


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



Jeff DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeff DeWitt
Chief Financial Officer 

DATE: October 15, 2014

SUBJECT: Fiscal Impact Statement – Dignity for Homeless Families Amendment Act of 2014

REFERENCE: Bill 20-767, Draft Committee Print shared with the Office of Revenue Analysis on September 29, 2014

Conclusion

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

Background

The number of homeless people the Department of Human Services (DHS) houses rises in the winter because the District is required¹ to house any homeless person or family seeking shelter during severe weather.² The past two winters (FY 2013 and FY 2014), shelters filled to capacity and DHS had to house people in hotels (also known as “overflow shelter”). Last winter (FY 2014), when hotel rooms filled, DHS housed people in recreation centers and open spaces in the DC General shelter, like the cafeteria, using partitions to create private spaces.

This bill bans DHS from placing people in recreation centers or other open spaces; instead, the bill requires³ DHS to place people in private rooms with four non-portable, insulated walls; a locking door; lights with on/off switches; and on-site access to hot showers. These rooms must be

¹ The Homeless Services Reform Act of 2005, effective October 22, 2005 (D.C. Law 16-35; D.C. Official Code § 4-751.01 *et seq.*)

² Whenever the actual or forecasted temperature, including the wind chill factor, falls below 32 degrees Fahrenheit, or whenever the actual or forecasted temperature or heat index rises above 95 degrees Fahrenheit.

³ By amending Section 2 of the Homeless Reform Act of 2005, codified at D.C. Official Code § 4-751.01.

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accessible at all times. Occupants have the right to remain in their rooms without reapplying unless they violate shelter rules or are transferred.⁴

If the legislation passes, DHS will have to exclusively use hotels or other private rooms for overflow shelter when shelters fill in the winter. DHS will no longer be able to use 40 spaces in DC General or recreation centers.

The legislation largely has the same effect as a Superior Court order⁵ issued in March 2014 requiring the District to stop placing homeless families in recreation centers and spaces in DC General that are not private rooms (with private room defined almost exactly as it is in the legislation). The court order was the result of a lawsuit⁶ brought against the District by a group of families who were housed in recreation centers. The court order will be in place until the lawsuit is settled. The Office of the Attorney General says all evidence suggests the court order will be in place at least through the end of March 2015.⁷

Financial Plan Impact

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

DHS has no funding in its budget to pay for overflow shelter during the hypothermia season. In the past, DHS has used a combination of short-term apartments, hotel rooms, and District Government buildings to house homeless families. The Superior Court order prevents the District from using recreation centers and the 40 units in DC General that it used in the past. DHS has a number of options available to house these families, and the cost of meeting the requirements of the court order will depend on where the families are placed when they first seek housing and how they exit the system. Given that there is no budget allocated to the overflow shelter, it is not possible to score the cost of meeting the court order based on the agency policy goals. However, if DHS handled the overflow shelter in a manner similar to last year and met the requirements of the court order, it would need approximately \$11.4 million in its budget.⁸ The District must resolve this spending pressure.⁹

The court is expected to make its final decision by March of 2015. At that time, the decision could make the current order permanent, or prescribe a different means of meeting the District's obligations.

The bill will make the requirements of the court order permanent and it will give occupants the right to remain in their rooms without reapplying. This means after March 2015, the use of

⁴ Pursuant to subsections 20 through 24 of D.C. Official Code § 4-754.11.

⁵ Order of March 24, 2014, issued by Judge Robert Okun of the Superior Court of the District of Columbia in the Reid case.

⁶ Melvern Reid, *et al.*, v. District of Columbia, *et al.*, 2014 CA 001238 B.

⁷ According to Grace Graham, Section Chief, Equity, Public Interest Division, Office of Attorney General.

⁸ This estimate is based on DHS's projections of its overflow population during the FY 2015 winter and the cost of housing all of these families in hotels or other rooms that meet the court's definition of a private room. DHS's estimates are publicly available as a part of its winter plan. Assumes up to 300 families can be placed in a \$150 hotel room or equivalent and additional families are placed in a \$225 hotel room or equivalent.

⁹ DHS's own estimate of the spending pressure for this program is approximately \$24 million. This includes some exit options for homeless families, and covers a broader area than overflow housing.

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recreation centers and non-private rooms (as defined by the court order and legislation) will definitely not be available for DHS. DHS believes the legislation will also impact the methods it can use to transfer people out of overflow shelter.¹⁰ If the legislation passes and is implemented in January 2015, the spending pressure DHS will face in FY 2015 will increase by \$2.8 million. Once again, this estimate assumes that DHS handles overflow housing in a manner similar to last year. The spending pressure and the cost of the legislation could be much higher if other policy options (such as permanent housing) are considered.

The table below shows these numbers and the assumptions ORA used to calculate the costs.

DHS's spending pressures for FY 2015 for overflow shelter and the incremental impact of Bill 20-767, Dignity for Homeless Families Amendment Act of 2014, FY 2015 - FY 2018 (\$ in millions)					
	FY 2015¹	FY 2016	FY 2017	FY 2018	4-Year Total⁴
Current spending pressure at DHS ²	\$11.4	\$15.7	\$20.9	\$25.9	\$73.9
Impact of the legislation ³	\$2.8	\$11.6	\$23.4	\$39.7	\$77.5
Total spending pressure with the legislation	\$14.2	\$27.3	\$44.3	\$65.6	\$151.4

Table Notes:

¹ Cost for January through September only.

² This is the cost of overflow shelter taking into account the cost of the court order from January to March of 2015. All other costs use the following assumptions: 840 new families enter the system every October through April and roughly 64 exit a month; there are 409 shelter units available with 372 occupied October 1, 2014; DHS can place up to 300 families a night in \$150 hotel rooms or the equivalent, 30 additional families in \$225 hotel rooms or the equivalent, and all additional families in recreation centers; recreation centers cost \$3,000 per night to operate and can hold up to 50 families; only 42% of families referred to recreation centers will stay there.

³ Assumes 840 new families enter the system every October through April and roughly 58 exit a month; there are 369 shelter units available with 372 occupied October 1, 2014; DHS can place up to 300 families a night in \$150 hotel rooms or the equivalent and places all additional families in \$225 hotel rooms or the equivalent. The difference between the 409 and the 369 shelter units represents the loss of the 40 shelter units at DC General.

⁴ Assumes a 10 percent increase in cost of services each year after FY 2015.

The Office of Revenue Analysis estimates that FY 2016 through FY 2018 costs will increase dramatically if there continue to be 840 families a winter who need shelter and no new shelters are built. The increase in annual costs is mostly attributable to two assumptions:

- With the legislation, families will exit at a rate of 58 per month, and without it 64 families will exit each month. At both rates of exit, the number of people still in shelter at the beginning of October increases each year, meaning more and more people are placed in overflow shelter. As overflow shelter numbers increase the cost difference between housing people in hotels and recreation centers increases.
- We assume 10 percent cost inflation each year.

¹⁰ DHS believes that if the bill passes occupants who are determined to be eligible for one-time assistance will be granted the opportunity to remain in shelter. ORA estimates this would lower DHS's the rate that families exit from 64 to 58 families per month.

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The actual costs of overflow shelter in the out-years, with or without legislation, are highly variable. They depend on the number of people seeking housing during hypothermia events and the shelter space available. They also depend on where DHS decides to house people. Our out-year estimate assumes DHS will continue to place people in hotel rooms (or in the absence of legislation, recreation centers once hotel rooms are full), but in its Winter Plan DHS lists District-owned buildings, short-term lease opportunities from private landlords, and portable housing as overflow shelter possibilities. DHS also said it could build permanent facilities with 40 to 50 units for \$20 million each (which does not include annual operating costs). Therefore, it is possible that the actual overflow shelter costs in FY 2016 through FY 2018, with or without this legislation, could vary significantly from ORA's estimates.

Finally, DHS might be able to address some of the spending pressure using its internal resources. Last year, the agency used approximately \$8 million in TANF funds to pay for overflow shelter.