30 - 12:30 Proxy Measures for Homelessness
1. Housing Affordability Measures
    - Number of Units Affordable to Very Low Income
    - Median Rents
    - Median Home Prices
    - Vacancy Rate among Rental Units
  2. Poverty Measures
    - Persons Below Poverty Line
    - Persons Below 50 percent of Median
  3. Housing overcrowding;
    - Units with more than 3 persons per room
  4. Any other relevant factors.
    - Unemployment
    - Presence of Public Housing
    - Mean Temp
    - Population growth rate
    - Incidence of blacks and Hispanics
- 12:30 - 1:00 The Pros and Cons of Allocating Homeless Assistance  
by Formula

We invite you to submit any comments on this issue in writing to Marge Martin here at HUD in Room 8220.

## NOTES

1. U.S. Department of Housing and Urban Development, A Report to the Secretary on the Homeless and Emergency Shelters, Washington, DC, 1984.
2. Martha R. Burt and Barbara E. Cohen, Feeding the Homeless: Does the Prepared Meals Provision Help? Report to Congress on the Prepared Meal Provision, The Urban Institute Press, Washington, DC, October 31, 1988.
3. U.S. Department of Housing and Urban Development, A Report on the 1988 National Survey of Shelters for the Homeless, Washington, DC, March 1989.
4. U.S. Congress, Testimony of Dr. Barbara Everitt Bryant before the House Subcommittee on Census and Population and the Senate Subcommittee on Government Information and Regulation, p. 10, Washington, DC, May 9, 1991.
5. Since no one has conducted a statistically valid count of homelessness in smaller areas (less than 50,000), there is no way of knowing if the lack of participation among jurisdictions with populations less than 50,000 substantially biases the overall S-Night shelter count.
6. U.S. Congress, Testimony of Dr. Barbara Everitt Bryant before the House Subcommittee on Census and Population and the Senate Subcommittee on Government Information and Regulation, p.2, Washington, DC, May 9, 1991.
7. See Section VII(c), p.31
8. See Section VII(c), p.39.
9. However, as mentioned earlier, because the participation by jurisdictions with populations less than 50,000 was poor, the S-Night count in these areas may underestimate the actual number of homeless persons in shelters.
10. Data are not available at this time to do this same analysis for only those places with populations greater than 100,000.
11. The HUD Office of Special Needs Assistance Programs estimates that in FY 1990, approximately 34-40 percent of State ESG funds went to formula cities or nonprofit organizations in formula cities.
12. The figure for New York City represents 20 percent of the total S-Night count for all cities with populations greater than 100,000. New York's shelter count is 13 percent of the total S-Night shelter count for all jurisdictions.

13. Four studies were examined: Martha Burt, **Over the Edge: The Growth of Homelessness in the 1980's**. New York and Washington, DC: Russell Sage Foundation and the Urban Institute Press, 1991; William Tucker. Where Do the Homeless Come From? **National Review**, 25 September 1987, 32-43; Majorie Honig and Randal K. Filer Causes of Inter-City Variation in Homelessness?" Unpublished; Robert Benjamin, Analysis of Homelessness and Various Causal Factors. Unpublished.
14. Peter Rossi, **Down and Out in America**. p.8, Chicago and London: The University of Chicago Press, 1989.
15. p. 205, Burt.
16. Because the variables are expressed as rates, the natural logarithm was taken. For example, if a city's rate of homeless per 10,000 persons is 9.52 and the percentage of one-person households is 31 percent, a one percent increase in the number of one-person households would result in a new homeless rate per 10,000 of 9.79 ( $9.52 \times 1.0281$ ).

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Official Business