National Alliance to End Homelessness
Homelessness Research Institute

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IMPROVING POLICY | BUILDING CAPACITY | EDUCATING OPINION LEADERS

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Increases in Homelessness on the Horizon

Summary

Based on new evidence about increased poverty and future economic trends, the Homelessness Research Institute at the National Alliance to End Homelessness estimates that in the next three years homelessness in the United States could increase by 5 percent, or 74,000 people.[1]

This is the projected increase if additional intervention does not occur. In particular, resources to support the type of successful homelessness prevention and re-housing activities that were initiated by the 2009 stimulus bill to curtail any recession-related increases in homelessness should be continued.

Background

The lingering effects of the recession have pushed more and more Americans into precarious financial situations. Median income levels have decreased by 2 percent. Unemployment remains above 9 percent. Nearly 50 million people remain without health insurance. As a result of these difficult economic times, demographic shifts have occurred, including an 11 percent increase in the number of households living in doubled up housing situations.[2]

[1] Estimates of the national homeless population are usually conducted in one of two ways: (1) prevalence counts, or numbers of people experiencing homelessness across a given 12-month period, or (2) point-in-time counts, or numbers of people experiencing homelessness on a given night. Homelessness described in this brief refers to estimates of the annual prevalence counts.
[2] See U.S. Census Bureau (2011) *Income, Poverty, and Health Insurance Coverage in the United States: 2010*, U.S. Department of Commerce, Washington, DC.

While recent years have been economically challenging for many Americans, the most vulnerable populations have been hit the hardest. The average income for working poor people decreased more than 2 percent in the last year. Nearly 6 million poor households are severely housing cost burdened, meaning about 3 out of every 4 poor households pay more than 50 percent of income on rent.[3] The number of people in poverty has increased to a record 46.2 million and the poverty rate of 15.1 percent is the highest on record since 1983.[4]

But perhaps the most ominous indicator with respect to homelessness is the continuing rise in deep poverty, which increased to a record level of 20.5 million people in 2010. This marks the fourth consecutive annual increase in deep poverty and raises the deep poverty rate to 6.7 percent.[5]

These challenging economic indicators are forecast to remain bleak in the near future, according to sources as varied as the Congressional Budget Office (CBO), the Office of Budget and Management (OMB), and the Economist Intelligence Unit (EIU), a leading private sector research and analysis firm. For example, in response to new data on GDP growth, investment markets, unemployment, and other economic health indicators, both the CBO and OMB in their respective economic outlook reports have revised their forecasts to reflect the worsening economic conditions across the country.[6] [7] The expectation is that the country will continue to see poor economic conditions for years to come, with, for example, the unemployment rate projected to hover near 9 percent until 2013 and then not reach pre-2007 to 2009 recession levels until 2016 or 2017. The continued poor economic conditions likely means high levels of poverty and deep poverty will remain. In fact, the Brookings Institution projects poverty will continue to increase through 2012 and that the poverty rate will stay above 15 percent through 2014.[8] The Brookings' research predicts poverty will stay above pre-2007 to 2009 recession levels through 2020. Deep poverty follows a similar trajectory, so it is

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[3] See M Sermons and P. Witte (2010) *State of Homelessness in America*, National Alliance to End Homelessness, Washington, DC.
[4] Ibid. 2, at 1.
[5] Ibid. 2, at 1.
[6] Congressional Budget Office (2011) *The Budget and Economic Outlook: An Update*, Congressional Budget Office, Washington, DC.
[7] Office of Management and Budget (2011) *Fiscal Year 2012 Mid-Session Review: Budget of the U.S. Government*, Office of Management and Budget, Washington, DC.
[8] See E. Monea and I. Sawhill (2011) *An Update to "Simulating the Effect of the 'Great Recession' on Poverty*," Brookings Institution, Washington, DC.

predicted that the deep poverty rate will remain at levels not seen since before the current economic downturn.

Projections

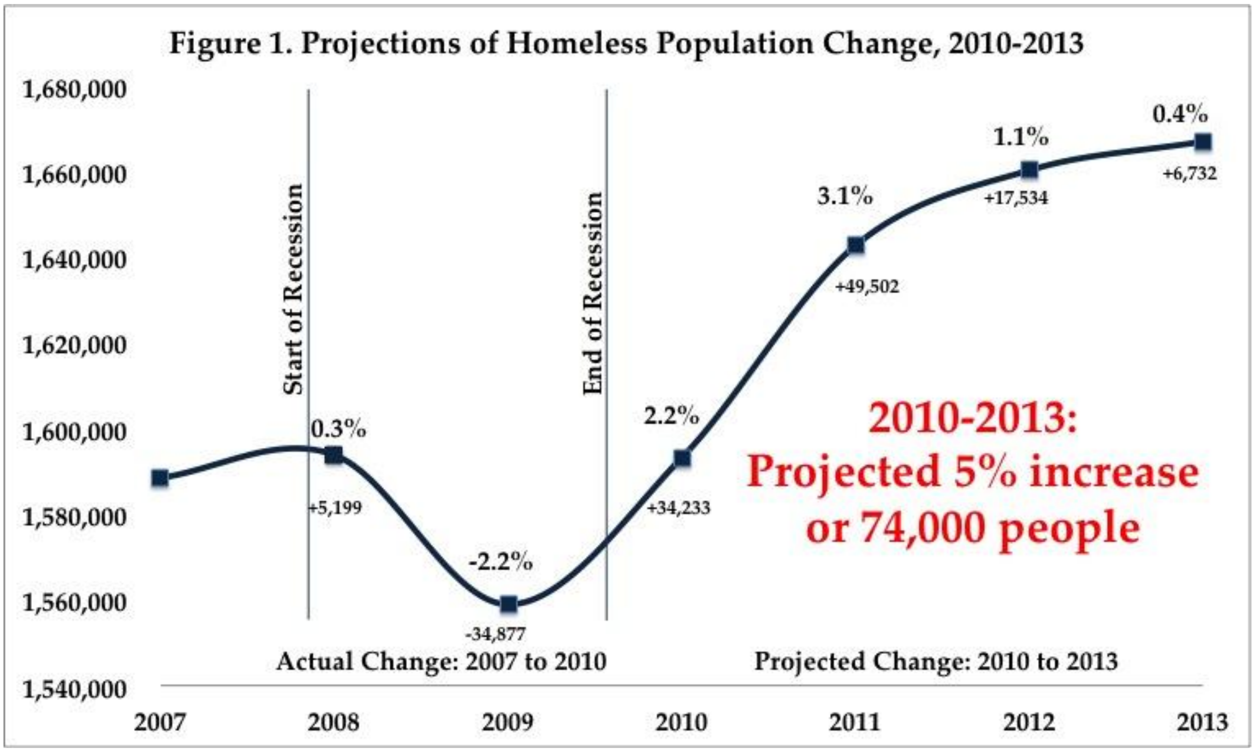
To project what the impact of the economy might be on homelessness, the Homelessness Research Institute examined previous evidence of the relationship between unemployment and poverty[9] and the relationship between rates of deep poverty and rates of homelessness.[10] Based on this, it projects that increases in the number of people in deep poverty will result in a significant increase in homelessness.

HRI projects the overall homeless population could increase by nearly 5 percent in the next three years (2010 to 2013). The baseline, 1.6 million people, is the number of people who were homeless during the course of October 2009 through September 2010, as documented according to *The 2010 Annual Homeless Assessment Report to Congress (AHAR)*. Based on this, the projected increase in homelessness over the next three years, due to the recession and continued economic downturn, is 5 percent, or 74,000 people. This would be the largest increase in homelessness since regular reporting on the size of the homeless population began in the 2007 AHAR, which documented the people who were homeless during the period from October 2006 through September 2007. The next largest increase was 2 percent as documented in the 2010 AHAR. (See Figure 1 for projections of homeless population change.)

There are factors that support a concern that this projected 5 percent increase is a conservative estimate. First, it should also be noted that homelessness is a lagging indicator, meaning it can take several months or years following a recession before homeless population increases are realized.[11] Second, this projection does not take into account the deep cuts to state and local government programs, and any future cuts to federal programs, that protect people against homelessness and help them when they

[9] See E. Monea and I Sawhill (2009) *Simulating the Effect of the 'Great Recession' on Poverty,* Brookings Institution, Washington, DC.
[10] See National Alliance to End Homelessness (2009) *Homelessness Looms as Potential Outcome of Recession*, National Alliance to End Homelessness, Washington, DC.
[11] The estimate is also conservative due to an assumption in the projection calculations, which are described in the Appendix. In short here, the projection calculations conservatively assume that the ratio of poverty to deep poverty will remain constant in the future. Past evidence suggests, though, that deep poverty will actually increase at a steadier rate.

are homeless.[12] Finally, the projection does not take into account the rising cost of housing,[13][14] which is statistically linked to homelessness.[15]



Source: Author calculations using U.S. Department of Housing and Urban Development and U.S. Census Bureau data.

Emerging Evidence of Increases in Homelessness

Evidence of increases in homelessness is already emerging. Communities across the country are required by federal funding programs to conduct point-in-time (PIT) counts of the homeless population every two years, and many conduct them annually. Though complete data for the 2011 PIT counts are not yet available, the Alliance has compiled

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[12] See Homelessness Research Institute (2011) *Economy Bytes: Effect of State and Local Budget Cuts on Homelessness*, Homelessness Research Institute at the National Alliance to End Homelessness, Washington, DC.

[13] See K. Waldrip (2011) *An Annual Look at the Housing Affordability Challenges of America's Working Households*, Center for Housing Policy and the National Housing Conference, Washington, DC.

[14] See National Low Income Housing Coalition (2011) *Out of Reach*, National Low Income Housing Coalition, Washington, DC.

[15] See J. Khadduri (2008) *Housing Vouchers are Critical for Ending Family Homelessness*, Homelessness Research Institute at the National Alliance to End Homelessness, Washington, DC.

data from over 100 communities.[16] These data include counts from urban, suburban, and rural communities in 34 states plus the District of Columbia. Although based upon a non-representative convenience sample, these data show homelessness increased in these communities from about 295,000 in 2010 to about 302,000 in 2011, or 2.5 percent. Fifty-five percent of these communities have seen an increase in their homeless population.

Intervention Needed

The projected increase in homelessness is not inevitable. Due to innovative, federally-funded approaches focused on preventing homelessness and quickly and appropriately re-housing those who do become homeless, homelessness declined by 2 percent from 2008 to 2009. Even during the recession and economic downturn to date, homelessness increased only 2 percent from 2009 to 2010. This was due to the Homelessness Prevention and Rapid Re-Housing Program (HPRP), which has assisted one million at-risk and homeless people[17] with stimulus funds designed to prevent a recession-related increase in homelessness. It is clear that by using evidence-based, cost effective interventions, such as prevention, rapid re-housing, and permanent supportive housing, homelessness can be reduced. However, these current interventions must be maintained.

In addition, as noted above, $1.5 billion was provided to a new Homelessness Prevention and Rapid Re-Housing Program (HPRP) in the American Recovery and Reinvestment Act specifically to prevent a massive increase in homelessness resulting from the recession. The latter intervention has been successful, but the funds are largely depleted, and all will be spent by early 2013.

To combat future increases in homelessness, additional intervention of the type supported by HPRP will be needed. In 2009 the HEARTH Act was passed into law. HEARTH re-tools the US Department of Housing and Urban Development's (HUD's) major homelessness program, allowing it to provide just this type of prevention and re-housing assistance, in addition to other proven solutions such as permanent supportive housing. However to date, adequate funds have not been provided to fully implement

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[16] See National Alliance to End Homelessness (2011) *A Progress Report: Opening Doors: Federal Strategic Plan to Prevent and End Homelessness*, National Alliance to End Homelessness, Washington, DC.

[17] See U.S. Department of Housing and Urban Development Press Release (2011) *Obama Administration Prevented, Ended Homelessness for One Million Americans*, U.S. Department of Housing and Urban Development, Washington, DC.

these provisions.[18] Short of providing another significant investment at levels similar to that provided by HPRP, significantly increasing funding for McKinney-Vento Homeless Assistance Grants program is the single most impactful action Congress could take to help prevent these projections from being realized.

To prevent an increase in homelessness due to the recession and poor economy, increasing poverty and deep poverty, and sustained high unemployment and high housing costs, the following are recommended.

- Continue the cost effective investment in homelessness prevention and rapid re-housing, initiated by the Homelessness Prevention and Rapid Re-Housing Program.
- Continue investment in homeless programs that have proven to end homelessness, and provide resources to fully implement the HEARTH Act, which will significantly improve the outcomes of federal spending.
- When setting spending priorities, ensure that a top priority is to protect the most vulnerable. This means shoring up programs that provide a safety net for extremely poor people including mental health treatment, housing, health care, employment and training, and Temporary Assistance to Needy Families and Supplemental Security Income for vulnerable families and people with disabilities.
- Ensure that any jobs initiatives also prioritize the most vulnerable people, including those with disabilities and long-term unemployment histories.

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Homelessness is a preventable and solvable problem. Allowing over a million people to become homeless every year has enormous economic, social and human costs. The nation can learn from recent successful initiatives, and prevent the economic downturn and increasing poverty from creating a new class of homeless people. If it does so, cost effective efforts to end homelessness will proceed apace. If it does not, at least 74,000 more people will become homeless.

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[18] See National Alliance to End Homelessness (2009) *Summary of the HEARTH Act*, National Alliance to End Homelessness, Washington, DC.

Appendix: Data Sources and Methodology

Homeless Data Sources:

All homeless population data used in the projections come from the Department of Housing and Urban Development (HUD) report series, "The Annual Homeless Assessment Report to Congress" (AHAR). The baseline estimate of the homeless population comes from the 2010 AHAR, where HUD estimates that 1.593 million people were served with shelter or transitional housing services between October 2009 and September 2010.

Projection Methods:

The projections described in this brief were calculated through estimating the risk pool and applying that number to the three estimated levels of homelessness. This projection method was adopted from a method used to calculate increases in homelessness in an earlier Alliance brief from January 2009, "Homelessness Looms as Potential Outcome of Recession."

The risk pool used for the purposes of this projection is the number of people in deep poverty. Deep poverty is defined as someone in a household whose income is less than 50 percent of the federal poverty line. For example, the poverty threshold for a family of four (two adults, two children) is $22,113 annually. A family of four with income at or below $11,057 annually would be considered a family in deep poverty.

Deep poverty projections were adopted from a September 2011 paper by the Center on Children and Families at the Brookings Institution, authored by Emily Monea and Isabel Sawhill titled, "An Update to "Simulating the Effect of the 'Great Recession' on Poverty." Monea and Sawhill projected poverty levels through 2020 by simulating the effect that unemployment will have on rates of poverty. Unemployment projections used in Monea and Sawhill's analyses come from three sources: the Economist Intelligence Unit (EIU), the Congressional Budget Office (CBO), and the Office of Management and Budget (OMB). Each of these three sources projects slightly different future unemployment figures. Monea and Sawhill simulate poverty projections using each of the three unemployment projections (as well as other explanatory variables), and this produces three possible scenarios of future poverty.

Monea and Sawhill do not project deep poverty in their paper. So, Homelessness Research Institute (HRI) projections used a conservative assumption that the last documented ratio of deep poverty to poverty (.44) will not change between the years

2010 to 2013. This assumption was adopted even though the ratio of deep poverty to poverty has been on an upward trajectory for the past four years (from .42 in 2007 to .44 in 2010).

As Monea and Sawhill projected three possible poverty scenarios, deep poverty was also projected in three possible scenarios for years 2010 to 2013. The three scenarios that projected increases in deep poverty were then applied to the baseline estimate of the homeless population described above as 1.6 million people. This produced three possible scenarios of future homelessness. The three were then averaged for a single homelessness projection for each year projected as shown in Figure 1.