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Briefing Report to the Chairman, Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives

January 1989

WELFARE HOTELS

Uses, Costs, and Alternatives

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The Honorable John D. Dingell
Chairman, Subcommittee on
Oversight and Investigations
Committee on Energy and Commerce
House of Representatives

Dear Mr. Dingell:

Your letter of October 20, 1987, asked us to examine certain matters regarding the use of so-called "welfare hotels" as the primary housing for needy families. Generally, you requested that we provide information on the following:

- what welfare hotels are and what services they provide,
- the extent to which these facilities are used as temporary or permanent housing for families,
- welfare hotel rates and how these compare with the cost of other types of housing,
- which federal government programs reimburse localities for the cost of welfare hotels, and
- what housing alternatives are available.

On April 12, 1988, we briefed your staff on the results of our review. As requested, we are providing this briefing report to summarize our work.

To obtain insight into the welfare hotel and family homelessness issues and to develop specific information on hotel use, services, costs, funding sources, and alternatives, we (1) surveyed the literature and met with advocacy group representatives and other experts; (2) interviewed knowledgeable federal agency personnel at the Departments of Housing and Urban Development (HUD) and Health and Human Services (HHS), and the Federal Emergency Management Agency (FEMA); (3) spoke with state and local government officials in 12 states, the District of Columbia, and 11 localities; (4) reviewed available documentation provided by these sources; and (5) visited six hotels or motels in New York City, Washington, D.C, and Essex County, New Jersey.

Also, we obtained information on various programs and legislative initiatives intended to address family shelter problems. We focused on the Aid to Families With Dependent Children (AFDC) and Emergency Assistance (EA) programs, which represent the major federal funding sources for family hotel stays. Both are administered by HHS's Family Support

Administration (FSA). In addition, we examined a December 1987 proposed FSA rule change that would have restricted use of AFDC and EA funds for hotel and other emergency costs. Our work was done between December 1987 and August 1988.

What Are Welfare Hotels?

There is no clear-cut, widely accepted definition of "welfare hotels." We regarded them as commercially owned, single- or multistory hotels or motels providing shelter to a clientele composed exclusively or primarily of homeless families receiving some type of public assistance. According to the media and certain experts, welfare hotels often provide inadequate physical conditions and services. However, not every hotel or motel housing homeless families can be considered a welfare hotel as certain establishments house only a few homeless families. Further, some homeless families are housed in relatively expensive, high quality hotel or motel space.

Services Provided to Families in Hotels

Basic services provided to hotel residents usually include a room with private bath, linen changes, room cleaning, and general facility maintenance. Generally, cooking facilities are not provided. Services can vary; in some instances families have difficulty receiving even basic hotel services. Physical conditions and the condition of individual rooms vary, but rooms tend to be crowded.

Other services, including child and health care and counseling, generally are provided by localities or nonprofit organizations. These services also vary widely. For example, in some localities and certain hotels congregate dining is provided. Monthly meal costs in one locality ranged up to $381 per person. Other localities use restaurant allowances or food vouchers.

Hotel Use and Length of Stay

Although there are no detailed, reliable statistical data specific to welfare hotel use, there is some evidence that the use of hotels and motels to shelter homeless families may be fairly widespread nationwide. For example:

- The U.S. Conference of Mayors in a May 1987 report noted that 15 of 29 cities surveyed used hotels or motels as emergency shelter.
- FEMA officials told us that many of the agency's local service providers use hotels for emergency shelter for short-term stays.

- We found hotels or motels used to some degree in all of the 24 jurisdictions we contacted, which included urban, suburban, and rural areas.

Escalating family homelessness and the imposition of statutory or court-mandated emergency shelter requirements may increase hotel use in some localities.

New York City is a large user of hotels and motels for the homeless. On May 31, 1988, it was housing over 3,350 families (including almost 7,400 children) in hotels. About 1,200 families were placed in three large hotels regarded as primary examples of welfare hotels.

Other jurisdictions, including Washington, D.C., Essex County, New Jersey, and Westchester County, New York, also relied heavily on hotels and motels as emergency family shelters. Officials in other jurisdictions such as Michigan, Ohio, Georgia, and Illinois reported limited hotel use.

Length of hotel stays ranged from a few days to a few years in certain cases. In New York City, for example, the average stay was 13 months, but some families had been in hotels for 2 or 3 years or more. As a result, hotels for some families had become a form of quasipermanent housing. However, New York City recently announced plans to end hotel use by mid-1990.

Cost of Hotels and Alternatives

Hotel costs vary widely, but can be high. Despite extended stays by some families, many localities pay the going hotel daily rate. According to New York City sources, for example, rates average $65 per night (about $2,000 monthly) but can range up to $100 per night. New York City spent about $81 million in hotel payments in its fiscal year 1987, according to a city official. Average daily rates paid in other localities include:

- $49 in Washington, D.C.;
- $50 in the state of New Jersey;
- $62.50 in Essex County, New Jersey;
- $75 to $80 in Westchester County, New York; and
- $35 and below in other localities we examined.

Although hotels tend to be more expensive than permanent housing, in some localities such short-term alternatives as congregate family shelters and transitional apartments can be more expensive than hotels on a total, daily-cost basis. Such comparisons, however, are inexact and difficult to make because of differences in the extent and type of services provided and the physical condition and size of living quarters.

Local audits of some hotel payments disclosed possible fraud and violations of local procurement law. For example, the New York City Comptroller's Office found that of checks issued to families for emergency hotel shelter during September 1986, almost 17 percent were cashed by hotels at which the families were not registered.

Federal Funding Sources for Hotel Stays

Some federal assistance programs help pay for homeless families' hotel stays, but cost data are not systematically reported. The primary federal funding used to help reimburse family hotel expenses comes from two separate programs:

- The AFDC program, which matches state-determined benefit payments on a variable-percentage basis to help families with dependent children obtain food, shelter, clothing, and other essential items. In 1987, federal matching averaged 54 percent. At least three states, including New York, obtain hotel reimbursements through AFDC.
- The EA program, which provides 50-percent federal matching funds for "short-term" emergency assistance (which can include food, clothing, and shelter) for needy families with children to avoid destitution of the children or to provide living arrangements in a home for such children. Program participation is optional; currently 28 states, the District of Columbia, Puerto Rico, and the Virgin Islands participate. Although FSA could not provide precise cost data, EA payments appear to be a significant hotel funding source in New York, Washington, D.C., New Jersey, and Massachusetts.

Proposals for Permanent Housing

Various government and private sector initiatives are underway to address the need for low-income housing. Several bills introduced in the 100th Congress but not enacted would have encouraged increased construction or renovation of affordable permanent housing to help reduce reliance on temporary shelters such as welfare hotels.

FSA Proposed Rule Change

In December 1987, FSA published a proposed rule to clarify certain uses of EA and AFDC funds and eliminate what it regarded as inequities and improper use of funds. The proposal would have restricted EA benefits to actual expenditures to meet needs in existence for a 30-day period in any 12 consecutive months. Existing regulations permit matching of payments for needs that arose before or beyond a 30-day period. The proposed rule would have required states to specify maximum dollar amounts of assistance for each type of emergency, effectively capping EA benefits available for this purpose. Finally, states would have been prohibited from varying AFDC shelter allowances according to the type of housing occupied. Multiple-shelter allowances are currently used by some states, including New York, to provide substantially higher benefits for homeless families in such emergency housing as hotels.

A provision of the 1987 Omnibus Budget Reconciliation Act (P.L. 100-203) prohibited HHS from taking any action to implement the proposed rule prior to October 1, 1988. Section 901 of the Omnibus McKinney Homeless Assistance Act of 1988 (P.L. 100-628) extended the moratorium on implementation of the proposed rule to September 30, 1989.

Representatives of various public and private organizations opposed or questioned most of the proposed changes, and none of the commenters supported the rule in its entirety. Some of the commenters questioned HHS's legal authority to restrict the EA and AFDC programs and noted that FSA had not fully assessed the rule's impact.

Implementation of the proposed rule could reduce federal funding for welfare hotel stays. However, according to many comments received, restricting AFDC and/or EA funding could also undermine efforts by government agencies and nonprofit organizations to temporarily provide shelter for homeless families until more permanent housing alternatives or adequate, transitional, apartment-style shelters are available.

FSA had planned to more fully assess the economic and social effects of the proposed rule before final rulemaking. But, as pointed out by various commenters, the proposed rule raised certain important questions regarding (1) the scope of FSA's discretion to prohibit AFDC multiple-shelter allowances based on the type of housing occupied and (2) whether overall EA program objectives can be achieved when benefits are limited to costs incurred within a 30-day period.

The Omnibus McKinney Homeless Assistance Act of 1988 requires HHS to review existing policies regarding state use of EA and AFDC funds to meet the emergency needs of families. The act requires the Secretary of Health and Human Services in a report to the Congress to recommend legislative and regulatory changes to (1) improve program responsiveness to the emergency needs of families and (2) eliminate the use of program funds to pay for shelter in transient facilities such as welfare hotels. This review would provide a framework for consideration of the legal, policy, social, and economic concerns raised by the commenters in relation to the proposed rule.

As discussed with your office, we did not request written agency comments on this briefing report. We did, however, give HHS officials an opportunity to review the draft report and provide oral comments at a November 8, 1988, close-out conference. We considered their comments in preparing our final report. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days from its issue date. At that time, copies will be sent to the Secretary of Health and Human Services and other interested parties.

The major contributors to this briefing report are listed in appendix II.

Sincerely yours,

Linda G. Morra

Linda G. Morra
Associate Director

Contents

Abbreviations

AFDC	Aid to Families With Dependent Children
CRS	Congressional Research Service
EA	Emergency Assistance
FEMA	Federal Emergency Management Agency
FSA	Family Support Administration
GAO	General Accounting Office
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
OIG	Office of Inspector General

Objectives, Scope, and Methodology

- Determine what "welfare hotels" are
- Examine hotel use, services, costs, and federal funding
- Identify alternatives

Objectives, Scope, and Methodology

By letter dated October 20, 1987, John Dingell, Chairman of the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, asked us to determine the following:

- what welfare hotels are and what services they provide,
- to what extent these facilities are used as temporary or permanent housing for families,
- welfare hotel rates and how these rates compare with the costs of other types of housing,
- which federal government programs reimburse localities for the cost of welfare hotels, and
- what housing alternatives are available.

To obtain an understanding of these issues and related problems of family homelessness, we surveyed the available literature and reviewed pertinent congressional reports and hearings. Also, we reviewed other GAO reports and studies prepared by various sources including public interest groups and the Congressional Research Service (CRS). In addition, we interviewed federal officials and other experts, including representatives of several nonprofit and advocacy organizations.

Others interviewed (either in person or through telephone discussions) included state and local public welfare or community development/housing officials in 12 states, the District of Columbia, and 11 localities. From these individuals we sought opinions and available information on welfare hotel use, services, costs, family homelessness, and available housing alternatives. (See app. I for a list of the states and localities contacted.)

Our selection of states and localities was judgmental. It was based on indications (from references in the media, reports, or discussions with experts) of

- family homelessness problems,
- significant use of hotels or motels to house homeless families,
- the existence of innovative shelter alternatives, and
- large expenditures by the Aid to Families With Dependent Children (AFDC) or Emergency Assistance (EA) programs, two primary hotel funding sources.

For example, our selection included 8 of the 10 states receiving the largest federal share of AFDC payments and 9 (Washington, D.C., and 8 states) of the 10 jurisdictions receiving the largest federal EA payments (based on fiscal year 1988 estimates).

We also attempted to achieve a geographical mix, regionally and by size of state or locality. Further, we included certain states with relatively low AFDC expenditures and two (Indiana and Connecticut) that do not participate in the EA program. In addition to reviewing pertinent statistical data, analyses, and reports provided by these officials, we visited six hotels or motels used to house homeless families. These were situated in three localities—New York City, Washington, D.C., and Essex County, N.J.

The primary federal funding sources for welfare hotels, we determined, are the AFDC and EA programs, administered by the Family Support Administration (FSA) under the Department of Health and Human Services (HHS). For these programs, we examined pertinent laws, regulations, statistics, program documents (including state plans and financial reports), congressional studies and hearing records, and appropriations and cost data. Additionally, we discussed various aspects of the programs with FSA headquarters and regional officials. We reviewed reports prepared by the HHS Office of Inspector General (OIG) and interviewed cognizant OIG representatives.

To identify other federal programs that may assist states and localities in paying hotel costs, we examined published studies, program documents, and related material. These concerned various programs administered by the Department of Housing and Urban Development (HUD) and the Federal Emergency Management Agency (FEMA). We also discussed the programs with knowledgeable agency personnel.

We assessed FSA's proposed rule of December 14, 1987, which could significantly restrict AFDC and EA funding for such homeless shelter alternatives as hotels. In addition to reviewing the legislative history of the acts authorizing the two programs, we obtained FSA's written comments explaining the proposed changes. We also analyzed public comments on the proposed rule, as well as examined the extent to which FSA had assessed the rule's economic and social impact.

Seeking information on alternatives to the use of welfare hotels, we explored

- short-term options, e. g., congregate and family shelters; and

- permanent housing alternatives, including various congressional initiatives, designed specifically to reduce or eliminate the use of welfare hotels.

Among other documents we reviewed were published reports, such as the March 1988 report of the National Housing Task Force, legislative proposals that were before the Congress, and pertinent congressional reports and hearings. Finally, to identify creative suggestions for reducing homelessness among AFDC families, including appropriate uses of AFDC funds, we attended congressional hearings held on March 28, 1988, in New York City.

In general, we did not independently verify information obtained through discussions with experts and from available documentation (e.g., published reports and program statistical data), on which our study extensively relied. Our work, which was done between December 1987 and August 1988, was performed in accordance with generally accepted government auditing standards.

What Are Welfare Hotels?

- No standard definition
- Can be hotel or motel
- Characteristics:
  - Intended as short-term shelter
  - Large welfare family clientele
  - Conditions and services often "poor"
  - Private ownership and operation
- Not all emergency shelter hotels are welfare hotels

What Are Welfare Hotels?

Although the term is used by the media, in public forums, and in the literature, there exists no clear-cut, widely accepted definition of "welfare hotels." Generally, we regarded welfare hotels as single- or multistory hotels or motels intended to provide transient or short-term shelter to clientele who were exclusively or primarily homeless families, usually receiving some type of public assistance. According to some experts and the media, these establishments are often characterized by "poor" physical conditions and services. Welfare hotels are commercially owned and operated and, as such, are expected to make a profit. In at least one case that we are aware of, profits were enormous. A March 1986 New York City task force report found that one of the city's major "welfare hotels," the Holland, realized an estimated annual net profit of about $3 million, a return of roughly 50 percent, approximately twice the normal hotel industry average profit.

Not every hotel or motel housing homeless families can be considered a welfare hotel. Certain establishments may house only a few homeless families who are receiving public assistance. For example, although on May 31, 1988, New York City used about 50 hotels or motels to shelter homeless families, several establishments housed fewer than 10 families. According to a major New York nonprofit group serving the homeless, about 15 hotels (including the larger, widely known establishments housing most of the homeless family population) have come to be known as welfare hotels. Further, in Westchester County, New York, the shortage of shelter options and available inexpensive hotel rooms, has dictated the use of hotel space in relatively expensive establishments operated by well-known national chains.

How Widespread Is Hotel Use?

- Virtually no data specifically on such use
- Hotels and motels shelter homeless families in many areas
- Various factors influence use
- Hotel use may increase

How Widespread Is Hotel Use?

Evidence suggests that the use of hotels and motels to shelter homeless families may be fairly widespread. In A Status Report on Homeless Families in America's Cities (May 1987), the U.S. Conference of Mayors noted that 15 of the 29 cities surveyed used hotels or motels as emergency shelter to varying degrees. FEMA officials told us that many of the agency's local service providers use hotels for emergency shelter, generally for limited, short-term stays. Further, HHS recently reported that 8 of the 31 jurisdictions participating in the EA program were using program funds to provide temporary shelter in hotels or motels.[1]

We could not identify, however, any detailed, reliable, statistical data specifically on the use of welfare hotels, primarily because of the absence of a widely accepted definition of the term. Further, states and localities may be reluctant to report that they shelter homeless families in welfare hotels. And, in some parts of the country, the term "welfare hotel" simply is not used. As a result, we examined the extent to which commercial hotels and motels generally are used to shelter homeless families.

State and local statistical information regarding hotel/motel use by the homeless varies as to specificity and time periods covered. Some jurisdictions employ automated systems that track the number of homeless families served and the type of shelter used. Other jurisdictions, such as those with less severe homelessness problems, maintain only limited data concerning emergency shelter.

Hotels or motels were used to varying degrees in all of the jurisdictions we contacted, which encompassed urban and suburban localities and rural areas in such states as Minnesota and New York. Some jurisdictions, like New York City, rely heavily on hotels to provide emergency shelter on a regular basis, while others use hotels occasionally. Different factors influence decisions to use hotels. Larger metropolitan areas, for example, may refer families to hotels when existing shelters are fully occupied. Smaller communities, including rural areas that do not face widespread family homelessness problems, may not find it necessary or cost-effective to build, lease, or rent shelters, local officials told us. Instead, these communities may refer homeless families to low-cost hotels or motels as the need arises.

[1] Delaware, District of Columbia, Maryland, Massachusetts, Michigan, New Jersey, New York, and West Virginia.

State law or court decisions, sometimes based on litigation brought by advocacy groups seeking to protect the homeless, can impose requirements on states and localities concerning emergency shelters. In some situations, these decisions can indirectly contribute to the use of hotels, particularly when other types of emergency shelter are unavailable. For example, New York City operates an extensive emergency family shelter program, which to some extent has been mandated by court decisions. In May 1986, a New York State Appellate Court issued a preliminary injunction barring denial of emergency shelter to homeless families,. McCain v. Koch, 502 N.Y.S. 2d 720 (A.D. 1 Dept. 1986). In January 1988, the court reinstated a 1984 preliminary injunction requiring New York City, when providing emergency shelter, to ensure that such aid meets court-ordered minimum standards of safety and adequacy, McCain v. Koch, 523 N.Y.S. 2d 112 (A.D. 1 Dept. 1988).

In its February 1987 Maticka v. City of Atlantic City decision (216 N.J. Super. 434), the Superior Court of New Jersey, Appellate Division, required the state to reassess certain aspects of its emergency assistance policy. As a result, the Department of Human Services liberalized EA program eligibility standards and expanded the maximum assistance period from 90 days to 5 months. New Jersey's limited shelter network could not accommodate the dramatic influx of homeless families, according to a state official, so the state, in conjunction with the counties, began using hotels and motels as emergency shelters.

In a 1987 decision, the California Court of Appeals affirmed a lower court decision that found that under state law the state was obligated to provide shelter for all children in need. Hansen v. Department of Social Services (also known as Hansen v. McMahon), 193 Cal. App. 3d 283 (1987). In February 1988, California implemented its AFDC special needs, homeless assistance program (Statutes of 1987 Chapter 1353 amending California Welfare and Institutions Code Section 11450), which may increase use of hotels and motels as emergency shelters.

All persons in the District of Columbia were given the right to adequate overnight shelter with the passage of Initiative 17, which went into effect on March 14, 1985. Thereafter, the use of hotels for overnight shelter purposes increased. According to the Washington, D.C., Comprehensive Plan for Homeless Families, the number of families sheltered in open market hotel space increased from an average of 39 in January 1986 to 245 in December 1986, a rise of over 500 percent.

Hotel/motel use may increase if the number of homeless families continues to rise. Although precise data are not available, recent studies by the National Housing Task Force, the U.S. Conference of Mayors, the Partnership for the Homeless, and the National Coalition for the Homeless have attested to the problem's significance and growth. According to some of these studies, families (usually comprising a single parent, often a minority female, and two to three children receiving some type of public assistance) are the most rapidly growing segment of the homeless population, estimated at between 33 and 40 percent of the homeless. In its May 1987 report on homeless families, the U.S. Conference of Mayors found that the number of families requesting emergency shelter had increased by an average of 31 percent over the past 2 years in 28 of 29 cities surveyed. And 26 of the 29 cities expected family homelessness to continue to increase. A December 1987 report by the conference confirmed the continuing growth of family homelessness, with 96 percent of the cities surveyed reporting increases in the number of families with children who were homeless.

Hotel/Motel Use and Length of Stay in Selected Jurisdictions

- New York City relies extensively on hotels
- Use in other jurisdictions varies
- Average length of stay ranges from 2 to 16 months

Hotel/Motel Use and Length of Stay in Selected Jurisdictions

As mentioned, hotel/motel use varies among jurisdictions as do the information systems concerning emergency shelter for the homeless. Using limited available data provided by state and/or local officials, we examined family hotel/motel use, including estimated length of stay.

New York City makes extensive use of hotels and motels to house homeless families. On May 31, 1988, the city provided emergency shelter for 5,166 families, a large majority of whom were receiving some type of public assistance. Of these 5,166 families, over 3,350 (comprised of 11,809 individuals, including almost 7,400 children), or about 65 percent of the homeless families, were housed in 48 hotels and motels throughout the city. These included many establishments that sheltered relatively small numbers of such families. Most of the 3,350 families, however, were placed in several large hotels whose clientele comprised almost exclusively homeless families. These included three hotels regarded by the media and a homeless advocacy group representative as primary examples of welfare hotels. The three housed about 35 percent of the 3,350 families. One of these hotels was "home" to over 460 families.

The average length of stay in a New York City emergency shelter, including hotels, is about 13 months. According to New York City's January 1988 Five-Year Plan for Housing and Assisting Homeless Families, such families fall into two distinct groups. About half, including families that have experienced such traumatic events as house fires and physical abuse, tend to be short-term users and leave emergency housing such as hotels within 3 to 5 months. Other families, including those with long histories of housing instability and little independent living experience, tend to stay an average of 2 years, and up to 4 years in some cases. As a result, although placement in a hotel is intended as a temporary measure, for some families hotels become quasipermanent housing.

In April 1988, Westchester County, an affluent New York City suburb, provided nightly emergency shelter for nearly 900 homeless families, including 674 placed in hotels or motels. A family's average length of stay in emergency housing, including hotels, was 16 months and growing, county officials estimated. Due to the limited number of inexpensive motels in the county willing to accept homeless families, the county has had to place families in relatively expensive hotels/motels operated by well-known nationwide chains. The county also has been forced to use hotels or motels in neighboring areas including New York City. About 260 of the 674 homeless families, or 39 percent, were sheltered in hotels or motels outside of the county on a nightly basis in April 1988. This situation has increased costs considerably, in that the county has made a commitment to transport the children to and from county schools daily.

Ninety percent of New Jersey's homeless families were sheltered in hotels or motels, the state's Commissioner of Human Services stated in July 1988 congressional testimony.[2] The average length of stay in hotels/motels statewide was about 68 days, according to congressional testimony by the Commissioner on March 28, 1988.[3] Additional data were provided by officials of Essex County, one of the state's most densely populated counties and the county with the state's largest EA caseload. On May 20, 1988, the county was providing emergency shelter for 482 homeless families, according to state officials. Of these families, 443 were placed in 14 hotels and motels, including three establishments within Essex County (housing about 340 of the families) and 11 hotels outside of the county (housing the remaining 103 families). The latter were used because officials could not locate any other establishments within Essex County willing to accept homeless families. County officials estimated the average hotel/motel length of stay at over 6 months.

In March 1988, the District of Columbia provided emergency shelter for about 520 families nightly. Approximately 310 of these families (or 60 percent of the total) were placed in hotels. The District relies on three facilities to provide such shelter, with one hotel housing 194 families, or 63 percent of the families in hotels. On average, families stay in the hotels for about 6.5 months, District officials report.

Massachusetts uses hotels or motels as emergency shelter when state shelters are fully occupied, according to state officials. On June 30, 1988, the Department of Public Welfare sheltered 974 homeless families, 496 of these in hotels and motels. When possible, the state uses small hotels or motels, generally limiting the number of families per facility to between 10 and 12. The average length of stay is about 90 days.

Because many Connecticut shelters do not accept children, the state uses hotels as emergency housing for families. On March 18, 1988, the state

[2]Drew Altman, Commissioner, the New Jersey Department of Human Services, Testimony before the Subcommittee on Social Security and Family Policy, Committee on Finance, U.S. Senate, July 14, 1988.

[3]Drew Altman, Commissioner, New Jersey Department of Human Services, Testimony before a Joint Field Hearing of the Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, U.S. House of Representatives, and the Subcommittee on Social Security and Family Policy, Committee on Finance, U.S. Senate, Mar. 28, 1988.

provided emergency shelter for 292 families. At least 95 percent of the families were in hotels, state officials estimated, and the families stay an average of 65 days.

As California has a limited supply of shelters, state officials told us, homeless families frequently use hotels and motels. But neither state nor county officials could provide detailed information on the types of shelter used and the average length of stay. State officials plan to collect this type of information after they have more experience operating the state's new homeless program, which provides for up to 28 days of emergency shelter.

Hotels and motels are used occasionally as emergency shelter in some of the other jurisdictions we contacted. Michigan, Ohio, Indiana, and Minnesota officials reported limited state or local use. Officials in Wisconsin, Georgia, and Illinois told us that nonprofit organizations use hotels and motels as emergency shelter for homeless families. Although they generally could not provide specific data regarding the average length of stay, officials in some of these states said that families normally stay in hotels or motels for only a few days.

Hotel Services and Physical Conditions Vary

- Services vary:
  - Basic housekeeping--linen changes, cleaning, and maintenance
  - Cooking facilities and meals
  - Support and social services
- Physical conditions vary:
  - Building, fire, and health codes
  - Security
  - Space for families

Hotel Services and Physical Conditions Vary

Most jurisdictions contacted expect hotel management to provide homeless families with the same basic services other guests would receive, including linen changes, cleaning, and overall maintenance. However, according to a January 1987 New York City Council Report, some families experience difficulty receiving these services. Delivery of other services, such as food and counseling, varies among jurisdictions, as discussed below. Hotel/motel physical conditions and the condition of individual rooms, which often include a private bath, also vary. (See pp. 27-29.)

Cooking facilities generally are not provided, although certain jurisdictions provide refrigerators. According to local officials, some families use hot plates in their rooms to help prepare meals despite the danger they present and local fire code restrictions prohibiting their use.

Some localities provide for congregate family dining. Washington, D.C., for example, uses the dining facilities at two of the welfare motels to provide meals for homeless families. Families sheltered elsewhere are bused to one of the two motels for meals. The city contracts with the owner of one of the motels and another provider for three meals a day at a daily rate ranging from $11.25 to $12.48 per person, or about $343 to $381 monthly.

In some New York City hotels, city and local nonprofit groups provide meals. The Coalition for the Homeless, for example, serves daily lunches at some of the city's larger hotels. New York City provided 132,000 meals for families in hotels between July 1, 1986, and June 30, 1987.

Certain jurisdictions provide restaurant allowances. New York City offers $50 biweekly to pregnant women and children under 18 and $30 biweekly to all others. Westchester County provides a monthly allowance of $64 per person. New Jersey offers a limited restaurant allowance, a maximum of $4.50 per person daily for families without cooking facilities. In some establishments, Essex County uses the restaurant allowance to fund vouchers that can be redeemed at the motel's on-site restaurant. For families not eligible for food stamps and without access to a food facility run by a nonprofit organization, Michigan provides a $1.50 per person, per day food allowance or $3.00 per person, per day restaurant allowance.

Illinois gives some families restaurant vouchers for use at specific restaurants. Certain jurisdictions have established food programs for families to supplement the AFDC basic grant. In addition, some families may be eligible for such government assistance as food stamps, grocery store vouchers, and food from privately operated food pantries and soup kitchens.

Although shelter and food are critical, comprehensive support and social services also can be important to many families. Certain localities, particularly those that use hotels regularly, provide various services for hotel families such as counseling, relocation assistance, recreation, and health programs. Jurisdictions that use hotels occasionally seem to rely on existing social service networks and generally lack targeted programs for families in hotels. However, the level of services provided often depends on the existence of general homeless assistance programs and the extent of nonprofit group activities.

Depending on such factors as type of facility, family needs, available resources, and involvement of nonprofit groups, New York City provides counseling, health, education, and related services at several hotels. To do so, it assigns employees from various departments either on a full- or part-time basis to the hotels. The city also offers some recreational programs for children living in hotels and in some cases transportation for families trying to find permanent housing. Various nonprofit groups in New York City offer on-site services. For example, the Children's Aid Society provides health-related services, day care, and recreation programs at one of the larger hotels. At another large hotel, a group of nonprofit and religious organizations offers a range of services.

In Westchester County, caseworkers provide such social services as counseling and relocation assistance 5 days a week at hotels completely occupied by homeless families and 3 days a week at the other locations. The county plans to supplement these efforts through increased nonprofit group participation. Massachusetts caseworkers offer, in addition to counseling, referrals to such other services as health care, transportation, housing search assistance, youth recreation, child care, and education. State officials are attempting to upgrade hotel services to more closely resemble services provided at shelters, they told us.

Washington, D.C., supplies some social and health care services. At one of the hotels, the District provides intake staff who assign families to emergency shelter, perform case management work, and help families "hook" into other social services. Medical care and recreational facilities also are offered at this hotel. The on-site medical care is made available through a cooperative agreement between the city and a local hospital.

Social workers are assigned to the other two hotels, and the D.C. police and recreation departments periodically provide recreational outings.

In Essex County, on-site caseworkers help families sheltered in the three within-county motels. The county also transports families in other motels back to Essex County to receive social services.

In other jurisdictions, such as Ohio, Wisconsin, Illinois, and Michigan, officials told us that some support services are offered to the general homeless population, which may include homeless families in hotels. The services, including counseling, housing relocation assistance, and recreational activities, are provided by agencies or nonprofit groups. Because of the relatively short duration of hotel stays and the location of these establishments (often in small nonurban areas), on-site services tend to be limited. In some jurisdictions, however, caseworkers may visit hotels.

Hotel/motel physical conditions and the condition of individual rooms (e.g., furnishings and fixtures) vary, judging from our hotel visits and review of information developed by the media and various experts. But rooms tend to be crowded, particularly when housing families of three or more persons. In at least one state, New York, specific standards are imposed by state regulations for hotels used as emergency shelters. The standards cover such matters as private baths, beds, vermin control, and maintenance.

Although some jurisdictions, such as New York City, regularly inspect hotels, the media and advocacy groups have reported on deplorable hotel conditions. For example, the Legal Aid Society described conditions in certain New York City welfare hotels as follows:

> ". . . rooms with inadequate heat and hot water; bathrooms that lack privacy and are frequently inoperable; single rooms with one or two beds, even for families with several children; filthy, vermin-infested mattresses; no pillows, sheets, blankets, or towels; no cribs for infants; windows without guards; and doors with broken locks."[4] (See fig. 1.)

[4]Steven Banks, Staff Attorney, Legal Aid Society, Testimony before Joint Field Hearing of the Subcommittee on Public Assistance and Unemployment Compensation, Committee on Ways and Means, U.S. House of Representatives, and the Subcommittee on Social Security and Family Policy, Committee on Finance, U.S. Senate, Mar. 28, 1988.

Figure 1: Poor Conditions at a Manhattan Hotel (Photograph by Marillyne Herbert)

New York City is attempting to address some of these problems through such efforts as the Family Hotel Inspection Program. This includes comprehensive inspections by city agencies responsible for health, fire, and building code enforcement of hotels housing 10 or more families. About 275 such inspections were conducted during the city's fiscal year 1987. Various penalties can be imposed against hotels that fail to comply.

These include: assessing fines, withholding rental payments, and discontinuing family placements. The city took action recently to remove all families from two of the largest Manhattan welfare hotels.

According to certain experts, the available literature, and local sources, some hotel residents may also experience other problems, including truancy among school age children, poor nutrition, and high infant mortality rates.

Some hotels provide special security arrangements. For example, one of New York City's larger hotels housing over 400 families has at least 10 security guards on duty at all times. Despite these efforts, however, crime, violence, and drug trafficking are serious problems at some locations, according to media accounts and information developed by advocacy groups and local government organizations. Nonresidents may contribute to or create many of the problems.

Some New York City hotels have attempted to restrict visitor access. At least one court, however, has issued a preliminary injunction barring a hotel operator from prohibiting guests' visits. The court also required the hotel operator to institute a restrictive visitation policy. The operator was to take such security precautions as requiring visitors to present identification and verifying with the resident that the visitor will be received.

In light of the problems outlined above, providing emergency shelter in hotels, particularly for extended periods, is not among the most desirable alternatives for families. Further, as discussed in the following section, hotels can be an expensive shelter option.

Hotel Costs and Related Fiscal Problems

- Jurisdictions generally pay standard nightly rate
- Rates vary widely among localities
- Hotels expensive, but not always most costly option
- Hotels more expensive than permanent housing
- Local audits have identified fiscal problems

Primary Federal Funding Sources: the AFDC Program

- Largest federal family cash assistance program
- Benefit types and amounts vary widely by state
- Basic and special needs provided
- New York State's multiple shelter allowance a major hotel funding source
- Specific data on AFDC hotel payments not available

Primary Federal Funding Sources: the AFDC Program

Authorized under title IV-A of the Social Security Act, Aid to Families With Dependent Children is the largest federal cash assistance program for families with dependent children.[6] It is intended to help needy families obtain such basics as food, clothing, and shelter. As discussed below, AFDC funds are used to pay hotel/motel costs in at least three states. In one, New York, AFDC funds are the major federal hotel/motel funding source. New York varies its AFDC shelter allowance according to the type of housing occupied.

The AFDC program, which is administered by HHS's Family Support Administration, pays a matching variable percentage that in fiscal year 1987 ranged between 50 and 78.5 percent of states' benefit payments to needy families.[7] In 1987, federal matching averaged 54 percent, and AFDC payments totaled about $16 billion, including the federal share. An average of about 3.7 million families received AFDC benefits monthly.

To receive federal matching funds, states must have an HHS-approved state plan. However, the states have a great deal of authority and flexibility in determining eligibility, benefits, and other program matters. Each state determines its AFDC payment levels by developing its own standard of need, expressed in dollars. Currently, ten states authorize differing benefit amounts based on geographic location within the state. Payments vary widely among the states. In 1987, for example, the maximum payment for a three- recipient family ranged from $118 per month in Alabama to $749 in Alaska; the median national payment was $354. In addition to determining benefit levels, the states also determine the types of benefits to be provided.

In addition to covering basic needs (food, clothing, shelter) considered essential for all recipients, most states also pay some benefits as special needs, recurring or nonrecurring. As they are considered essential for some, but not all persons, special needs are determined on a case-by-case basis. They can include allowances for such items as training, education, child care, and special diet and clothing.

Currently, 17 states and Puerto Rico provide no special needs benefits. The number of special needs items authorized in the remaining jurisdictions range from 1 (in 10 states) to 16 in the state of New York. Some

[6]The Family Support Act of 1988 (P.L. 100-485), enacted October 13, 1988, modifies various elements of the program.

[7]Actually 54 jurisdictions (all 50 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands) participate in the program.

states cover certain shelter items, such as allowances for excess utility costs, as special needs. According to HHS, California, Connecticut, and New York use special needs funds to pay for temporary hotel/motel shelter.

In some states, including New York, shelter allowances differ depending on the type of housing recipients occupy. For example, a family of four living in an apartment in New York City is authorized a regular monthly shelter allowance of $312. However, should this family lose its apartment and be placed in a hotel, the authorized monthly payment is increased to $1,470.

Although specific cost data were not available, this multiple shelter allowance, paid as an AFDC special need, appears to be the state's primary hotel funding source. For example, AFDC special needs payments accounted for about 95 percent of federal hotel cost reimbursements in New York City, according to a 1987 study by a major nonprofit organization. New York is by far the state's largest user of hotels. As discussed later, FSA is attempting to eliminate this hotel funding source (see p. 55).

In addition to projected expenses, states must submit aggregate quarterly expenditure reports covering AFDC program costs to the cognizant FSA regional and headquarters offices. FSA regional offices may require additional supporting documentation. Regional financial management specialists review the expenditure reports against projections, prior-quarter expenditures, and other data. The specialists also may make on-site visits to review pertinent data or ask states to submit additional material. These reviews are done primarily to make grant reimbursement decisions, not to assess individual recipient eligibility. Following the review, regions prepare a report of allowed, deferred, and disallowed expenditures, which serves as the basis for adjusting the state's grant allocation. Generally, these sources and procedures also apply to the EA program, which is discussed in the following section. FSA also conducts other reviews. These include AFDC quality control analyses, in which randomly selected recipient case files are reviewed for adherence to eligibility criteria.

The sources discussed above generally do not provide specific data regarding the extent to which funds are used to reimburse hotel costs. Although AFDC funds appear to be a major hotel funding source in some areas, we could not document the exact amounts paid.

Primary Federal Funding Sources: the EA Program

- Intended for short-term use
- Benefit duration unclear
- State participation optional
- Program expenditures increasing
- Eligibility and benefits vary
- Used to address and prevent various emergencies
- Specific funding data unavailable
- Use of EA funds to construct, rehabilitate, or purchase emergency shelter prohibited

Primary Federal Funding Sources: the EA Program

The Energy Assistance program appears to be a significant federal hotel/motel funding source. The Congress established it in 1967 to help needy families with children meet emergency needs and thereby avoid destitution of a child, or to provide living arrangements in a home for the child. Authorized under title IV-A of the Social Security Act, the program can "supplement" AFDC by providing immediate short-term assistance (through cash, vendor payments, or in-kind aid) to needy families who are either already receiving AFDC payments or are eligible, but not yet covered. In some cases, even families not eligible for AFDC can qualify for EA payments.

Federal financial participation is available through 50-percent matching of state costs. The enabling legislation provides that matching benefits can be furnished for a period not in excess of 30 days in any 12-month period. However, HHS (FSA) regulations permit federal matching for emergency assistance authorized by a state during one period of 30 consecutive days in any 12 consecutive months. Such assistance can include payments to meet needs that arose before or extend beyond the 30-day period. Under this regulatory interpretation, some states provide EA benefits for extended periods—several months in some cases. FSA is attempting to revise the current regulations. (See pp. 55.)

State participation in EA is optional; currently 31 jurisdictions (including 28 states, the District of Columbia, Puerto Rico, and the Virgin Islands) participate. States may choose not to participate for various reasons, including lack of state funds or preference for state- or locally-controlled programs. The largest program participants, New York, California, and Massachusetts, accounted for about 52 percent of estimated total federal matching EA payments during fiscal year 1988, according to FSA budgetary data.

Total federal and state assistance payments for 1987 approximated $199 million, CRS data show. This is up significantly from $151.4 million in 1986 and $123.5 million in 1985. Although there have been fluctuations, total assistance payments have increased dramatically since calendar year 1969 when they equaled $6.7 million (about $13 million in 1987 dollars, according to CRS).

Over the years, the average number of families receiving EA monthly payments has fluctuated widely, CRS data indicate. The averages were 41,600 during 1987, 31,400 in 1984, and 49,100 in 1981. Average monthly payments per family also have fluctuated, but have risen steadily during the 1980s, from $194 in 1980 to $320 in 1985. During 1986, payments averaged $374 monthly, increasing to $398 in 1987.

The states are primarily responsible for determining (1) benefit amounts and eligibility requirements, (2) what types of emergencies will be covered, and (3) what types of assistance will be provided. Assistance may include food, clothing, medical aid, transportation, shelter, and other items. With regard to shelter, several states provide assistance that can help prevent loss of family residence and homelessness. For example, 10 states provide assistance for such emergencies as eviction, potential eviction, or foreclosure. Additionally, nine states, Puerto Rico, and the Virgin Islands provide benefits designed to prevent or address homelessness, which may include reimbursement of shelter and hotel costs.

Although FSA could not provide precise cost data, EA payments appear to be a significant hotel/motel funding source in several jurisdictions including Washington, D.C., New York, New Jersey, and Massachusetts.

EA funds may not be used to construct, rehabilitate, or purchase housing to provide emergency shelter, FSA advised in a June 6, 1988, response to our inquiry. According to FSA, 42 U.S.C. 1319 authorizes up to $500 in federal matching, under limited circumstances, for capital improvements and repairs made to homes owned by recipients. However, federal matching would not be available under 42 U.S.C. 1319, according to FSA, if such payments (which presumably would exceed $500) were made to rehabilitate housing for emergency shelter not owned by recipients.

Federal matching under the EA program is for actual expenditures incurred to provide assistance to "individual" families meeting program eligibility requirements under 42 U.S.C. 606(e), FSA noted. Therefore, FSA said, it would be inappropriate to use federal funds to purchase, construct, or rehabilitate housing that is unrelated to the shelter needs of specific EA families and could be used by others who do not qualify for EA. Finally, citing Comptroller General decisions prohibiting the use of federal funds for construction in the absence of specific statutory authority, FSA has taken the position that such authority does not exist in the EA program statutes.

However, a bill introduced in the 100th Congress but not enacted (H.R. 274) would have permitted the use of EA funds to purchase, construct, renovate, or rent emergency shelter facilities. Other bills, including H.R. 1312, H.R. 1906, and S. 37 (100th Cong., 1st Sess. [1987]) would have authorized grants or demonstration projects to test whether states can reduce EA shelter costs through construction or renovation of affordable permanent housing.

Other Federal Funding Sources

- Limited assistance available through certain HUD and FEMA programs
- Funding for some of these programs reduced

Other Federal Funding Sources

Certain federal programs other than AFDC and EA also may assist localities in paying for family hotel stays. Of 20 federal programs primarily devoted to helping the homeless (many authorized by the Stewart B. McKinney Homeless Assistance Act [P.L. 100-77]), 4 may be used to provide federal funding for family hotel stays as follows:

- FEMA's Emergency Food and Shelter Program offers a variety of services for the homeless through a network of local boards and service providers. Practically all local boards use some program funds to pay for emergency hotel stays, FEMA officials told us. Local boards had estimated they would spend about $10.3 million during 1988 on "other shelter." According to a FEMA official, this was to be used primarily for emergency hotel and motel stays.
- HUD's Emergency Shelter Grants Program provides funds to states and local jurisdictions for various purposes, which include renovating or converting buildings for use as shelters, shelter maintenance, operating costs, and providing essential services. Program funds can be used to pay for hotel stays, a HUD official told us, but this is not common practice. He could not provide specific data.
- HUD's Supplemental Assistance for Facilities to Assist the Homeless may be used to fund hotel stays, but a HUD official said the agency had received no grant proposals involving hotels.
- HHS's Emergency Community Services Homeless Grants Program was established primarily to provide various types of antipoverty assistance and services through the Community Services Block Grant network. Although grant funds can be used to make hotel/motel payments, it is unlikely that this is occurring, a program official told us.

These four homeless programs generally do not constitute a major source of funding for family hotel/motel stays. Further, funding for these programs has been reduced significantly, as shown in table 2.

Table 2: Funding Levels for Selected Homeless Programs (1987-88)

Dollars in millions

Homeless program	Appropriated in 1987	Appropriated in 1988
FEMA Emergency Food and Shelter	$125	$114
HUD Emergency Shelter Grants	60	8
HUD Supplemental Assistance for Facilities	15	0
HHS Emergency Community Services Homeless Grants	36	19

Source: Based on CRS Education and Public Welfare Division (Analysis), April 4 (88-272EPW).

Short-Term Alternatives to Hotel Use

- Congregate shelters
- Family centers
- Alternative hotel management

Short-Term Alternatives to Hotel Use

In some localities, congregate or group shelters represent an alternative to the welfare hotel. On May 31, 1988, for example, New York City was housing over 500 homeless families in such facilities. Typically, these shelters, which can be operated by government agencies and/or vendors under contract, provide dormitory- or barracks-style living arrangements with beds laid out in open spaces or behind partitions. (See fig. 3.) Generally, there are common bathrooms and sometimes shared cooking or congregate dining facilities. Intended for short-term stays, congregate shelters generally offer very little privacy and pose other problems, such as the spread of contagious diseases. Congregate shelters can be more expensive to operate than hotels. According to research by New York City sources and a major nonprofit organization, these shelters are not considered desirable for families, and some homeless families avoid them when possible.

Transitional apartment-style shelters or family centers generally represent a more desirable alternative for families than the congregate shelter. Usually in self-contained dwelling units, often with kitchens and bathrooms, these facilities provide far more privacy. Operated by government or contracted nonprofit agencies, such facilities often provide a variety of services but are relatively expensive to operate.

Figure 3: Dormitory-Style Sleeping Area at a New York City Congregate Family Shelter

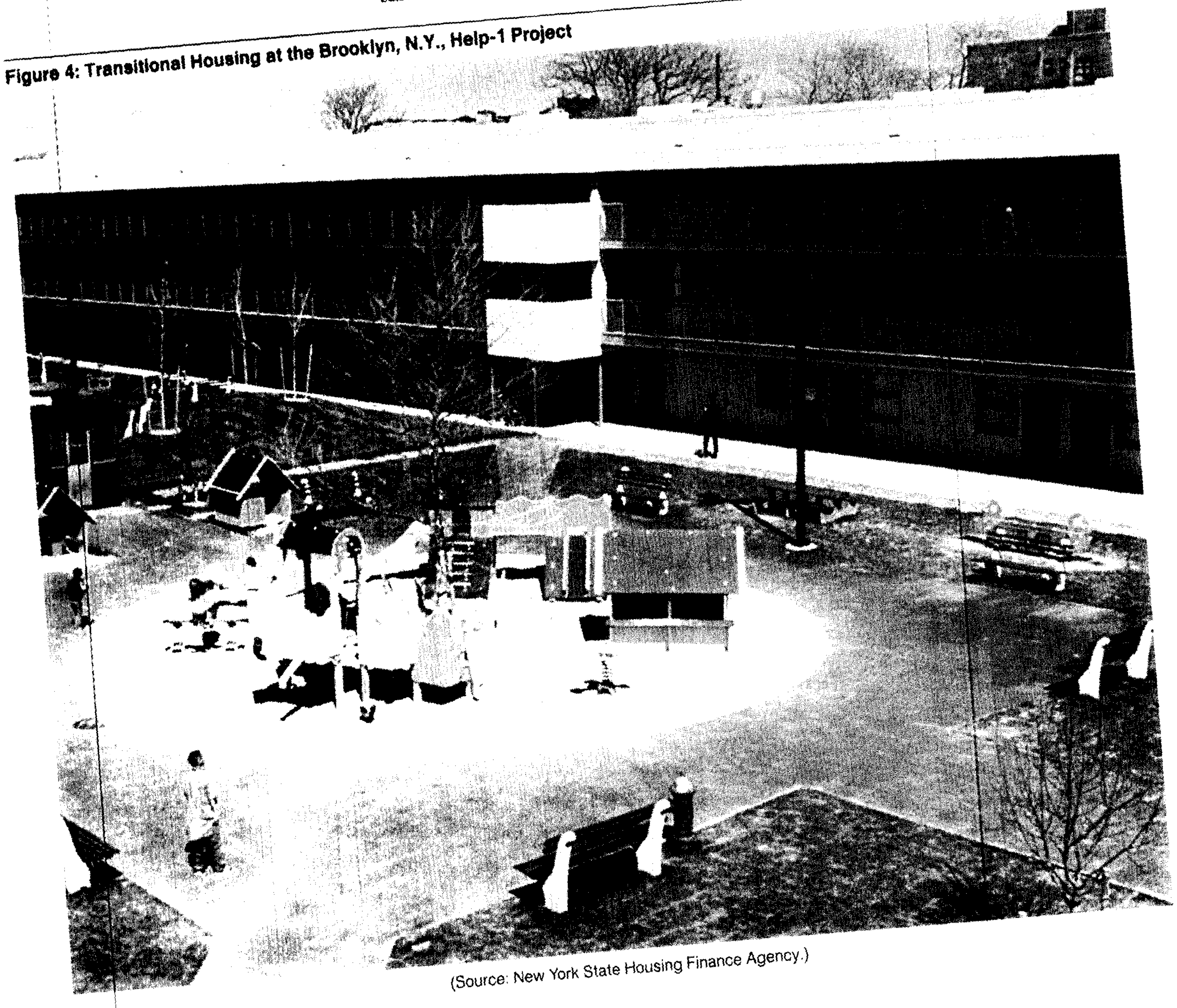
Several of these transitional facilities, varying in size, are operating in Washington, D.C., Boston, Westchester County, and New York City. Washington, D.C., for example, housed about 160 families in such facilities in March 1988. New York City housed about 655 families in apartment-style shelters as of May 31, 1988. Among these is the HELP-1 project, a public/private effort in Brooklyn, New York, which will provide almost 200 transitional apartments as well as support services for homeless families. (See fig. 4.) Various public and private funding sources, including EA and AFDC, are used to finance congregate and apartment-style shelters.

To address the issue, the Congress authorized up to a total of $20 million for at least two but not more than three state demonstration projects through section 903 of the Omnibus McKinney Homeless Assistance Act of 1988 (P.L. 100-628) for fiscal year 1990. The demonstrations are designed to provide transitional housing for homeless AFDC families residing in welfare hotels or similar types of commercial transient facilities. Project funds are to be used for rehabilitating or constructing transitional facilities, which are easily convertible to permanent housing, and for providing on-site social services. Transitional facilities, which can be operated by state or local government or nonprofit organizations, at a minimum, must provide temporary, private sleeping accommodations, temporary eating and cooking arrangements, as well as services to help families locate and retain permanent housing.

To be approved by the Secretary of HHS, applications must demonstrate that the project will: (1) provide transitional housing only for homeless AFDC families residing in commercial or similar transient facilities and (2) permanently reduce the number of rooms in commercial or similar transient facilities used to house homeless AFDC families by the number of units made available in transitional facilities. Applications also must demonstrate that the federal share of total cash assistance costs provided to families residing in such facilities plus the costs of project grants will result in federal costs no greater than the cost of housing homeless families in commercial or similar transient accommodations.

An interesting and particularly relevant variation of the family center model is alternative hotel management. Under this approach, nonprofit organizations acquire or lease existing hotel rooms with government or private assistance. They renovate the space, if necessary, and operate it as a family center. An example of this approach is the American Red Cross Emergency Family Center in New York City, which provides rooms and various services for some 90 families in a midtown Manhattan hotel.

Figure 4: Transitional Housing at the Brooklyn, N.Y., Help-1 Project



(Source: New York State Housing Finance Agency.)

Permanent Housing Alternatives

- National initiatives
- Legislative proposals
- State and local initiatives

Permanent Housing Alternatives

Various government and private sources have undertaken a wide range of studies, initiatives, and programs relating to permanent housing for low-income and/or homeless families. Some of these activities (including efforts to prevent homelessness) that can affect the use of hotels are discussed briefly below.

In response to its August 1987 request, the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs, received numerous proposals and suggestions for new federal housing programs from a variety of groups. According to an August 1988 series of Subcommittee staff concept papers, a bill entitled the "National Affordable Housing Act," which has not yet been introduced, would seek the elimination of unfit welfare hotels.

Various issues, including the relationship between federal housing policy and homelessness and potential solutions to the problem, also have been examined by the House Budget Committee's Ad Hoc Task Force on the Homeless and Housing.

A National Housing Task Force, composed of business, community service, and government officials, was established in September 1987 as part of a congressional effort to examine America's housing policy. In its March 1988 report, the Task Force called for a renewed federal commitment and cooperative efforts with state, local, and private sector sources to address the nation's housing problems, including the need for low-income housing. The report spelled out a 10-point program, including specific recommendations. Among these is the establishment of a Housing Opportunity Program, which would provide federal funds (including a first-year appropriation of $3 billion) to the local and state levels to make available 150,000 to 200,000 units of fit, affordable housing. State and local governments would be required to match $1.5 billion of the federal funding.

In addition to these efforts, several bills before the 100th Congress sought to reduce or eliminate reliance on such costly transient shelter options as welfare hotels. For example, provisions of H.R. 1906, H.R. 3148, H.R. 1312, and S. 37 (100th Cong., 1st Sess. [1987]) would have amended title IV of the Social Security Act to authorize grants to states for the construction and renovation of permanent housing that destitute and/or homeless families could afford with their regular AFDC payments.

One provision of H.R. 4237 (100th Cong., 2d Sess. [1988]) would have restricted EA and AFDC funding for welfare hotel stays to no more than

60 days in any 12-month period. Another provision in this bill would have established a demonstration program designed to make available permanent housing for needy families. This demonstration program, similar in some respects to an existing New York program, would have permitted rent payments to private landlords for AFDC or EA recipient families in amounts equal to what would have been paid for emergency shelter in a hotel or other transient accommodations, for the first 12 months of a 36-month lease. Under the H.R. 4237 proposal, landlords would have been (1) required to bring the apartment into compliance with local housing codes and (2) paid at a rate equal to the regular monthly AFDC shelter allowance for the final 24 months of the lease.

State and local governments have developed numerous approaches and programs designed to provide permanent housing alternatives. Not surprisingly, New York City has been quite active. In January 1988, the city issued its 5-year plan for housing and assisting homeless families. The plan seeks to discontinue hotel use by mid-1992 through a series of homelessness prevention measures and increases in permanent housing. Preventative measures include "housing alert" programs to identify and assist families at risk of losing their homes, eviction prevention, and encouraging apartment-sharing. On August 1, 1988, the city announced an accelerated plan that would end hotel use by mid-1990. New HUD regulations directing subsidized housing authorities to give priority to homeless families contributed significantly to the city's ability to accelerate the 5-year plan.

Since 1984, the city also has carried out a program to renovate apartment units acquired through tax foreclosure for occupancy by homeless families. The city expected to renovate about 4,000 apartments units in its fiscal year 1988. Another initiative includes the city's 10-year housing plan, which calls for the commitment of over $4.2 billion of city capital funds to develop, preserve, or upgrade over 252,000 housing units. Of these, 85 percent will be targeted for low- and moderate-income families.

Under the Emergency Assistance Rehousing Program, the city pays bonuses of approximately $10,000 to private landlords who bring apartments for a family of four into code compliance and rent them at a rate no higher than the applicable AFDC shelter allowance. This program, which is similar to the demonstration program outlined in H.R. 4237 discussed earlier, has experienced difficulties, including limited landlord participation. Further, FSA recently disallowed AFDC funding as bonus payments to landlords because the state's AFDC plan does not identify such payments as meeting the needs of AFDC families. Also, there is no objective relationship between bonus payment amounts and AFDC family needs. FSA also stated that federal matching for capital improvements is available only to AFDC recipients who are home owners.

New York State also has been active in addressing the family homelessness problem through various state housing programs. Over the past 5 years, New York has committed about $90 million to the Homeless Housing and Assistance Program, which provides capital grants and loans to develop housing.

Since 1985, Massachusetts has placed over 5,000 homeless families in permanent housing and is using state funds to build more than 8,000 units of low-income housing and to renovate over 20,000 units. The state also has implemented state-funded, rental assistance, voucher and certificate programs for formerly homeless families placed in permanent housing. Further, the state uses its funds to subsidize rents for some 12,000 households. Under this subsidy program, AFDC families spend no more than 25 percent of their income on rent.

Other jurisdictions are implementing a variety of innovative financing approaches and renovation and assistance programs designed to help low-income families own or rent decent, affordable permanent housing. Michigan's Direct Lending Rental Production Program, for example, offers low-interest mortgage loans for construction of multifamily housing. The program also provides rent subsidies for certain families to ensure that housing costs do not exceed 30 percent of family income, a state official told us.

Other local initiatives include the District of Columbia's Tenant Assistance Program, which uses District funds to subsidize rentals for low-income families. Additionally, District funds are used to pay one-half of rent arrearages and other costs to avoid evictions. New Jersey recently implemented a program, involving government and nonprofit cooperation, that will convert apartments in abandoned buildings into emergency and low-income housing units.

Proposed AFDC and EA Changes

- Proposal to restrict federal funds for welfare hotels and some other emergency aid
- Implementation delayed by Congress
- Further study mandated

Proposed AFDC and EA Changes

FSA sought to restrict or eliminate the use of AFDC and EA funds for certain purposes, including reimbursement of hotel stays by the homeless. It did so by publishing a proposed rule (52 Fed. Reg. 47420-22) on December 14, 1987, for comment. The Congress, however, has blocked implementation of these changes. (See p. 56).

The rule was intended to eliminate the inequities associated with

- giving some families living in apartments shelter allowances significantly lower than those provided to families living in other types of housing, such as hotels or motels, and
- the escalating gap between the regular shelter allowance and the allowance for shelter in hotels that exists in at least one state (see p. 39).

FSA acknowledged that some states may have established multiple and/or special need shelter allowances based on the type of housing occupied as a short-term solution to the lack of moderately priced housing. But it argued that various federal programs, including those administered by HUD, are specifically designed to address housing problems.

Citing such situations as improper long-term uses of EA funds and escalating program costs, the proposed rule would have restricted the availability of EA federal matching funds as follows:

> "Federal matching is available only for assistance which a State furnishes for one period of thirty (30) consecutive days, or less, in any twelve (12) consecutive months to meet the actual expense of needs in existence during that period which arise from an emergency or unusual crisis situation, and which continue to exist until aid is furnished."

Current regulations allow for federal matching of state-authorized assistance beyond a 30-day period if assistance is authorized within a 30-day period. The proposed revision would conform the regulations to the authorizing legislation (section 406(e) of the Social Security Act) and its legislative intent, according to FSA. It would set ". . . an unambiguous limit on the length of time that needs can be met under the EA program."

Under the proposed rule, states would be required to specify the maximum dollar amounts of assistance to be provided for each type of emergency included in the state plan (subject to federal approval). This change, which would effectively "cap" EA payments, is intended to facilitate FSA's claims review. Also, by establishing a clear upper limit on the amount of assistance to be provided in similar cases, it would ensure equity.

The proposed rule would restrict or eliminate the use of EA and AFDC funds for various shelter alternatives, including hotels, perhaps ultimately limiting the use of such facilities, particularly on a long-term basis. However, the proposed EA program changes could have significantly affected efforts by some jurisdictions to prevent and address family homelessness, e.g.:

- Federal EA funding to pay rental arrearages incurred by families facing eviction would be limited to a 30-day portion of the amount outstanding. Assistance for families 2 or 3 months in arrears would have to be provided through state funds or other sources.
- Federal EA matching funds for advance rental payments to secure permanent housing for homeless families also would be limited to 30 days. According to FSA, states would have to use their own resources or funds from other federal programs to provide for needs beyond the 30-day period.
- Federal funding for various other types of emergency assistance, such as food, clothing, and transportation, could be restricted to a 30-day period.

The Congress, through enactment of section 9118 of the 1987 Omnibus Budget Reconciliation Act (P.L. 100-203, Dec. 22, 1987), temporarily prohibited HHS from implementing the proposed regulatory changes or otherwise changing relevant policy before October 1, 1988. Section 901 of the Omnibus McKinney Homeless Assistance Act of 1988 (P.L. 100-628) extended the moratorium to September 30, 1989.[8] Further, section 902 of the act calls for the Secretary of HHS to review existing policies regarding state use of AFDC special needs and EA funding to meet the emergency needs of eligible families. The Secretary is required to submit a report to the Congress containing recommendations for legislative and regulatory changes designed to

- improve the ability of the programs to respond to the emergency needs of eligible families and

[8]Provisions of certain bills, including H.R. 3366 (100th Cong., 1st Sess. [1987]) and H.R. 4237 (100th Cong., 2d Sess. [1988]), would have amended title IV-A of the Social Security Act to permanently block or negate the proposed changes.

- eliminate the use of funds provided to the states to pay for shelter in commercial or similar transient facilities, including welfare hotels.[9]

[9]These provisions also were enacted as part of the Technical Corrections Act of 1988 (P.L. 100-647).

The Proposed Rule: Reactions and Implications

- Commenters opposed or questioned proposed changes
- Rule's economic impact possibly understated by FSA
- Rule's social impact not fully assessed by FSA
- Questions concerning rule persist

The Proposed Rule: Reactions and Implications

Implementation of the proposed rule would have restricted federal funding for hotel stays, as we just discussed. But the proposed changes also would have restricted funds for other activities capable of providing alternatives to the welfare hotel, as many organizations commenting on the rule noted. Further, according to certain commenters, FSA did not fully assess the proposed rule's impact and important questions concerning the rule have been raised. Although FSA had planned to perform some additional analysis before final rulemaking, the Congress prohibited implementation of the rule until September 30, 1989.

FSA received comments from about 75 sources during the comment period, which ended on January 28, 1988. Our review of the comments revealed some support for standardizing current regulations or setting some limitations. Generally, however, the commenters either questioned or opposed the rule, in whole or in part, and urged FSA to reconsider or withdraw it.

For example, human services/public welfare departments from 30 states expressed various concerns, saying the proposed rule would

- limit state flexibility in meeting the needs of the poor and the homeless,
- restrict the ability of states to prevent homelessness, and
- impose severe resource burdens and other hardships on the states and homeless families.

Some states questioned HHS's legal authority to implement the rule and pointed out that other programs cited by HHS do not adequately meet the housing needs of the homeless. Several county and city officials also questioned the adequacy of these programs.

Many advocacy and nonprofit groups serving the homeless opposed restricting AFDC and EA funding because the federal government has not developed effective alternatives to these programs. Some organizations were concerned about their ability to operate shelters for the homeless (as alternatives to welfare hotels), because the shelters rely on AFDC or EA funds. Additionally, some organizations challenged the legal authority of HHS to implement the proposed changes.

Several commenters questioned whether FSA had fully and properly assessed the potential impact of the proposed rule. FSA said it did not perform a regulatory impact analysis (as outlined in Executive Order 12291, 46 Fed. Reg. 13193 [1981] as amended) because the proposed rule would not have an effect of $100 million or more on the economy. In fact, FSA estimated annual federal savings would not exceed $40 million, and as such, the proposal would not qualify as a "major rule" requiring a regulatory impact analysis. The $40 million estimate was derived primarily from a September 1987 HHS/OIG report, according to a senior FSA official. That report had estimated that two states, New York and Massachusetts, had claimed a total of at least $36 million ($18 million federal share) during fiscal year 1986 for EA benefits paid beyond the 30-day period.

To develop more precise data on the financial impact of the proposed rule, the American Public Welfare Association (a bipartisan, nonprofit group representing 50 state human services departments and 800 county welfare agencies) surveyed the states. Most of the 43 respondents indicated that, by significantly reducing the availability of federal funding assistance, the rule would have an adverse fiscal impact. Of these, 14 developed specific estimates of the loss of federal funds, which totaled almost $167 million, including $125 million that four states attributed to the AFDC special needs changes. FSA planned to revise the estimate using new data before issuing a final rule, as the $40 million estimate did not "square" with existing data, according to an FSA official. But even if the agency's revised estimate exceeded $100 million, according to an FSA official, changes in benefit amounts do not necessarily impact on the economy dollar for dollar. Thus, the proposal still may not have required a formal impact analysis.

Federal agencies now must examine various questions concerning family earnings and stability, the rights of parents, and other matters when formulating and implementing policies and regulations that may significantly impact family formation, maintenance, and well-being. This is required by a recent Executive Order No. 12606, 52 Fed. Reg. 34188, "The Family," issued on September 2, 1987. The analysis was not done before issuance of the proposed rule because FSA had not received HHS guidance when the proposed rule was being developed. It was to have been completed, an FSA official told us, before the final rule was issued.

Some commenters noted that FSA should have performed a regulatory flexibility analysis. The proposed rule, they said, would significantly affect large numbers of "small entities," including charitable organizations serving homeless families. Such analyses are provided for in the Regulatory Flexibility Act, 5 U.S.C. 601-612. FSA did solicit comments from charitable organizations on ways to define and alleviate financial hardships (associated with amortizing capital investments intended to provide shelter for homeless families) resulting from the proposed rule.

However, FSA certified that a flexibility analysis was not required. The proposed rule, FSA said, would primarily affect state governments and individuals directly and would not have a substantial impact on small entities. Further, according to an FSA official, although the impact on small entities was not considered, in many areas such as New York legal mandates for assisting the homeless would require state governments to absorb the lost federal assistance. FSA planned no further analysis, the official said.

Important questions concerning the proposed rule persist and require additional consideration, as certain commenters pointed out. For example, because the existing statute and regulation are silent, it is unclear whether prohibiting AFDC multiple-shelter allowances (based on the type of housing occupied) is consistent with a state's broad discretion to determine its own need standard. And can the overall EA program objective of providing short-term assistance to avoid destitution of a child always be achieved if benefits are limited to actual costs incurred within 30 days? Many families experience severe problems, such as eviction, when rent arrearages exceed 30 days.

Public Law 100-628 extends the moratorium on implementing the rule, as we noted earlier. It requires HHS to examine existing policies regarding state use of EA and AFDC funds to meet the emergency need of families. In our opinion, these provisions will facilitate a necessary, in-depth assessment of the legal, policy, and socioeconomic implications of the proposed changes.

States and Local Jurisdictions Contacted by GAO

States	Local jurisdictions
California	District of Columbia
Connecticut	Los Angeles County, CA
Georgia	Humboldt County, CA
Illinois	Boston, MA
Indiana	Detroit, MI
Massachusetts	Eaton County, MI
Michigan	Wayne County, MI
Minnesota	Essex County, NJ
New Jersey	New York City
New York	Westchester County, NY
Ohio	Milwaukee, WI
Wisconsin	Dane County, WI

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