

Why “More is Less” for Homeless Assistance: How a \$100 Million Increase Would Cut Program Capacity

Overview

Because of accounting issues and the so-called “expiring multiyear contracts” problem, the amount for Homeless Assistance in the House’s FY 2013 Transportation-HUD (T-HUD) Appropriations Act – despite being \$104 million *higher* than in FY 2012 – would actually mean *less money* for homeless assistance programs to spend.

Some of HUD’s Continuum of Care (CoC) grants operate under multiyear contracts. For these grants, Congress provides HUD with funding for housing and services up to several years before those funds are actually spent. The annual appropriation from Congress is like a deposit into HUD’s checking account, to be paid out to providers over a certain number of years. In these programs, all the funding for a multiyear contract comes from the congressional appropriation in the first year of the contract. HUD then spends the funds over a multiyear period. After HUD fully spends these initial funds and the contract expires, Congress must put additional money in HUD’s checking account in order to maintain the same level of assistance for people experiencing homelessness. Thus, Congress must increase HUD’s budget authority in the appropriations bill so that spending under the CoC grants may continue at the same level as in the previous year.

Example

Suppose HUD awarded \$350,000 to a provider in FY 2008 for rent subsidies for people experiencing homelessness. Typically, under the law in effect at that time, HUD would be required to award five years’ worth of rent subsidies. Under congressional accounting rules, the entire \$350,000 would be set aside from the FY 2008 appropriation. In the first year, HUD would write \$70,000 worth of checks to landlords for rent subsidies, and \$280,000 would remain. In each of the remaining four years of the contract, HUD would provide another \$70,000 to the landlords out of the remaining funds, but Congress would not need to appropriate any additional funds for the project.

For FY 2013, Congress will need to appropriate an additional \$70,000 for HUD to continue to provide the rent subsidies. Thus, HUD will spend the same amount of money in FY 2013 as in FY 2012 (\$70,000), but the amount appropriated by Congress will be greater than in FY 2012. All subsequent renewals are done through one-year contracts, so the amount appropriated by Congress and the amount spent by HUD would be the same in FY 2013 and all future years. The following chart summarizes how funding would be made available for this one project:

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Amount Congress appropriates (“budget authority”)	\$350,000	\$0 (HUD still has 2008 funds)	\$0	\$0	\$0	\$70,000 (an increase compared to 2012)
Amount HUD spends (“outlays”)	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000 (same as 2012)
Amount HUD has left at the end of the year	\$280,000	\$210,000	\$140,000	\$70,000	\$0	\$0

As a result, Congress could provide an increase in appropriations in FY 2013, while still having an end result that the program itself sees a cut in funding. If, for example, Congress provided \$35,000 for the project, it would represent an increase in the appropriation level but a cut in the level of assistance provided to people experiencing homelessness.

Impact

Multiplied by the expiration of hundreds of initial multiyear contracts – many begun under the Bush Administration’s chronic homelessness initiative – the overall result is that the \$104 million increase in appropriations in the House’s FY 2013 T-HUD bill would be insufficient to maintain the current level of assistance provided to people experiencing homelessness. As a result, **about 25,000 people would be homeless instead of housed.**