

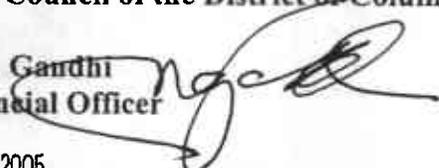
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: JUL -5 2005

SUBJECT: Fiscal Impact Statement: "Homeless Services Reform Act of 2005"

REFERENCE: Bill Number 16-103 (Committee Print)

Conclusion

Funds are not sufficient in the proposed FY 2006 through FY 2009 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia (Council). **The proposed legislation would result in unbudgeted expenditures of approximately \$5.7 million in FY 2006 and approximately \$23.7 million in the FY 2006 through FY 2009.** These costs are the approximate net expenditure impacts after considering an agency enhancement of \$2.9 million that is a part of the District's proposed baseline budget. These funds will be appropriated for the purposes described in the proposed legislation and will be available beginning FY 2006.

Federal and District anti-deficiency laws prohibit District officers and employees from exceeding agency appropriations in any fiscal year.¹ The proposed legislation cannot be implemented without violating these anti-deficiency laws unless funds are identified in the existing budget and financial plan and allocated to cover the expenditures required by the proposed legislation.

Background

The proposed legislation is intended to update and consolidate the legal authority of the District's homeless services system. The bill would define the Continuum of Care system for persons who are homeless or at imminent risk of becoming homeless; codify

¹ 31 U.S.C.A § 1341 (2000) and D.C. Official Code Title 47 § 355.01 *et sequitor* (2003).

the rights and responsibilities of clients seeking homeless services and providers of homeless services; codify the standards by which the District and the homeless services providers must deliver services to clients; and revise the procedures for resolving disputes between clients and providers of homeless services. It would also establish an Interagency Council on Homelessness composed of District government officials, advocacy organizations and service providers.

The legal basis for the existing homeless services program is the Frigid Temperature Protection Amendment Act of 1988² and the Overnight Shelter for Individual Adults Act. These laws support the provision of emergency shelter and services. According to DHS and service providers, the growth of the Continuum of Care system has resulted in the need for new legislation to support the new approach to the delivery of services to the homeless.

In preparing this revised cost estimate, the Office of the Chief Financial Officer (OCFO) considered the legal opinions proffered by the administering agency (Department of Human Services), the advocates, the Office of the Attorney General and the DC Council's Office of General Counsel on the issue of whether the legislation creates an entitlement to shelter and services. The clarification expressed in these opinions that the bill does not create an enforceable right to "shelter on demand", except in severe weather conditions, is used in developing these cost estimates.

The right to "shelter on demand" beyond what is available in appropriations should be distinguished from the right or entitlement implied in the bill of Due Process procedural protections to seek shelter and services. This issue was discussed extensively in the numerous legal opinions.³ We note in particular the concern expressed by the Office of the Attorney General that in light of the history of litigation surrounding homelessness in the District, it would be "overly simplistic to conclude that property interests in shelter can never equate to a right to shelter on demand."⁴ If, in the future, litigants exercise their due process rights to seek shelter and services beyond what is available in District appropriations and are found to be entitled to such shelter and services, then the costs of this legislation could escalate significantly.

² D.C. Law 7-24 (1989).

³ Office of the Attorney General Memorandum dated August 9, 2004 to the Executive Office of the Mayor and the Office of the Chief Financial Officer; Office of the General Counsel, DC Council Memorandum dated August 3, 2004 to the Office of the Chief Financial Officer; Office of the Corporation Counsel Memorandum dated May 12, 2004 to the Office of the Deputy Mayor for Children, Youth, Families and Elders; General Counsel, Department of Human Services Memorandum dated April 26, 2004 to the Director, Department of Human Services; Hogan and Hartson L.L.P. Memorandum dated March 5, 2004 to the Office of the Chief Financial Officer.

⁴Office of the Attorney General Memorandum dated August 9, 2004 to the Executive Office of the Mayor and the Office of the Chief Financial Officer.

Financial Plan Impact

This impact statement identifies costs that the OCFO believes the District will incur as a direct result of the bill and the bill's intent. Costs for shelter and services under current law that are projected to increase in future years are not included because they would have to be budgeted even in the absence of this bill. In identifying new costs resulting from this bill, it should be noted that the estimates are based on current demand estimates.

Estimated District Agency Expenditure Impacts

The proposed legislation would require additional, unbudgeted personal services and non-personal services costs to support the proposed Interagency Council on Homelessness. In addition, the District would incur personal services and non-personal services costs to meet the fair hearings and administrative review requirements of the bill. The tables below identify these costs for Fiscal Years 2006 through 2009. The DHS personal services costs reflect the cost of two DS-13 attorneys. The OAH costs are based on an estimated increased workload for that office.

Estimated Agency Impact on the Financial Plan					
(S in 000s)					
Item	FY 2006	FY 2007	FY 2008	FY 2009	4 -Year Total
Interagency Council on the Homeless					
Program Assistant	(\$35.7)	(\$36.8)	(\$37.9)	(\$39.0)	(\$149.4)
Admin. Support Specialist	(29.6)	(30.5)	(31.4)	(32.3)	(123.8)
Administrative Reviewer	(51.6)	(53.2)	(54.8)	(56.4)	(216.0)
Staff Support/ Personal computers	(3.6)	0.0	0.0	(3.6)	(7.2)
Supplies	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)
Subtotal	(\$121.5)	(\$121.5)	(\$125.1)	(\$132.3)	(\$500.4)
DHS PS Subtotal	(\$372.4)	(\$407.4)	(\$421.1)	(\$435.5)	(\$1,636.4)
Office of Administrative Hearings					
PS Costs	(\$206.2)	(213.4)	(220.9)	(228.6)	(869.1)
NPS Costs	(57.0)	(57.0)	(57.0)	(57.0)	(228.0)
Subtotal	(\$263.2)	(\$270.4)	(\$277.9)	(\$285.6)	(\$1,097.1)
Net Annual Impact	(\$757.1)	(\$799.3)	(\$824.1)	(\$853.4)	(\$3,233.9)

The proposed legislation requires the District to provide severe weather shelter and services in the summer months, as well as in winter. It also adds specific requirements to the standards for various levels of shelter, i.e., low-barrier shelter, temporary shelter and

supportive housing and transitional housing. The non-personal services costs listed in the table below are based on the amounts that would be required in each fiscal year to comply with the proposed legislation. The proposed FY 2006 Budget includes a program enhancement of \$1,109,000 for homeless services and \$1,750,000 for crisis intervention services required by this legislation.

Estimated Non-Personal Services Expenditures Impacting the Financial Plan					
(\$ in 000s)					
Item	FY 2006	FY 2007	FY 2008	FY 2009	4 - Year Total
Shelter and Support Services					
Summer Shelter Services ⁵	(\$257.7)	(\$265.4)	(\$273.4)	(\$281.6)	(\$1,078.1)
Crisis Intervention Services ⁶	(1,911.0)	(1,968.0)	(2,027.0)	(2,210.0)	(8,116.0)
Client-Related Services					
Personal Hygiene Kits	(114.4)	(117.9)	(121.4)	(125.1)	(478.8)
Document Reproduction	(44.6)	(46.0)	(47.4)	(48.0)	(186.0)
Confidential Space	(19.7)	(20.2)	(20.9)	(21.5)	(82.3)
Voice Mail	(136.1)	0.0	0.0	0.0	(136.1)
Client Footlockers	(58.0)	0.0	0.0	(63.2)	(121.2)
Recreation Equipment	(120.0)	0.0	0.0	0.0	(120.0)
Staff-Related and Administrative Costs					
Training	(5.7)	(5.8)	(6.0)	(6.2)	(23.7)
Case Managers	(164.8)	(169.7)	(174.8)	(180.1)	(689.4)
Drug Screening	(10.7)	(11.0)	(11.3)	(11.6)	(44.6)
Annual Report Publication	(25.0)	(25.8)	(33.5)	(34.5)	(118.8)
Net Annual Impact	(\$2,867.7)	(\$2,629.8)	(\$2,715.7)	(\$2,981.8)	(\$11,195.0)

Shelter and Service Demand

Since 1994, the District of Columbia has delivered services to persons who are homeless through a Continuum of Care system. Since FY 2002 the Continuum of Care system has provided shelter, transitional housing or permanent supportive housing to approximately 17,000 persons annually. Federal funds have supplemented local appropriations by an average of \$7.5 million each year. However, the types and amounts of Federal grants

⁵ Annual totals include summer shelter service costs for single homeless (48 percent of annual costs) and homeless families (52 percent).

⁶ Estimate includes rental assistance and social support services to prevent homelessness. Estimated cost is based on discretionary authority of agency to prioritize waitlists.

vary significantly from year to year and cannot be relied on for baseline funding. In FY 2005 the District received \$6.6 million in Federal funds for homeless services.

Under the proposed legislation, homeless families may be housed in a 24 hour non-apartment-style accommodation for up to 90 days while awaiting transfer to apartment-style temporary shelter. In practice, families have been staying in non-apartment-style accommodations (primarily D.C. Village) for longer periods due to the difficulty of finding suitable alternative housing in the District. To meet the temporary shelter requirements of the bill, DHS would need to add more apartment-style capacity to its current and planned inventory. While the proposed FY 2006 Budget includes \$10 million in capital funding for very low income residents faced with displacement, these funds are intended for longer term housing development and likely would not be available to meet immediate temporary shelter needs.

The estimate in the table below reflects the costs of obtaining apartment style accommodations for the first full year for families that would need to be moved from D.C. Village, hypothermia centers and congregate shelters after a stay of 90 days. The estimate is based on current family caseload experience in emergency shelter facilities and a projection of the number of families to be moved after a 90-day stay during the twelve-month period beginning October 1, 2005. Actual expenditures may vary from estimates due to market conditions and availability of apartment style units.

Impact to the Financial Plan for Apartment Style Housing				
(S in 000s)				
FY 2006	FY 2007	FY 2008	FY 2009	4 -Year Total
(\$4,920.0)	(\$5,092.2)	(\$5,270.4)	(\$5,454.9)	(\$20,737.5)

Summary

The proposed legislation would result in additional unbudgeted expenditures that would total approximately \$5.7 million in FY 2006 and a total of \$23.7 million over the FY 2006 through FY 2009 period. The table that appears below reflects the estimated cost of the Homeless Services Reform Act of 2005 based on the assumptions and legal opinions discussed above.

Summary Table

Estimated Expenditure Impact to the Financial Plan					
(\$ in 000s)					
Item	FY 2006	FY 2007	FY 2008	FY 2009	4 - Year Total
Agency Expenditure Impact	(\$757.1)	(\$799.3)	(\$824.1)	(\$853.4)	(\$3,233.9)
Non-Personnel Impact	(2,867.7)	(2,629.8)	(2,715.7)	(2,981.8)	(11,150.0)
Apartment Style Housing	(4,920.0)	(5,092.2)	(5,270.4)	(5,454.9)	(20,737.5)
Estimated Expenditures	(\$8,544.8)	(\$8,521.3)	(\$8,810.2)	(\$9,290.1)	(\$35,166.4)
Agency Enhancement	\$2,859.0	\$2,859.0	\$2,859.0	\$2,859.0	\$11,436.0
Net Annual Impact	(\$5,685.8)	(\$5,662.3)	(\$5,951.2)	(\$6,431.1)	(\$23,730.4)