

Testimony of
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Regarding

*Reauthorization of Federal Homeless Assistance Provided
Under*

The McKinney-Vento Homeless Assistance Act of 1987

Before the

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Committee on Financial Services
Subcommittee on Housing and Community Opportunity

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Introduction

Madam Chair, Members of the Committee, Good Morning (Afternoon).

My name is Deborah DeSantis and I am President and Chief Executive Officer of the Corporation for Supportive Housing (CSH).

CSH is a national non-profit helping communities create permanent affordable housing linked to services that prevent and end homelessness.

I am pleased to offer testimony to the Subcommittee on reauthorizing the McKinney-Vento Homeless Assistance Grants Program, a critical resource for homeless housing and services programs.

It is an honor to speak just after the testimony of Connecticut State Senator John McKinney. Mr. McKinney's father, the late Congressman Stewart McKinney, is rightly recognized for his leadership and passion in responding to our nation's crisis of homelessness two decades ago.

I would like to thank the Subcommittee Chair, Representative Maxine Waters, for committing her leadership to the task of shaping legislation to reauthorize the McKinney-Vento Homeless Assistance programs.

I would also like to acknowledge Representative Carson and other Members of this Subcommittee, who took an early interest by introducing HR 840, the HEARTH Act.

Finally, CSH is also pleased that the Senate Banking Committee, under the Chairmanship of Senator Dodd, has passed an excellent bill to reauthorize the McKinney-Vento programs, which Senators Jack Reed and Wayne Allard, along with a bi-partisan group of their colleagues, sponsored as S. 1518, the Community Partnership to End Homelessness Act of 2006 ("CPEHA").

CSH has worked for more than 15 years to help community-based non-profits and local and state governments across the country develop and operate permanent supportive housing. I will address the following issues, as they relate to the McKinney-Vento programs, as succinctly as possible:

- The proven effectiveness of permanent supportive housing funded in part through the McKinney-Vento programs;
- The need to continue to reserve or set aside at least 30% of funds allocated through HUD's McKinney-Vento programs for permanent housing; and
- The potential impact of modifications to the definition of "homeless individual" as it applies to HUD's McKinney-Vento programs

The McKinney Act was designed to fund emergency responses to homelessness, such as shelters and food programs. Unfortunately, 20 years later, the need for the McKinney-Vento programs remains great, with an estimated two million people experiencing homelessness each year. The

majority of homeless people have short periods of homelessness, typically resulting from economic circumstances, such as loss of a job or public assistance cuts.

However, studies show that a significant sub-population of about 200,000 homeless individuals and families experience extended or repeated bouts of homelessness. People within this sub-population often encounter disabling conditions, including mental illness, substance addiction, HIV/AIDS, and other chronic conditions. Many first experienced homelessness or residential instability as children or as youth transitioning out of foster care. The most troubled homeless families, who bounce in and out of shelters repeatedly without achieving housing stability, are likely to be involved in the child welfare system and parents are more likely to be receiving costly inpatient care for mental health or substance abuse problems. Children face a growing risk of entering foster care when parents are unable to obtain housing.

Despite its tragic consequences, the persistence of homelessness has allowed us to study the problem, explore causes, and test solutions in an ongoing effort to formulate the best policy solutions at the local, state and federal levels. As a consequence, the Subcommittee now has access to a depth of knowledge in several key areas that was simply not available in 1987, when Congress first passed the McKinney Act.

Supportive Housing Works

Research documenting the effectiveness of supportive housing has, in fact, bolstered the ever-increasing momentum of government, corporate and philanthropic investment in supportive housing. To date, these studies indicate:

- More than 80% of people who enter supportive housing are still in housing a year later;
- Formerly homeless residents of supportive housing achieve decreases of more than 50% in emergency room visits and hospital inpatient days, and decreases in emergency detoxification services of more than 80%;
- Supportive housing leads to improvements in neighborhood safety and beautification that helps stabilize property values; and
- Tenants are able to increase by 50% their earned income and by 40% their employment rates when employment services are provided in supportive housing, reducing their reliance on public assistance.

The most comprehensive case for supportive housing was made by Dr. Dennis P. Culhane and his colleagues at the University of Pennsylvania's Center for Mental Health Policy and Services Research, which tracked the cost of nearly 5,000 mentally ill people in New York City for two years while they were homeless and then for two years after they were housed. The study's central findings include:

- It currently costs \$40,500 annually to keep mentally ill people homeless – with 86% of the costs borne by the health care and mental health systems.
- Supportive housing provides major reductions in costs across seven service systems (including hospitals, jails, and emergency shelters) with 72% of the reductions in health care costs—a savings of \$16,282 per housing unit per year.

Among homeless families, researchers have found the highest costs may be associated with extended stays in family shelters or transitional housing programs. By our conservative estimates, the costs to taxpayers of providing the crisis services necessary for maintaining homelessness, particularly chronic homelessness, totals between \$5-8 billion a year.

Significantly, the cost-effectiveness of permanent supportive housing is not simply a 'big city' phenomenon. Similar findings from studies in communities as diverse as Seattle, Minneapolis, San Francisco, Denver, Indianapolis, Atlanta, Dayton Ohio, Portland Oregon, and others, were recently highlighted at the National Symposium on Homeless Research, sponsored by HUD and the US Department of Health and Human Services.

Permanent, supportive housing is the only intervention that works to stabilize the housing and health status of this vulnerable population, which otherwise consumes a disproportionate share of public and private safety net resources, with little in the way of positive outcomes to show for it.

Given the facts, McKinney reauthorizing legislation should provide incentives to create more permanent housing by:

- Targeting at least 30% of funds to permanent housing for homeless people with disabilities (individuals and families with a head of household with a disability);
- Providing incentives through bonus funding to encourage grantees to invest in cost-effective interventions, including permanent supportive housing for those experiencing long-term homelessness, for people who are most likely to remain homeless and least likely to be served by other programs; and
- Allowing grantees to use funds for permanent housing as an eligible activity for other homeless individuals and families, with substantial flexibility to respond to locally identified needs, including short or medium term assistance to help people find and keep stable independent housing.

Set-aside for Permanent Housing

CSH urges codification of a 30% set aside for permanent housing for homeless households with one or more disabled persons. Congressional appropriators, on a bipartisan basis, have imposed this 30% set aside every year for the past nine fiscal years. For those homeless individuals and families who confront chronic health conditions and suffer, or are at-risk of suffering, long-term and/or repeated bouts of homelessness, permanent supportive housing is the only intervention proven to end costly cycling between systems. The McKinney-Vento permanent housing programs are a critical resource for making supportive housing available and have a real impact on the need among these vulnerable households who are often ineligible or screened out of mainstream housing and services programs. Dr. Martha Burt, in her seminal white paper, "What Will It Take to End Homelessness?" said "Providing housing helps currently homeless people leave homelessness. It also prevents people from losing their homes. *In the absence of housing, virtually nothing else works.*"

Prior to the 30% set-aside, a sharp decline in the amount of McKinney funding used for permanent housing occurred, despite great need. In 1998, the year before the set aside, only 13% of McKinney money was dedicated to permanent housing, even though sound research backed the general consensus that permanent, supportive housing is an effective approach to ending homelessness,

especially for people experiencing long-term homelessness who are persistently shut out of other targeted homeless interventions and/or mainstream housing/service systems.

Why did this sharp decline happen? Funding for permanent supportive housing decreased as well-intentioned local Continuums faced strong incentives to “spread the wealth” among as many homeless projects as possible. Additionally, permanent supportive housing is a complex undertaking. While many agencies expressed willingness to take on the challenge, the path of least resistance in annual local Continuum of Care planning—where existing grantees often strongly influence a community’s competitive application to HUD—was often to sustain and even expand dominant, non-permanent housing interventions.

The set aside restored balance to the Continuum of Care and created more permanent affordable housing. The set-aside encouraged many communities, in fact, to begin reducing homelessness. For these reasons, CSH has concerns about the lack of any set-aside in H.R. 840, the HEARTH Act, as currently drafted. On the other hand, S. 1518, the Community Partnership to End Homelessness Act, does include a national 30% set-aside for permanent housing for those with disabilities. The Act strikes a careful balance of meeting the needs of rural and small communities, while addressing the evidenced-based practices that have been so effective.

In addition to encouraging the creation of housing models that work to reduce homelessness among those experiencing long-term or chronic homelessness, other McKinney-Vento funded interventions have continued to operate over the last nine years of the congressionally-mandated set-aside. While significant McKinney Vento resources have been invested in new permanent supportive housing since FY 2000, the overall funding available for other interventions has not plummeted. In fact, it has increased by \$50 million. By augmenting the McKinney-Vento appropriation from \$900 million in FY 2000 to \$1.44 billion in FY 2007, increases that occurred largely because of the well-known successes of permanent supportive housing, Congress greatly softened the impact of the set aside.

Further, people experiencing chronic homelessness are more likely than other McKinney-Vento eligible populations to be categorically excluded or, in practice, screened out of other safety-net programs. Indeed, those with disabilities face the greatest barriers in accessing permanent, stable housing. The Consortium for Citizens with Disabilities’ *Priced Out in 2006* reveals that the average national rent for an efficiency or one-bedroom apartment of \$715 is more than the monthly income disabled people receive on Supplemental Security Income (SSI). People with disabilities who rely on SSI benefits, which average \$632 per month nationally, as their sole income source face the prospect of spending 113% of such benefits to afford a modest apartment.

In such a circumstance, it is appropriate—in fact, imperative—for federal policy governing HUD homeless assistance grants to provide this population with some priority. It is also appropriate for the federal government to tie funding to certain outcomes, and to intervene where a locally controlled system risks failing to produce these outcomes, which H.R. 840 and S. 1518 both seek to accomplish. Outcome measurements will, in essence, ensure that the set-aside continuously meets the needs of each community.

Finally, permanent housing is a key to ending current homelessness and preventing future homelessness. In 2002, CSH and others estimated a need for approximately 150,000 units of permanent supportive housing by 2012 to reduce significantly the number of those experiencing chronic homelessness and thereby progress toward ending homelessness. Congress, the Millennial

Housing Commission, and the President's New Freedom Mental Health Commission have all adopted this goal. We recognize that a significant portion of the 150,000 units of permanent supportive housing needed to end chronic homelessness will have to come from mainstream housing programs. Like all housing models funded through McKinney, nearly all supportive housing projects that rely on the McKinney-Vento programs to leverage significant capital investments from other sources, including the Low Income Housing Tax Credit program and other housing and supportive services resources controlled by states and local governments.¹

CSH appreciates and works with many providers of high quality emergency shelter, transitional housing, and supportive services programs who serve non-disabled homeless families, youth aging out of foster care, reentering prisoners, and others. We maintain that a 30% set-aside will not exclude these models. CSH strongly asserts, however, that permanent housing targeted to those experiencing long-term homelessness should remain a priority in the McKinney-Vento programs. Indeed, as stated in my testimony, evidence establishes that applying the intervention of supportive housing for long-term or "chronically" homeless people makes good policy sense.

Additionally, CSH supports a 10% set aside for permanent housing for non-disabled families, as well as special incentives (such as long-term rental assistance contracts) to create permanent housing for chronically homeless and homeless families. Though the number of units likely to be created for non-disabled homeless families under this set aside will not be large enough to meet the need--indeed, targeting the entire McKinney-Vento appropriation to this task for the next decade would have a negligible impact on the affordable housing crisis as it now stands—it is critical that McKinney reauthorization make explicit that more affordable housing is a necessary component of any effective intervention for this growing population and that the McKinney-Vento programs support such permanent housing strategies for non-disabled homeless families (who are ineligible for assistance under the existing McKinney-Vento permanent housing programs).

Definitions of Homelessness

The HUD definition of homelessness includes people who, "*lack a fixed, regular, or adequate nighttime residence,*" who are sleeping in a shelter, who reside in institutions for less than 30 days, or who are living in a place not intended for sleeping quarters. It does not include people who are in prison or jail or "otherwise detained." The federal government currently defines chronic homelessness as, "*An unaccompanied homeless individual with a disabling condition who has either a) been continuously homeless for a year or more OR b) has had at least 4 episodes of homelessness in the past three years.*" The definition of chronic homelessness excludes families.

Modifications to the definitions of homelessness or chronic homelessness should be informed by research about patterns of homelessness among both families and individuals. Leading national experts have said that about 12,000-15,000 households of families with children are homeless for two or more years at a time. Data also suggest that a subset of homeless families who are dealing with medical problems, mental illness, substance abuse, and traumatic stress (e.g., domestic violence or victimization from other forms of physical or sexual violence) are at risk of long-term or repeated episodes of homelessness. These families experience "chronic" or "long-term" homelessness, but are not recognized as such under current definitions. For this reason, CSH supports including

¹ In the years FY 2001-FY 2005, the McKinney-Vento programs produced approximately 10,000 units of permanent supportive housing annually.

families, where a head of household suffers from a disability, in the definition of “chronic homelessness” when homeless repeatedly or continuously.

CSH also supports an expanded definition of “homelessness” for purposes of determining eligibility for housing or services funded through McKinney-Vento programs. About 100,000 households are either homeless or cycling in and out of institutions for years on end. As indicated throughout my testimony, people with disabilities often cycle between homelessness, shelters, hospitals, treatment facilities, and jails. The federal government should recognize this reality to avoid excluding these individuals from benefiting from homeless assistance programs.

As such, individuals or families who have moved three or more times in the past year and are at severe risk of becoming homeless due to their unstable living situations (i.e., because they are living off of a short-term motel voucher or are living with a relative or friend on a short-term, unstable basis) should be considered “homeless.” S. 1518 has incorporated this approach. We also assert that those who are temporarily staying in a safe haven, hospital, treatment program, or jail, but were previously homeless, should be considered “homeless” and able to access the supports the McKinney programs offer.

We support a common-sense and fact-based expansion of the definitions of homelessness and strongly endorse limiting the definitions to those experiencing homelessness. We have great reservations about expanding the definition as suggested in H.R. 840.

We agree that housing affordability is at the root of homelessness. According to the Harvard Joint Center on Housing Studies’ *State of the Nation’s Housing 2007*, one in seven Americans, most of whom fall under the federal poverty line, spend more than 50% of their incomes on housing. In recognition of this significant and growing unmet need for affordable housing, the Financial Services Committee recently completed work on landmark legislation to strengthen and expand the Section 8 housing voucher program and to establish a National Housing Trust Fund. S. 1518 would also create a new grant program to fund relocation, stabilization, rental assistance, and supportive services for families and individuals precariously housed or at risk of homelessness. If enacted and adequately funded, these policy reforms will do much to end and prevent homelessness for many Americans living in doubled-up, substandard, or unstable housing.

These thoughtful approaches to the crisis in housing affordability, however, stand in stark contrast to expanding the definition of homelessness to all experiencing the effect of this problem. Many of the individuals who would be included within the definition of homelessness currently proposed under H.R. 840 actually are not those at greatest risk of falling into homelessness. Expanding the definition in this manner would allow grantees to “cream” when serving those in poverty, as housing and services providers could be permitted to accept those with higher incomes into programs intended to serve the most vulnerable.

In fact, this expansion may make eligible as many as 10 million people to access the mere \$1.5 billion now available for homeless assistance funding. To provide some context, the level of funding for HUD’s McKinney-Vento programs is less than one-tenth the amount of federal funding appropriated each year for Temporary Assistance to Needy Families (TANF) or for tenant based rental assistance through the Section 8 Housing Voucher Program. Consequently, the statute that governs the distribution of HUD’s McKinney-Vento funds must carefully address how best to focus grants, rather than stretching the resources available to McKinney grantees too thin.

Our Thanks

Once again, we thank the Subcommittee for the opportunity to submit this testimony, and applaud you for your ambitious undertaking at this hearing, for soliciting input on the critical issues at stake in reauthorizing the McKinney-Vento programs, and for responding to homelessness and the housing needs in America today.

Madam Chair, I am happy to answer questions.