Program Evaluation

KENTUCKY HOUSING CORPORATION ALLOCATION OF FEDERAL HOMELESS GRANT MONEY

Adopted by Program Review and Investigations

PROGRAM REVIEW AND INVESTIGATIONS

Ginny Wilson, Ph.D.
Staff Administrator

PROJECT STAFF:
Lowell Atchley

Research Report No. 291

LEGISLATIVE RESEARCH COMMISSION

Frankfort, Kentucky

Committee for Program Review and Investigations

February 2000

FOREWORD

On April 8, 1999, the Program Review and Investigations Committee directed staff to review the way the Kentucky Housing Corporation allocates Emergency Shelter Grant funds to shelters and providers of services to the homeless, and how the shelters and providers spend the funds they receive. This report represents the results of that review.

This report was adopted by the Committee on September 9, 1999, and submitted to the Legislative Research Commission.

This report is the result of dedicated effort by Program Review staff. Our appreciation is expressed to the staff of the Kentucky Housing Corporation, of various homeless shelter and providers throughout the state, and to all other persons in providing information and data for this study.

Robert Sherman
Director

Frankfort, Kentucky
February 2000

LEGISLATIVE RESEARCH COMMISSION

State Capitol **700 Capital Avenue** **Frankfort KY 40601**

502/564-8100

Capitol FAX 502-223-5094
Annex FAX 502-564-6543
www.lrc.state.ky.us/home.htm

Robert Sherman
Director

TRANSMITTAL MEMORANDUM

TO: The Honorable Paul E. Patton, Governor,
The Legislative Research Commission
Department for Local Government, and Interested Parties

FROM: Rep. H. G. "Gippy" Graham, Chair
Sen. Marshall Long, Co-Chair

DATE: September 9,1999

RE: Committee Report -- Kentucky Housing Corporation (KHC),
Allocation of Federal Homeless Grant Money

Attached is the final adopted report and recommendations of a study of Kentucky Housing Corporation's (KHC) allocation of federal homeless shelter grants. The study reviews the way Kentucky Housing Corporation chooses which homeless shelters and providers in the state receive U.S. Department of Housing and Urban Development emergency shelter grants. The study looks at the allocation procedures and spending practices among agencies and facilities receiving the funds.

This review cites concerns regarding the way KHC staff evaluates applications for grants. During the course of this review, KHC adopted new review procedures for the coming funding period.

The study recommends that the ESG application review form be more detailed; that, when warranted, KHC staff visit premises of new homeless grant applicants; that an explanation of KHC's appeal process be provided to applicants; that written grant award criteria be developed, and that the program be better publicized throughout the state.

Questions concerning this study should be addressed to Ginny Wilson, Ph.D., Acting Committee Staff Administrator.

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Legislative Research Commission

Committee For Program

Review and Investigations

Sen. Marshall Long Co-Chair | Rep. H. "Gippy" Graham Chair

LRC Program Review Staff
Room 34, State Capitol Annex Frankfort,
Kentucky 40601
502-564-8100 FAX 502-565-1443
http://www.lrc.state.ky.us/home.htm

Ginny Wilson, Ph.D.
Staff Administrator

Adopted Committee Report

September 9, 1999

Executive Summary: Kentucky Housing Corporation (KHC) Allocation of Federal Homeless Grant Money

Research Staff: Lowell Atchley

Introduction and Background

This review, which the Program Review and Investigations Committee requested, focuses on the way Kentucky Housing Corporation chooses which homeless shelters and providers in the state will receive U.S. Department of Housing and Urban Development emergency shelter grant (ESG) moneys. The study looks at allocation procedures and spending practices among agencies and facilities receiving the funds.

Solid, meaningful estimates on the number of homeless are difficult to obtain, both nationally and in the state of Kentucky. But a 1993 KHC study profiling the state's homeless sheds some light on Kentucky's homeless population. For example, the study found that the majority of rural Kentucky's homeless are women; children represent 44 percent of the homeless in rural areas of the state.

There are over four dozen federal programs that assist the homeless in various ways, but the ESG program is one of the oldest and most direct sources of funding for those without permanent shelter. Kentucky generally receives $1-$1.5 million each year in ESG funds. There are numerous homeless resources in the state, including 147 facilities that offer emergency, transitional, or permanent housing for the homeless. Shelters that receive ESG funding must comply with federal regulations, and all facilities must adhere to local and state ordinances and statutes.

Methodology

Program Review staff reviewed pertinent federal and state statutes and regulations, and interviewed relevant state personnel. Staff conducted interview/surveys of homeless shelter/providers, who both received and did not receive ESG funding, interviewed officials with ESG programs in other states, and also examined applicable KHC documents.

Section II
How does the Kentucky Housing Corporation allocate emergency shelter grant funding to shelter/providers?

Three main agencies have a role in the emergency shelter grant process, starting at the federal level with the U.S. Department of Housing and Urban Development, which awards ESG funds to states. Kentucky Housing Corporation administers the HUD assistance program, reviewing applications, choosing award recipients, administering and monitoring the grants. The State Clearinghouse reviews ESG applications. Also, KHC has set up what is called a "continuum of care" system, which seems to be in keeping with HUD requirements. The continuum of care system depends on local involvement in setting priorities for the allocation of homeless funding. Shelter/providers who are actively involved in the continuum of care and attempt to address continuum of care priorities have a better shot at ESG funding.

KHC appears to do a good job of acquainting homeless shelters and providers with the ESG grant process. About 40 applicants seek the federal money each spring. This year, 29 of the 42 who applied were funded. The application process, shelter operators and providers say, is relatively easy, compared to other federal funding applications. Once KHC receives ESG applications, staff review them, using an eight-part, 90-point scoring sheet. The judging system seems subjective in nature, although the number of people involved in the assessments may help overcome any personal biases and differences in interpretations. Applicants -- applying singly or in tandem with others -- describe:

- the needs of the homeless in their community
- their project plan to deliver shelter or services
- ways to address continuum of care priorities
- the geographic area to be served
- the cost effectiveness of their project
- their experience
- plans for future self-sufficiency
- and how they coordinate with other existing services.

The housing agency staff base their assessments on what is written on the applications. While they have the right to do so, KHC staff do not visit shelters to verify claims made on ESG applications, although staff should consider making such visits. The absence of such visits also bothered some shelter/providers.

According to KHC staff, the application review process involves some comparisons of applications. In one section, staff set a cost of services standard, a standard that seems rigid and raises the question of whether the best approach is to distribute money to the most economical operation or where it would generate the greatest benefit. Also, they said some sections are harder to score than others. Staff also check applications for completeness and information gaps, rejecting some. Yet, KHC staff accept hand-written applications and follow up on particular information that may be omitted from applications.

While scoring applications, KHC staff also review applicants' spending requests. They create a ranking system, starting with the top point-getters and going down the list, continuing until they literally have no more funds to appropriate. This year, they set a single shelter/provider funding limit of $50,000, but reduced that to $49,000, in order to award funding to additional applicants who scored close to others that were funded. A Program Review analysis of 1999 ESG scores for shelter/providers who were not approved for funding, versus those that were, found that denied applicants were comparatively weak – or perhaps failed to make a good case for points -- in four areas: documentation of need, distribution (the area to be served), cost of providing services and coordination with local entities.

About 90 percent of the homeless shelter/providers interviewed expressed either satisfaction or had no opinion either way about KHC's ESG application process, although there were particular concerns; many dealt with the paperwork involved in regard to the application. The ESG application screening is subjected to multiple layers of agency review, ending with the agency's chief executive officer. KHC uses an administrative grievance procedure that is not fully explained in the application. If shelter/providers have a concern, they can call KHC and officials will re-check their work. Two of the states interviewed use a more formalized hearing process.

KHC personnel based ESG funding amounts on four general standards – setting a maximum funding cap, directing funding to all area development districts, denying funding for inappropriate activities and their estimate of a reasonable amount for each shelter/provider. An analysis of ESG funding patterns shows that some homeless shelter/providers have been more successful than others through the years in getting funds and getting the amounts they request. Some shelter/providers are funded year after year. Others may apply once or twice before getting any money. Also, a review showed that approvals and denials covered the state; most area development districts were well-represented. Finally, another analysis showed there seemingly is no correlation between how well a shelter/provider scores and what percentage of requested funding it receives.

Section III
What are the spending practices and procedures for homeless shelter/providers?

Competition is keen for emergency shelter grant funds, with almost $3.3 million sought in 1999 for about $1.2 million available for distribution. The number of people served with ESG funding the last three years has remained relatively constant.

A small amount of ESG funds can be spent on administration. Other spending categories include maintenance and operations, prevention, rehabilitation and services. An analysis of ESG spending practices in grant cycles ending in 1997 and 1998 showed that operations consumed the bulk of the federal dollars. Less money went into rehabilitation in the 1998 cycle, while more went into services.

Most shelter/providers expressed satisfaction with KHC's monitoring procedures, which have shifted from the specialized housing resources section to the audit section in the agency.

RECOMMENDATIONS:

1. KHC should create a more detailed explanation of each section in the eight-part ESG application review sheet, both for internal use and to assist applicants in understanding the process.

2. KHC should attempt, when warranted, to visit the premises of first-time applicants, to verify information contained in that homeless shelter or provider's ESG application.

3. KHC should explain clearly, in the ESG application package, its appeals process. The description should detail the steps involved in filing an appeal and how the appeal will be handled, and establish a timetable for issuing decisions on appeals.

4. The agency should put in writing the criteria used to allocate particular award amounts to ESG recipients and publicize that criteria.

5. Because KHC is the central and lead organization in the allocation of ESG funding, the agency should:

- **Continue to encourage involvement in the ESG program, particularly attempting to promote more participation in what it identifies as underserved areas of the state.**

- **Continue to suggest that homeless shelters and providers in the same area combine applications, to help increase their chances of obtaining funding.**

- **Attempt to assist those who have not received funding in the past by circulating a "best practices" application and other relevant materials.**

- **Consider offering bonus points for unique programs or first-time applicants, or small cash awards – perhaps $5,000 – to qualified unique programs or first-time applicants.**

INTRODUCTION

This review resulted from a Program Review and Investigations Committee request for staff to examine how the Kentucky Housing Corporation (KHC) allocates federal grant moneys to homeless shelters and providers in the state. This study focuses on the way KHC chooses who will receive U.S. Department of Housing and Urban (HUD) emergency shelter grant (ESG) funds and how homeless shelters in smaller cities and communities in the state spend those funds. The study was confined to KHC's ESG allocation procedures and did not include a review of entitlement cities that receive homeless funding directly from HUD.

BACKGROUND

Solid, meaningful estimates on the number of homeless are difficult to obtain. Census figures for 1990 are considered unreliable. Nevertheless, the National Alliance to End Homelessness estimates that, on any given night, 700,000 Americans are without shelter. Reliable estimates also are unavailable for Kentucky. But a 1993 KHC study profiling the state's homeless dispelled the myth that the homeless consist mainly of "bag ladies" or homeless men sleeping in cardboard boxes underneath bridges. While those people do exist in some areas, the study found that:

- The majority of rural Kentucky's homeless are women;
- Of these women, 48 percent are victims of domestic violence;
- Sixty-three percent of the homeless population is constituted by either one- or two-parent families with children;
- Children represent 44 percent of homeless persons in rural areas of the state.

This study uses the general definition of homelessness contained in the Stewart B. McKinney Act, the first and only major federal homeless assistance legislation:

> …The term "homeless" or "homeless individual or homeless person" includes – an individual who lacks a fixed, regular, and adequate nighttime residence; and an individual who has a primary nighttime residence that is a supervised publicly or privately operated shelter designed to provide temporary living accommodations…, an institution that provides a temporary residence for individuals intended to be institutionalized, or a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

One study identified 50 separate programs in eight federal agencies providing services to homeless people. One of those is the emergency shelter grant, which KHC administers in Kentucky, along with three other HUD-funded homeless programs. As entitlement cities, Covington, Lexington-Fayette County and Louisville-Jefferson County operate their own programs directly with HUD.

Established in 1989, the ESG is one of the oldest sources of funding for services for the homeless. Local homeless shelters or providers can use ESG moneys for the rehabilitation or conversion of buildings for use as emergency shelter for the homeless, for the payment of certain operating expenses and essential services in connection with homeless shelters for the homeless, and for homelessness prevention activities. ESG is a block grant program, meaning the state receives an allocation based on a HUD-established, yearly need formula used for the community development block grant program (housing, population and poverty figures). As Table 1.1 shows, in the last six years, Kentucky's annual allocation has ranged from under $1 million to a high of almost $1.5 million.

TABLE 1.1

HUD Emergency Shelter Grant Funding for Kentucky

FY 94-95	**FY 95-96**	**FY 96-97**	**FY 97-98**	**FY 98-99**	**FY 99-00**
$1,058,000	$1,458,000	$957,000	$959,000	$1,396,000	$1,279,000

SOURCE: Kentucky Housing Corporation

KHC coordinates applications for three other programs -- Shelter Plus Care, Section 8 for Single Room Occupancy, and Supportive Housing -- under its continuum of care process. Funding for those programs totals $3-$3.5 million each year. The housing agency also administers other programs that benefit the homeless, including the Affordable Housing Trust Fund, created by the Kentucky Legislature to fund housing for the very low income.

Many Shelters, Transitional Homes Cater to Needs of Homeless

Homeless resources in the state range from immediate emergency assistance and emergency shelters for the short term, to longer transitional shelter and permanent housing services. In addition to emergency assistance, there are educational assistance; mental health assistance, and mental health services. Emergency shelters typically house people for up to 30 days, providing safe habitation. Transitional shelters normally allow people to stay from 30 days to two years and offer extensive services. Some facilities operate as both an emergency and transitional shelter. There are approximately 147 facilities in the state that offer emergency, transitional or, permanent housing for the homeless, according to a resource list that KHC publishes annually. Included in that number are about 43 emergency shelters and about 42 emergency/transitional shelters; approximately 17 of the emergency/transitional shelters are for victims of spouse abuse and domestic violence.

Emergency shelters house a variety of people, including families, women and children, victims of domestic violence, single women or single men, alcohol or drug abusers and runaway youth. Transitional shelters house similar mixes of people. Some of the transitional and permanent housing is set aside for the mentally ill.

Shelters offer a variety of services to the homeless. In addition to shelter, these services can include food, clothing, household goods, transportation assistance, rent and utility assistance, counseling, referral services, legal services, school placement assistance, and mortgage assistance.

Shelters, Providers Must Comply With Federal Regulations

Homeless shelters or services that apply for ESG funds must abide by 24 CFR Part 576. In addition, they must adhere to a number of other federal regulations -- including environmental, confidentiality, health and safety, nondiscrimination and equal opportunity, and fair housing, plus applicable state and local laws and ordinances. According to KHC officials, the agency has no general statement of purpose related to ESG funds, other than the purposes contained in federal statutes and regulations. There are no state laws specifically governing the operation of homeless shelters, although shelters must comply with applicable statutes and regulations, and local ordinances and codes in various ways, such as health and sanitation, and safety requirements. There are no state statutes related directly to homeless shelter funding, although KRS 209.160 enables spouse abuse shelters to receive some revenues from a fee collected on marriage licenses.

METHODOLOGY

Program Review staff reviewed relevant federal statutes and regulations, state statutes and regulations, and other state and federal reports and relevant literature on the subject. Staff interviewed a shelter operator or service provider in each of the state's 15 area development districts (ADD) who received funding in 1999, and one in each ADD who did not receive funding, for a total of nine. Staff interviewed officials in charge of homeless assistance programs in the seven surrounding states, personnel with KHC, and other state and federal agencies involved in the ESG program in some manner. Staff examined applicable KHC documents and files, including those maintained on homeless shelter operators and service providers receiving ESG funds, and analyzed data related to funding decisions and use of funding. Staff did not conduct a financial audit, other than to review, in general, how shelter/providers spend ESG funds.

Sections 2 and 3 of this report address two primary questions.

- **How does the Kentucky Housing Corporation allocate emergency shelter grants to shelter/providers?**

- **What are the spending practices and procedures for homeless shelter providers?**

HOW DOES THE KENTUCKY HOUSING CORPORATION ALLOCATE EMERGENCY SHELTER GRANTS TO SHELTER/PROVIDERS?

Kentucky Housing Corporation's emergency shelter grant (ESG) allocation system presents a good example of using local input in the allocation of funding, yet the system also involves decision-making that occurs at the central office setting. KHC staff assess how well shelter/providers show there is a need for their services in their community or area, demonstrate that they are financially viable and have the adequate experience, and address the homeless spending priorities in their community.

The review process compares shelter/providers on the basis of information provided in the grant application. There are no site visits during the application review stage. A Program Review analysis of the process found that unfunded applicants were weaker than funded shelters in some respects. Applicants said they were generally satisfied with KHC's application review process, but expressed concerns about some facets. Also, dissatisfied shelter/providers can file an administrative grievance.

In addition to scoring applicants' written answers, KHC staff also review the shelter/providers' spending requests, and through a ranking system, allocate funding until it literally runs out. An analysis of funding allocations shows some homeless shelter/providers have been more successful than others and evidently there are no correlation between ESG application scores and the percentage of funding received.

Federal, State Agencies Have a Role In Homeless Shelter Grant Allocations

Three main agencies have a role in the emergency shelter grant process, beginning at the federal level with the U.S. Department of Housing and Urban Development, extending to the Kentucky Housing Corporation, which distributes and keeps track of the funds, and the State Clearinghouse, which checks for compliance with certain federal statutes and regulations. A fourth entity, continuum of care (CofC) boards, establishes homeless funding priorities in the area development districts. Following is a summary of the HUD, KHC and State Clearinghouse roles:

U.S. Department of Housing and Urban Development

HUD oversees the emergency shelter grant program, authorized under Title IV of the Stewart B. McKinney Homeless Assistance Act. The ESG program is designed to be a first step in the continuum of assistance to enable homeless individuals and families to move toward independent living, as well as to prevent homelessness. The federal agency awards ESG funds to states, qualified cities and urban areas, territories and Indian tribes through a preset formula. To receive ESG funds, HUD requires that grantees have an approved consolidated plan that includes procedures for using ESG funds to address the jurisdictions' homeless assistance needs. States and territories that receive ESG must distribute the funds to local governments or private nonprofit organizations. Local governments may administer all the grants themselves or distribute the funds to private nonprofit organizations. Certain larger entitlement cities can qualify for ESG funds separately from states.

Other than requiring that states comply with various regulations, policies and procedures, HUD allows states to operate their emergency shelter grant programs as they see fit. According to an official in HUD's Office of Special Needs and Assistance Programs, Office of Community Planning and Development, if a state has a "rational basis and an objective process, then HUD tends to stay out." HUD does not get involved in the process unless there are abuses. HUD also does not track how individual states distribute their ESG funding, according to the official.

Kentucky Housing Corporation

KHC is the primary state agency responsible for administering HUD homeless assistance programs in the state. Perhaps KHC's most extensive role in the ESG funding process comes in reviewing applications and choosing award recipients, and in administering and monitoring grants once they are awarded to homeless shelters. A KHC department, specialized housing resources, manages the ESG program, along with a number of other housing-related grant programs. ESG funds are allocated in a statewide competitive process.

The housing agency also publishes two key documents required by HUD, the consolidated plan and updates and the yearly performance report. The consolidated plan attempts to identify housing, homeless, community and economic development needs and resources, and tailor a strategic plan to meet those needs. The annual performance report discusses progress made in various programs, including ESG.

State Clearinghouse

The State Clearinghouse, a division of the Department for Local Government, reviews applications for emergency shelter grant funding. Each applicant for ESG funding must submit two dozen copies of a separate, multi-page form to the Clearinghouse. Each state has a similar clearinghouse charged with reviewing applications for federal funding. The Kentucky office coordinates about 98 percent of the federal applications in the state, according to the director. When homeless shelters and agencies apply for ESG funding, they prepare copies of applications for the State Clearinghouse, which, in turn, forwards them to state agencies included on the review list. Agency comments are referred on to the KHC, which delays funding decisions until receiving the comments.

Continuum of Care Boards Establish Homeless Spending Priorities at Local Level

Kentucky Housing Corporation's continuum of care (CofC) system seems to be in keeping with HUD requirements. Most homeless shelter operators and providers interviewed were generally supportive of the process. KHC has a unique approach in setting priorities for the allocation of homeless funding through the CofC planning process. Local CofC boards, made up of representatives of various interest groups, set homeless priorities that KHC officials use, in part, to judge the worthiness of emergency shelter grant funding applications. The priorities also play a part in other homeless funding sought directly from HUD.

The CofC planning boards establish a minimum of three homeless service needs or gaps and prioritize each prior to submitting to KHC. ESG applications that address the priorities receive points in the ESG rating system. (That process contrasts with those of states surrounding Kentucky. Few, if any, of those states tie funding to homeless priorities set at the local level.) During the first year that KHC had the ESG program, agency personnel established statewide funding priorities themselves, but were criticized by providers at the local level, who argued that they were more attuned to homeless needs. That claim paved the way for the current system.

Seventy-three percent of 1999 ESG recipients surveyed said they participate in the CofC process. Some serve in leadership roles. On the other hand, only 44 percent of those not receiving ESG funds participated in the CofC. Two of those interviewed were not familiar with the CofC process. Active participation in the CofC is beneficial since one of the standards for judging ESG applications relates to that participation. The networking also is useful, according to some shelter operators who were interviewed.

KHC Attempts to Acquaint Shelters With ESG Application Process

Kentucky Housing seems to make a forthright effort to acquaint homeless shelter operators and providers with the emergency shelter grant. About 40 applicants seek the federal money each year. A total of 42 applicants sought funding in 1999; 29 were approved. ESG funds are allocated in a statewide competitive process that is published in the Kentucky consolidated plan, and open to public comment. Shelters and other providers apply each spring for funds that are made available for use on July 1.

KHC makes a notice of ESG funding available annually to the press. Notices also are mailed to people who have expressed an interest in the program in the past. In addition, ESG applications are available at KHC, at all 15 ADD offices and at a half-day training conducted each spring. During the application training, KHC staff review questions on the application and the point system used to score applications to ensure that applicants have the opportunity to receive all the points possible for their project. The pre-application training is not mandatory and providers do not receive points for attending. Also, KHC keeps local continuum of care contact people updated on changes in the program.

ESG Application Compares Favorably With Other Grant Applications

Most homeless shelter operators and providers indicated the ESG application process compares favorably with other federal applications. The ESG application packet asks for funding justifications and compliance documents in one package. In addition to containing the actual ESG application and a copy of the pertinent federal regulations, the application packet describes:

- the purpose of the program and eligible activities
- restrictions in the program and eligible applicants
- available funding and matching requirements
- application submission requirements, including the State Clearinghouse review
- the point system used to judge application

The application package provided to Program Review staff appears understandable and generally easy to follow, although the document itself could use a cleaner, more modern look. It also may be helpful in the future to place the application on KHC's Internet site.

Almost 85 percent of those surveyed said the ESG application is either comparable to or easier to complete than other federal funding applications. Some said the work involved is not excessive.

KHC's ESG Application Screening Process Is Subjective Assessment of Written Answers

Kentucky Housing Corporation's emergency shelter grant application judging system seems subjective in nature, although the number of people making the assessments may help overcome any personal biases and differences in interpretations. Criteria for scoring applications are contained in an eight-part, 90-point scoring sheet. (See Table 2.1. Some additional explanation is included in parentheses regarding what can be found in particular sections of the application, and planned changes in the rating system.)

Applicants -- who apply singly or join with others in an application -- are asked to describe the following:

- how they plan to meet the primary needs of the homeless in their community
- their project plan to deliver shelter or services
- ways to address CofC priorities
- the geographic area to be served

- the cost effectiveness of their project
- their experience
- plans for future self-sufficiency
- how they coordinate with other existing services

To ensure objectivity and fairness to new programs, or programs with which KHC staff are not familiar, applications are scored only on written responses to questions on the application. According to KHC officials, past performance is not a factor, unless deficient enough to warrant withholding funding.

Housing agency staff become familiar with the ESG rating system through on-the-job training. For example, one application reviewer was new to the process in 1999. She met with the specialized housing resources director beforehand and asked about the guidelines and became familiar with the process.

KHC personnel begin the ESG application review with copies of all applications and a scoring sheet laid out in a grid, with the name of the applicant and columns for each of the point categories. They read the written answers on the applications and make notes and comments, and award points under each of the categories. As noted earlier, the only criteria are what are contained on the scoring sheet. While awarding the applicants points, KHC staff also review applicants' funding requests.

Specialized housing resources staff said they use no other rating criteria language beyond the rating sheet. Most of the eight sections on the rating sheet do not have detailed narratives explaining those particular categories, perhaps making it difficult for the uninitiated to perform the ratings. In addition, during the course of this review, KHC staff said the point system will be made more precise in 2000. Homeless providers will be able to comment on changes in the new consolidated plan. (See italicized sections in the table.) The changes are in line with current judging procedures, according to KHC staff.

Kentucky's rating system is not unlike those of other states, which have various review processes that award points under assorted criteria. In Tennessee, applicants also can receive bonus points for establishing a new shelter in an underserved area of the state, using creative or innovative program activities, proposing a clearly-defined performance-based program, or being a first-time applicant.

KHC Does Not Make Application Site Visits to Shelters, Providers

Generally, specialized housing resources staff do not visit shelters to verify claims made on ESG applications, although staff should consider making such visits. The application does state that KHC personnel have the option "to make site visits to projects to verify the strength and accuracy of the application." According to KHC officials, the agency does not visit new applicants, because those applicants represent new programs or projects and literally do not have anything to show or demonstrate. Also, KHC staff are oftentimes familiar with shelters and services that have applied and have been funded in the past. Such on-site visits would begin once a shelter or service is funded, e.g., particular environmental and building code site visits for construction projects.

TABLE 2.1
Emergency Shelter Grant Application Point System

1. Local community need for proposed program (maximum 5 points). Assessed from Sections A and B of the ESG application. The program plan should directly address the local need. (Section A asks homeless providers to describe the homeless shelter and service needs that they are addressing. They are asked to support, where possible, with local data. For example, if they are adding four beds, they must show there is a need for four beds. Section B asks for a description of the project plan, including a short budget.)

2. Provision of shelter and services (maximum 10 points). Assessed from Section B of the ESG application. (In the description of the project plan, Section B asks applicants to include a project plan as it relates to the need section. If the project involves more than one activity, providers are asked to describe them separately.) *(In 2000, scoring system will award 5 points for shelter and 5 for service.)*

3. Priority applications (maximum 20 points). Assessed from Section B of the ESG application as it addresses the 1999 Kentucky Consolidated Plan continuum of care priorities for the area development district. (Shelters addressing specific local priorities get more points.)*(In 2000, 20, 15, 10 and 5 points will be awarded respectively to applicants addressing CofC priorities 1-4.)*

4. Geographic distribution (maximum 10 points). Assessed from Section B of the ESG application. Applications from jurisdictions with their own set-aside of ESG funds will score no points in this category. (In addition to the general description, Section B also asks providers to discuss the geographic area to be served and plans for shelter and service provisions. Higher ranking applicants in a particular service area score the most points.)

5. Cost effectiveness of project (maximum 10 points). **Assessed from Section D of the ESG application. Applications will be compared to other proposals for the same program activities.** (Section D asks providers for a detailed budget outlining the actions and costs associated with each activity to be funded by ESG moneys.)

6. Applicant experience (maximum 10 points). Assessed from Section E of the ESG application and compared to other proposals. (Section E of the application asks applicants to describe their experience in implementing the activities proposed in the application. Where experience is lacking, applicants are asked how they will obtain the assistance to complete the project.) *(In 2000, the phrase "compared to other proposals" will be deleted. Applicants will be given a point for each year of experience.)*

7. Plan for program self-sufficiency (max 10 points). Assessed from Section F of the ESG application. The proposal should explain the program's ability to survive without ESG funding in the future. (Section F of the application asks applicants to provide a plan for the future self-sufficiency of the proposed project. Thoroughness of documentation is a key.)

8. Coordination of services (max. 15 points). Assessed from Section I of the ESG application. This proposal should be designed to ensure a lack of duplication and a plan for coordination among local service providers, preferably through the local continuum of care planning board. (Section I of the application asks providers to describe how they will coordinate with existing services to ensure that they are not duplicating existing funds/services and that they are filling community service gaps.)

SOURCE: Kentucky Housing Corporation, with additional Program Review explanatory notes.

KHC does reserve the right, as indicated in the application, to visit applicants, according to officials. In addition, specialized housing resources staff mentioned that personnel and time constraints preclude making the application review site visits. KHC has 60 days from the time it gives notice of ESG funding availability until it commits the funds.

It would seem, however, that KHC would benefit from making preliminary site visits to shelters to gather information about service quality, or, in the case of rehabilitation, to get a sense of what a shelter is planning. Staffing and time pressures admittedly make it hard for staff to make on-site visits.

The absence of a preliminary visit to homeless facilities bothered some of the shelter operators and providers who were surveyed. They said KHC staff should visit new applicant shelters to verify claims made on the application or to check the viability of the shelter. In contrast to the practice in Kentucky, officials responsible for allocating ESG funds in Virginia conduct site visits to verify claims made in applications; they check building permits and the like. In Ohio, officials visit the premises of first-time applicants.

Some Rating Procedures Compare ESG Applicants with Others

A few of Kentucky Housing's ESG rating procedures involve comparisons of one application against another. Also, some scoring categories are more difficult than others. Under some of the points, individual applications are rated against each other. For example, under cost-effectiveness, KHC personnel establish a standard cost for services per person each year, based on a comparison of all applications. This year, a provider with a cost of $10,000 or more per person received 0 points, while a provider with a cost of $1,000 or less per person received a maximum 10 points under that category.

While this may be an adequate way to purchase commodities, it may not work as well when contracting for services. Such an approach may not account for differences in quality of services. It raises the question, what is the best approach, to distribute money to the most economical operation or where it would generate the greatest benefit? Perhaps KHC should gather more information about service quality of homeless shelters and providers. More information makes for better decision-making.

The "self-sufficiency" category is hardest to score, while "need" is second, according to the specialized housing resources staff. Homeless shelter operators and providers must show there is, indeed, a need in their community, by citing poverty data, a homeless waiting list, and people served. Figures and statistics are necessary, but applicants sometimes make the mistake of describing the need of a person or family, rather than a general community need, according to KHC staff. Generally, homeless shelter operators and service providers point out the number of clients served the previous year, or discuss the need in their community.

KHC Personnel Check Applications For Completeness, Information Gaps

Another aspect of the scoring process is making sure that applications are complete and all components are addressed. One primary component is timeliness; applicants who miss the application deadline are not screened. Also, shelters that have had significant problems in the past may not pass muster. KHC officials declined to fund a shelter one year because of major problems, even though the shelter scored high enough to receive funding. In another instance, one provider only supplied one copy for the agency instead of the original and four copies that are required. Application raters decided that effort was "too loose," but scored the applications. In another instance, an applicant left out an entire section. Raters did not review that application. On the other hand, they do not reject applications if they are imperfect, since that would eliminate most, according to the specialized housing resources staff. Some applications are hand-written. Sometimes, required attachments are omitted. Applicants will not be rejected if they leave out any of three key attachments -- a confidentiality form, homeless involvement procedures and a grievance procedure form -- but those are required if funding is granted.

Even though the KHC personnel may be familiar with particular shelters because they have received funding in the past, they emphasized that they score only what is on the applications. They mentioned that one shelter familiar to them failed to put something down under experience and thus lost points for that category.

The housing agency should be cautious in this area as well. How precisely one completes an application may be a poor indicator of how well a program delivers services, or the need for the services in a particular area. The fact that the agency will accept a hand-written application and that it checks back for omitted documents at least indicates the agency is not unduly rigid in its ESG approach.

Top to Bottom Ranking Used to Approve ESG Funding

Once specialized housing resources personnel finish the individual scoring, they meet in a group setting, go over their scores, and attempt to reach agreement on a final score and come to a consensus on funding amounts. In the group setting, if there is a discrepancy in scores, they discuss the pros and cons of their individual rating. There are instances when someone will be more critical of a provider than others. They discuss and resolve any discrepancies between application scores.

As KHC personnel set about approving shelters for funding and setting funding amounts, they create a kind of ranking system, starting with top point-getters and going down the list. They continue the process, according to personnel, until they literally have no more funds to appropriate. This year, KHC originally set a $50,000 per shelter funding limit, but reduced that to $49,000 in order to award funding to an additional shelter scoring 70 points, the minimum needed to receive funding. (This review deals with funding issues in greater detail later.)

Unapproved ESG Applicants Weaker In Four Areas on Scoring Sheet

An analysis of 1999 ESG scores, by category, for shelters and providers who were not approved for funding versus those that were, found that denied applicants were comparatively weak in four areas – documentation of need, distribution (the area to be served), cost of providing services, and coordination among local entities. Only under the cost category are applicants measured against others. Under the need category, those applying must be able to show that a need exists in their service area. For example, if they are asking for ESG funds to create four new beds, they must cite figures justifying the request, according to KHC staff. Table 2.2 shows that funded shelters and providers scored better in that category, point-wise, than did those who were not funded, by 96 percent versus 74 percent. (Program Review staff placed ESG scores into a percentile range similar to a school grading system.) Table 2.2 shows the largest point spread occurred in the distribution category, a section that assesses how well an applicant will serve the homeless. KHC staff award higher-ranking shelters the most points. While the housing agency staff said applicants are not measured against each other in that category, it seems they are, at least in terms of their particular service area. The scoring difference for funded versus those non-funded was less under the cost category, perhaps showing that shelters and providers who were not funded were not significantly different in their costs for service delivery. The same is the case for coordination of services, a category that assesses an applicant's coordination with other shelters and providers. KHC officials said less coordination in that category will result in an applicant's receiving fewer points.

TABLE 2.2
Comparison of Average Review Scores
Approved and Denied
Emergency Shelter Grants
FY 1999

	Average Request	Need	Shelter Service	Priority	Distribution	Cost	Experience	Self Sufficiency	Coordination	Total
Average for Approved Grants	$83,468	96%	97%	96%	96%	76%	84%	76%	84%	88%
Average for Denied Grants	$ 64,708	74%	92%	79%	35%	54%	68%	62%	60%	66%

Source: LRC Staff analysis of data provided by the Kentucky Housing Corporation.

Applicants Generally Satisfied with Process,
But Express Concerns about Some Aspects

About 90 percent of homeless shelter operators and providers interviewed expressed either satisfaction or had no opinion either way about KHC's ESG application process although there were particular concerns about aspects of the process. Those included:

- If there is a definition that might affect the application, put it on the application form. For example, insert the definition of "homelessness" on the application form. (Tennessee and Indiana include a glossary/definitions section in their application forms.) Also, put a space on the form allowing shelter/providers to indicate whether they are combining their application with that of another shelter/provider.

- Require the use of client interview forms that would be completed by clients and submitted with applications for funding.
- Circulate a list of people who are qualified to conduct archaeological reviews for the environmental requirements of the application.
- Require shorter forms and less paperwork for repeat applications versus new applications, or shorter application forms for those who have received funding in the past.
- Computerize shelter agency descriptions and other information, so that it can be used again in the future. Also, because agencies are asked similar questions on various other applications, keep some of that information on file at KHC.
- Eliminate the requirement for State Clearinghouse submissions. One suggested eliminating Clearinghouse submissions when rehabilitation is not an issue. However, because Clearinghouse requirements are federal in nature, it does not appear the requirements can be waived for shelter operators seeking ESG grant funds.

Although those interviewed may have had concerns about particular issues, they were, for the most part, complimentary of KHC staff. Some said KHC staff are "fair" in making ESG funding decisions. Others said KHC staff are helpful, both in the application process and in answering questions about the program.

ESG Application Screening Is Subjected To Multiple Layers of Agency Review

Once the three specialized housing resources staff members complete their ratings, they pass their work on to a review committee headed by another KHC staff person. That committee does a second-level check of the application review process. Also, because of questions raised about the program in 1998, a new layer of review was added in 1999. An internal audit person and KHC's corporate counsel were asked to look over the rating results for those shelters that did not receiving funding. Finally, KHC's chief executive officer reviews the results before signing grant awards.

Homeless shelter operators and providers who did not receive funding are informed by letter at the same time as the ones who do. Providers who are not funded are told about other federal funding for homeless shelters or programs and receive a scoring sheet showing everyone's scores. Many of the shelter operators who are denied funding call KHC and receive a detailed review of their scoring sheet, according to the specialized housing resources personnel. Most shelters that are not funded reapply the following year.

Dissatisfied Shelter Fund Applicants Can File Administrative Grievance

KHC uses an administrative grievance process, but it is not fully explained in the application. If providers raise an objection regarding their funding denial, KHC uses an administrative grievance process that includes no hearing. Providers questioning their funding rejection will call the specialized housing resources director. The KHC personnel then re-check their work. If the complaining person disagrees with the explanation given, he can contact the chief of programs, and if he is still not satisfied, he can contact the KHC chief executive officer. He also can complain to HUD. There is no provision for a formal hearing process. Officials said those procedures are similar for all grant programs operating in the specialized housing resources section. In addition, shelter operators can attend public meetings and provide input about the process.

Procedures used in Kentucky are generally similar to those of other surrounding states. Most grievance procedures are administrative as well. One state allows for a hearing. The Ohio Administrative Code allows an ESG applicant to file a request for a hearing on a funding denial. The hearing must be conduced within a specific period of time. Staff or a hearing officer conduct the hearing and render a decision a short time later. An official in the Ohio Department of Development, which oversees the ESG program, said he had never experienced a request for a hearing, and handles his complaints administratively. Indiana also has an appeals process, which can involve a mediator.

Some of the homeless shelter operators and providers in the state who were denied funding stated that they simply contacted KHC for an explanation of their denial. Of denied shelters that were surveyed, 66 percent indicated they spoke with the agency in some manner, seeking clarification on the funding decision.

Case Study

A funding controversy in 1998 involving a Northern Kentucky shelter, God's Home for Families, located in Dayton, in Campbell County, may illustrate the need for KHC to have a more clear-cut appeals process, possibly one involving a mediator. KHC denied God's Home's ESG request in June 1998. The shelter executive director phoned KHC that month, seeking an explanation. KHC staff reviewed the application once again for accuracy, admitting that they did not consider the shelter's previous experience in the Cincinnati area in the overall review. They corrected the error, but the new score fell below that needed for funding to be granted. The shelter executive director persisted, writing an undated letter to the head of HUD's Kentucky state office. She presented her case for higher scores in various categories. In October 1998, the HUD official asked KHC to re-evaluate the shelter's rating and ranking, which the housing agency did. KHC argued its case by letter to the shelter in late October 1998 and suggested areas where the shelter could raise its scores in future ESG proposals. Again, the shelter executive director wrote a lengthy letter arguing her case for some funding to serve Campbell County and surrounding areas. She appealed by letter to KHC's chief executive officer. The Campbell County judge-executive wrote a letter to HUD on her behalf. A KHC letter late in the year to another interested party suggested greater participation in the continuum of care process. Ultimately, even with several letters and phone calls, the shelter was unsuccessful in getting ESG funds. The shelter was not funded in 1999, although KHC has written HUD for any assistance that it might have related to God's Home, as well as other shelters.

General, Unwritten Criteria Used To Establish Funding Levels for Applicants

As indicated earlier, specialized housing resources staff judge the worthiness of ESG applications, and at the same time, review their funding requests. KHC provided no written criteria for funding amount decisions. Agency personnel said they set funding amounts based on four general criteria:

- A maximum cap per shelter; it was $49,000 per single shelter applicant in 1999.
- Directing some funding to each of the area development districts.
- Denying funding requests for inappropriate activities.
- Determining a reasonable amount for each shelter or provider.

A primary consideration is the total funding that is available for the state's ESG program. Existing homeless shelter operators or providers must request ESG funds for new programs, services, construction and the like. KHC personnel set a $49,000 cap in 1999 because they wanted to grant funding to an applicant that received the minimum point mark needed for application approval. They also look at how reasonable some requests are. For example, one shelter asked for money for signs. Another asked for a considerable amount to pay for a paint job. KHC denied the first funding request and lowered the allocation for the second.

Case Study

As noted earlier, KHC staff stated that they judge ESG applications in the funding year and do not consider a previous year's approval or denial. For example, Community Out Reach in Monroe County was successful in obtaining funding in 1998, but failed to score enough points to receive funds in 1999. The shelter's executive director seemed to understand the reasons given for her shelter's not being funded. She said there is a chance her facility will receive some unused, or "recaptured" funds. She also was complimentary of KHC personnel.

While denying funding requests to some, KHC offers encouragement, suggesting that applicants apply in the future, and sends them information on other funding alternatives. It leaves open the possibility that shelters not funded might receive "recaptured" funds, or funds that other funded shelters do not use. In addition, this year KHC wrote HUD on behalf of four applicants who were not funded – The Caring Place in Lebanon, Community Out-Reach in Tompkinsville, God's Home for Families in Dayton and the Salvation Army in Bowling Green. KHC asked HUD officials for "additional ideas for ensuring that these programs are able to continue their services through the coming year or have questions about these projects.''

The housing agency also offers post-application implementation training to homeless shelter operators and providers receiving ESG funds for the first time. KHC staff distributes an implementation manual to all award recipients. Officials said they "talk through a lot on the phone with them" when providers receive their funding. An official also said that they originally attempted to discuss post-application implementation in the earlier training session, but that was not working because providers had trouble absorbing that much information.

Efforts Made to Award Some Funding in Each Area Development District in State

In the group ranking effort, KHC personnel also ensure that each area development district gets some funding. They noted that they take each project and list it by ADD to determine how much money each part of the state is receiving. Some districts get more than others. Some combine all their requests into a single application. According to KHC staff, combining applications is helpful because one shelter in a particular district may apply and receive funding, but others may not. Combining applications increases everyone's chances of getting funding. Also, some local governments, such as Pikeville, Richmond, and Ashland, continue to combine their requests into one application as they did when the Department for Local Government ran the program. Applications coming out of two other cities -- Paducah and Owensboro -- are combined, but are not under the local government's name. This year, three Frankfort agencies combined and submitted one application. KHC personnel judge combined applications as one entity. That can be a plus, but sometimes it will work against particular shelters or providers, according to KHC officials. For example, a higher cost to deliver services on the part of one will affect the others and the overall rating in that category. But while some shelters can work together and combine applications, there are still some "turf wars" among local shelters that cannot agree to participate in a single application.

Some Homeless Shelter/Providers Have Been More Successful than Others

An analysis of ESG funding patterns reveals that some homeless shelters and providers have been more successful than others through the years in terms of getting ESG funds and getting the amount requested. This phenomenon is not unlike those of other states contacted. From 1995-1999, over 80 organizations applied for funding, some year after year, and some only once. Table 2.3 shows the requests and approvals for shelter applicants from 1995 to 1999. Ashland, which applies on behalf of shelters in the metropolitan area, has received over a half-million dollars but has asked for over $1.3 million, a 39 percent award rate. The No. 2 applicant, Paducah Cooperative Ministries/Women Aware, received about $200,000, less than the city of Ashland, but was more successful in receiving what it requested.

Some shelters or providers sought funding for one or two years before being granted funding. But two - God's Home for Families in Campbell County, and Trinity Revival Center in Magoffin County - have the distinction of having applied for three consecutive years without a grant award. Table 2.4 further illustrates the point that few shelters and providers have been successful in obtaining 100 percent of funding sought through the grant years. Perhaps one of the most successful has been the city of Hopkinsville, which received $183,000, 83 percent of what it sought.

Figures 2.A and 2.B show counties in the state affected by ESG funding approvals and denials. As the maps show, approvals and denials have covered the state; most area development districts seem well-represented, although it appears that far western Kentucky has fared better than other parts of the state in terms of denials. But it also shows that homeless shelters and providers in some counties simply do not apply for ESG funds.

No Correlation Is Evident Between ESG Application Scores and Funding Approvals

An analysis of 1999 ESG scoring and funding data shows that scoring well on the ESG application did not necessarily mean shelter/providers received the amount requested. As Table 2.5 shows, the city of Ashland scored 100 percent, but received just over a third of the funding that it requested. Nevertheless, Ashland did receive more money than any other applicant. The Owensboro Area Shelter Information Services scored 100 percent, and received a higher percentage of its request than did Ashland, at 60 percent. But Owensboro fared well in terms of dollars received, ranking No. 2 in that category.

On the other end of the spectrum, the Murray-Calloway County Transitional Home Board's application received a lower score, but the agency received about 100 percent of its funding request, although the request was the smallest sought. The data showed that Hollon House scored lower than others, yet received 84 percent of its funding request.

TABLE 2.3

TABLE 2.3 CONTINUED

TABLE 2.4

TABLE 2.4 CONTINUED

FIGURE 2.1

FIGURE 2.2

TABLE 2.5

WHAT ARE THE SPENDING PRACTICES AND PROCEDURES FOR HOMELESS SHELTER/PROVIDERS?

The emergency shelter grant is popular, with requests for funding outpacing the amount of money available. The funding is earmarked for homeless shelters and providers; there is no state funding per se for the homeless other than moneys that are contributed to spouse abuse shelters. Shelter/providers spend their ESG moneys in various ways, with the largest proportion going to services for the homeless. KHC monitors shelter/providers' spending and operation practices.

Competition Keen for Funding For Homeless Shelters, Services

Competition for ESG funding is keen, perhaps because program funds are targeted specifically for homeless shelters and prevention program and activities, the match is easy to attain, and the application process is not too difficult. Total requests for emergency shelter grant funding outpace moneys available for appropriations. For example, in 1999, requests for ESG funding totaled almost $3.3 million; less than $1.3 million was available. As indicated earlier, there are no state funds designated specifically for homeless shelters and providers. Domestic violence shelters can receive a portion of revenues generated from a tax on marriage licenses; in addition, the General Assembly appropriated moneys to spouse abuse shelters this year. The funds, allocated by area development district, totaled $4.2 million in 1999.

The number of people served with ESG funding has remained relatively constant in the last three years, dropping some from 1997 to 1998, according to figures that shelters provided to Kentucky Housing Corporation (See Table 3.1). However, a shelter operator observed to Program Review staff that, while the number of clients may be declining, people are staying longer at facilities.

TABLE 3.1
PEOPLE SERVED
WITH EMERGENCY SHELTER GRANT FUNDING

	Total Served in FY 95-96	Total Served in FY 96-97	Total Served in FY 97-98
Individuals Served	25,485	32,605	30,455
Men	9,038	7,125	6,170
Women	7,403	13,078	13,299
Total Adults	16,441	20,203	19,469
Children	9,044	12,402	10,986
Singles	10,094	11,488	3,410
Families	6,789	8,050	6,534

SOURCE: Compiled by Program Review staff from figures supplied by Kentucky Housing Corporation.

KHC personnel said the ESG program has one of the least onerous match requirements of any HUD program. Donated labor, federal and state grants, local government appropriations, donated goods such as food and household items, utility and rent payments, personal contributions, church donations, and contributions from civic organizations are all used by Kentucky homeless shelters and providers as the ESG match. In some rare instances, they can waive the local match, the KHC official said, although a shelter has to answer two primary questions -- why the organization is unable to provide funding and how the organization will become self-sufficient in the future.

Recipients Spend Emergency Shelter Funds in Various Ways

According to 24 CFR Part 576.21, ESG funds may be used for one or more of the following activities:

- Renovation, major rehabilitation, or conversion of buildings for use as emergency shelters for the homeless;
- Provision of essential services to the homeless, provided the service is new or is a quantifiable increase in the level of service;
- Payment for shelter maintenance, operation, rent, repairs, security, fuel, equipment, insurance, utilities, food and furnishings;
- Developing and implementing homeless prevention activities; and
- Administrative costs.

KHC uses five major spending categories that are the same as the federal restrictions. These are administration, operations, prevention, rehabilitation and services.

A review of 1999 ESG application approvals shows that shelter/providers plan to spend funds in an assortment of ways under the five categories. Following are examples of each category.

- Administration – bookkeeping supplies, professional services, financial management systems, accounting, record keeping, payroll, human resources;
- Maintenance and Operations – housing unit supplies, office supplies, utilities and phone service, insurance, repairs, paint, wallpaper, equipment purchases;
- Prevention – first deposits on rent and utilities, legal aid, "mini-grants" to help move from abusive situations, homeless counseling;
- Rehabilitation – renovation and conversion of a building for use as a shelter, stairway renovation, window repair, electrical repair, flooring, security system renovation, concrete stops for parking lot;
- Services – case management, recruitment and training of volunteers, housing assistance, job search assistance, chemical dependency counseling, relocation assistance, items to assist in transition from shelter.

Some of the shelter/provider expenses may not be allowable or may be listed under the wrong category, according to KHC officials. Also, shelter/providers can request to change funding plans through the course of a grant cycle.

Case Study

The ESG application asks homeless shelters and service providers to detail how they will spend the federal moneys. For example, Gateway House in Morehead, an emergency shelter serving homeless families and individuals, sought $109,700 to cover rehabilitation/renovation/conversion, essential services, maintenance and operation, prevention, and administration. Under rehab and renovation, the shelter asked for funds to cover the cost of completing a parking area for clients, repairs to a handicapped bathroom, and repairs to a basement floor. Under essential services, the shelter asked for money for such expenses as shelter staffing and security, crisis intervention, food, clothing and other personal care items, case management and client referral service. Under the maintenance and operations category, the facility sought funds to cover such expenses as heating, cooking, food, water, insurance, utilities, supplies and equipment. The applicant also asked for funds for preventative maintenance, and administration. Gateway House ultimately received $49,000.

An analysis of two-year grant fund cycles ending in 1997 and 1998 shows variations in the way homeless shelters and providers spend ESG moneys. (ESG funds are granted for two-year periods, but Kentucky shelters/providers must spend the funds in 18 months.) In keeping with federal requirements, a small amount, 1 percent, was spent on administration for both cycles (Table 3.2). Prevention also consumed little, 14 percent the first two years and 8 percent the last two years, perhaps reflecting the fact that fewer preventative services apply for, or are granted, ESG funds. Operations consumed the most during both cycles, 37 percent in 1997 and 46 percent in 1998. Less funding in the grant year ending in 1997 than in 1998 may have led to a shifting of fund allocations. For example, less money went into rehabilitation for the 1998 cycle, while more went toward services.

KHC Changes Monitoring Procedures Used for Emergency Shelter Grant Program

It appears Kentucky Housing Corporation staff do an adequate job monitoring ESG fund usage. (Program Review staff examined monitoring files at KHC headquarters, but did not review individual shelter/provider files.) Most shelter operators and providers surveyed said they were comfortable with the process. Beginning in July 1999, monitoring duties that were the responsibility of personnel in KHC's specialized housing resources section were shifted to the audit section. Specialized housing resources staff said that would free them up to enhance training for grant recipients.

TABLE 3.2

RECOMMENDATIONS

1. KHC should create a more detailed explanation of each section in the eight-part ESG application review sheet, both for internal use and to assist applicants in understanding the process. First, KHC should be commended for putting more precision in some portions of its application review sheet, effective in 2000. Extending that further, more detailed explanations under each part within the review sheet should make the document less subjective for those staff reviewing ESG applications. Also, the additional details would help those applying for ESG funds gain a better understanding of what information is needed.

2. KHC should attempt, when warranted, to visit the premises of first-time applicants, to verify information contained in that homeless shelter or provider's ESG application. Because KHC's emergency shelter grant review is based on what is written on an application in a given year, on-site visits to first-time applicants would appear to be beneficial. There is the realization that some visits may not be warranted if new construction is involved. Also, staff in KHC's specialized housing resources section have a short turnaround time in allocating ESG moneys, and they have other programs to oversee. But, seemingly it would benefit staff to gather as much information as possible about ESG applicants to make well-informed decisions. Obviously, KHC staff are acquainted with awardees from previous years, even though they say they only review and consider the current year's applications. Perhaps they should try to become as well-acquainted with unfamiliar applicants, such as the two that failed to receive ESG funding for three years.

3. KHC should clearly explain its appeals process in the ESG application package. The description should detail the steps involved in filing an appeal and how the appeal will be handled, and should establish a timetable for issuing decisions on appeals. This recommendation does not propose that KHC should have a formal appeals procedure involving some type of mediation or hearing. If the agency continues to rely on an administrative review of complaints regarding an ESG application, it should explain the steps required in filing the appeal, how staff will handle the appeal and set a timetable for issuing decisions. Such formalization should solidify KHC's goal of being fair and impartial in the ESG allocation process.

4. The agency should put in writing the criteria used to allocate particular award amounts to ESG recipients and publicize those criteria. KHC uses informal criteria for allocating funding to shelter/providers who score enough points to earn some funding. The agency should formalize and make know that criteria. It appears there is no correlation between how well an applicant scores and the percentage of funding received. This is not to say that there necessarily should be a correlation. But if KHC's intent is to spread funds as far as they can go, based on points scored, to award funds in every section of the state, or to award funds to the 'best and brightest" in a particular area, then the agency should say as much.

5. Because KHC is the central and lead organization in the allocation of ESG funding, the agency should:

- **Continue to encourage involvement in the ESG program, particularly attempting to promote more participation in what it identifies as underserved areas of the state.** While usage of ESG funds seems widespread, there appear to be pockets in the state where the funds have not gone, perhaps because no one in those areas has applied.

- **Continue to suggest that homeless shelters and providers in the same area combine applications, to help increase their chances of obtaining funding.** The adage about strength in numbers seems to work in the application and awarding of ESG funding.

- **Attempt to assist those who have not received funding in the past by circulating a "best practices" application and other relevant materials.** KHC seems to do a good job in getting the word out in its training sessions. But some unfunded applicants that Program Review staff interviewed were unaware of the importance of continuum of care procedures and also were interested in seeing how successful applicants put together their application packages.

- **Consider offering bonus points for unique programs or first-time applicants, or small cash awards – perhaps $5,000 – to qualified unique programs or first-time applicants.** This could help applicants that, heretofore, have been unsuccessful the first time out. It also would cause KHC to look for programs that benefit the homeless in varying ways, such as on-site GED instruction.