

MEMORANDUM

TO: Regional Steering Committee on Homelessness and Housing

FROM: HomeBase

RE: Budget Update, State Interagency Council and the Ten-Year Plan

DATE: June 17, 2011

Background

The RSC regularly discusses how changes in the state and federal budgets will impact programs addressing homelessness, and it has done so at its February 2011, July 2008, March 2006, March and July 2005, and March and September 2004 meetings. The Regional Steering Committee discussed the recession and reduced program funding at its July 17, 2009 and October 2008 meetings. Most recently, the Ten-Year Plan to End Homelessness was discussed at the July 2008 RSC meeting. It was also discussed in January and October 2007, and March and September 2004. Both the California and federal budgets, as well as a state Interagency Council on Homelessness could have a significant impact on the implementation of a ten-year plan to end homelessness. This memo will explore the proposed state and federal budgets for the upcoming fiscal year, recent efforts in California to establish a state Interagency Council, and the effect that these will have on the state's existing Ten-Year Plan.

Update on the Proposed 2011-12 California Budget

Despite a slight improvement in California's economic situation over the past fiscal year, the proposed 2011-12 budget further cuts funding for programs and services advocating for the state's homeless population. Governor Jerry Brown has tried to extend certain tax provisions in an effort to avoid making further significant cuts in funding, but this has been met with some opposition by California's legislative bodies. While the state has reduced the budget gap from \$25.4 billion to \$9.6 billion through budget cuts and unexpected tax revenues, the remaining balance must be addressed when the budget is passed.¹ The California constitution mandates that the budget must be passed by midnight on June 15th. This deadline has rarely been met in recent years, but with the passing of Proposition 25 in November, lawmakers will be docked pay and not receive per diem for each day the balanced budget is delayed. This added pressure may result in a more timely balanced budget for this year.

¹ http://sunshinereview.org/index.php/California_state_budget

Income

CalWORKs

The CalWORKs program is California's version of the federal Temporary Assistance for Needy Families program. It provides time-limited benefits to help cover a family's basic needs such as food, shelter and clothing in times of crisis. The CalWORKs program also has certain work requirements that are meant to promote self-sufficiency.

CalWORKs benefits are currently available to eligible families for up to 60 months. The budget proposes that this be lowered to a 48 month maximum, with the exception of children-only benefits, which could continue past the 48 month time period. This will result in approximately 22,500 adults being removed from aid.² For un-aided adults that meet an exception to the 48-month rule (sanctioned, safety-net, child-only benefits), benefits will be reduced 5%, 10%, and 15% on the 61st, 73rd, and 85th consecutive months of aid.³ CalWORKs grants will be reduced from \$694 a month for a family of three to \$638 a month.⁴ Additionally, the earned income disregard will be reduced and the short-term reforms (reduction in the county single allocation for employment services and stage 1 child care) will be extended. These cuts in CalWORKs services and funding total a \$1.1 billion budget reduction.⁵

Supplemental Security Income/State Supplementary Payment

The federally funded Social Security Income program, administered by the U.S. Social Security Administration (SSA), provides a monthly cash benefit to eligible disabled, blind, or elderly individuals. A person must meet certain income and resource requirements in order to be eligible, which is a determination made by SSA. In California, SSI is supplemented by an State Supplementary Payment grant, and this money helps individuals to meet basic needs and living expenses. The estimated caseload for 2011-12 is 1.3 million SSI/SSP recipients, indicating a 0.8% increase over the previous year.⁶

The CA budget grants the SSI/SSP programs \$2.7 million General Fund for the upcoming fiscal year. This is a 3.8% decrease from the previous year's budget.⁷ The state legislature has approved the reduction of individual grants to the federal minimum, bringing them down from \$845 a month to \$830 a month.⁸ SSI/SSP grants for couples were reduced to the federal minimum in November 2009.

² Governor's Budget May Revision 2011-12: Health and Human Services, available at <http://www.ebudget.ca.gov/pdf/Revised/BudgetSummary/HealthandHumanServices.pdf>

³ Id.

⁴ Id.

⁵ California Budget Project (2011), *Recent Cuts to CalWORKs Have Significantly Affected Families and Local Communities*, available at http://cbp.org/pdfs/2011/110511_Impact_CalWORKS_Budget_Cuts.pdf

⁶ Governor's Budget May Revision 2011-12: Health and Human Services, *supra*.

⁷ Proposed Budget Summary 2011-12, available at <http://www.ebudget.ca.gov/pdf/BudgetSummary/HealthandHumanServices.pdf> Id.

⁸ May Revisions Budget Summary 2011-12, *supra*.

Services

Medi-Cal

Medi-Cal is California's version of Medi-Care insurance that is available to low-income individuals and families. The federal government mandates certain services that must be covered by a state's Medi-Care insurance, and the state provides optional benefits at state cost.

The Medi-Cal system will be experiencing many changes and reforms as a result of this year's budget. Overall, Medi-Cal spending will be reduced by \$1.7 billion.⁹ The legislature has placed a maximum benefit cap on certain services, and will be limiting the number of doctors' visits per year to 7. The now optional co-payment system will become mandatory, requiring beneficiaries to pay \$5 on most services, \$50 for emergency room services, and \$100 a day for hospital stays (\$200 maximum). Adult day health care will be eliminated, though \$25 million has been factored into the budget to assist in transition of day health care recipients to other Medi-Cal systems.¹⁰

Mental Health

The May revision of the 2011-12 budget proposes the elimination the Department of Mental Health (DMH) and distributes its responsibilities and programs to counties through realignment.¹¹ Specifically, the responsibility of administering and funding the Early and Periodic Screening, Diagnosis and Treatment (EPSDT) Program and mental health managed care would fall to the counties. The department's responsibilities of overseeing state hospitals would be transferred to a new Department of State Hospitals, and Medi-Cal functions of DMH would be transferred to the Department of Health Care Services.¹² With the realignment of these responsibilities and the creation of a Department of State Hospitals, DMH will have very few functions left in 2011-12. The Governor's Budget for 2012-13 will transfer these remaining responsibilities to other departments.¹³ Much of the funding for the counties' mental health programs will come from MHSA revenues rather than the general fund.¹⁴

⁹ M. Taylor, California Legislative Analyst's Office (2011), *The 2011-12 Budget: Overview of the May Revision*, available at http://www.lao.ca.gov/reports/2011/bud/may_revise/may_revise_051911.pdf

¹⁰ California Budget Project (2011), *Governor Releases May Revision: Tax Collections Up, Less Balance, Backloaded Business Tax Breaks*, available at http://www.cbp.org/documents/110516_May_Revise.pdf

¹¹ As of May 19th, this had not yet been finalized so it is not clear how much program funding would be cut as a result of realignment. M. Taylor, California Legislative Analyst's Office, *supra*.

¹² Legislation and Public Information Unit, Disability Rights California (2011), *California State Budget-May Revise Update Chart*, available at <http://www.disabilityrightsca.org/legislature/Budget/2011/Budget%20Chart%202011-05-23.htm>

¹³ California Primary Care Association (2011), *The Governor's May Revision Budget Proposal: Fiscal Year 2011-12*, available at <http://www.cpcac.org/cpcac/assets/File/Policy-and-Advocacy/State-Budget/State-Budget/2011-05-19-May-Revise-Comprehensive-Analysis.pdf>

¹⁴ Proposition 63 (now known as the Mental Health Services Act) was passed in 2004. The Act imposes a 1% tax on all personal income over \$1 million. The revenues generated by this tax are given to counties to help fund local mental health program.

Redevelopment

Redevelopment agencies work throughout the state to revitalize deteriorated neighborhoods and provide affordable homes. The proposed 2011-12 budget seeks to phase out redevelopment agencies beginning in 2011-12. No current obligations would be impaired, but agencies would be prohibited from creating new obligations. Implementation and funding for redevelopment projects would become the responsibilities of local governments. Nearly \$1 billion in funding for the development of affordable homes would be lost if redevelopment agencies are eliminated.¹⁵

Housing

The Housing and Community Development (HCD) budget will be reduced in part because certain one-time funding through loans and grants has run out.¹⁶ There will be a \$99 million decrease in funding due to a one-time pause in the issuance of bonds for grants and loans to new housing projects.¹⁷ The funding for the Transitional Housing Program-Plus will be reduced by \$19 million, which will force 18 and 19-year olds emancipated from the foster care system to seek alternative transitional housing programs.¹⁸ Currently the Senate and the Assembly disagree on a number of HCD budget reductions. These include the elimination of Preservation Technical Assistance, elimination of Redevelopment Housing Fund, and reduction of housing policy funding.¹⁹

Veterans Affairs

The budget proposes to eliminate General Fund support for County Veterans Service Offices for a budget reduction of \$9.9 million.²⁰ The budget also proposes a delay in the opening of two new veterans homes in an effort to further reduce the budget by \$8.3 million.

DISCUSSION

- How significant of an impact will budget cuts have on your communities programming?
- Are there cost-effective measures that can be taken to reduce the impact of the proposed budget cuts and realignment plans?

State Interagency Council on Homelessness

¹⁵ Housing California (2011), *Budget Memo: Success in Schools Starts with a Stable, Affordable Home*, available at

http://www.housingca.org/site/DocServer/Budget_Fact_Sheet_May_24_education.pdf?docID=781

¹⁶ Proposed Budget Summary 2011-12: Business, Transportation, and Housing available at

<http://www.ebudget.ca.gov/pdf/BudgetSummary/BusinessTransportationandHousing.pdf>

¹⁷ Id.

¹⁸ Id.

¹⁹ J. Snyder, Housing California (2011), *Budget Committees Modify HCD Budget*, available at:

<http://www.housingca.org/site/News2?page=NewsArticle&id=5572>

²⁰ Proposed Budget Summary 2011-12: General Government, available at

<http://www.ebudget.ca.gov/pdf/BudgetSummary/GeneralGovernment.pdf>

California has the highest rate of homelessness in the country, yet it is one of the only states currently without an active Interagency Council on Homelessness (ICH).²¹ These state councils bring together members of agencies and departments that work to end homelessness, and allow them to take a collaborative approach to address homelessness. An ICH, created by an executive order, had been operated under the Gray Davis administration. However, by nature of its creation through an executive order, the ICH did not carry over into the Schwarzenegger administration. As a part of his Chronic Homelessness Initiative Governor Schwarzenegger created a new ICH, which initiated the creation of a ten-year plan to end homelessness. This ICH met regularly to create the two plans, but has not met since the plans were adopted and Sean Walsh left his position as director of the Office of Research and Planning. Since then, bills have been created in an effort to force an ICH, but none have passed in the appropriations committees of both houses.

On February 18th, 2011, Assembly Bill 1167 was introduced in the state legislature. This bill, if passed, would create a state ICH. The language of the bill indicates that the Council would be required to meet at least once a quarter, take the lead for coordinating and planning the state's response to homelessness, and seek out all available federal funds for the purpose of funding the Council and its activities.²² On Friday, May 27th, the bill moved from the Assembly appropriations committee, and was approved by the full Assembly on June 2nd. It is now waiting for approval by the Senate, where it will be put on suspense until August. The Senate will prioritize and work out budgetary issues first, and then will move on to bills in suspense once funding has been worked out.

The bill has been drafted flexibly so that the ICH could still be created by an executive order. Advocates are hopeful that a Council could be created in this manner before AB 1167 would come out of suspense in August. If this were to happen, this ICH could later be merged with a Council created through a legislative bill.²³

To be most effective, certain agencies should be included in a future Council, including the Departments of Housing and Community Development, Veterans Affairs, Mental Health (due to budget changes, this may require the new Department of State Hospitals or representatives from local mental health programs), Social Services, and Corrections and Rehabilitation.²⁴ Advocates and local governments would also make valuable contributions to a council. Regardless of how many agencies and advocates were involved, the estimated cost of the Council does not vary far from \$350,000 annually.²⁵ The potential Council members are already working on homelessness issues, so the Council would not remove them from their work, but would instead help to streamline the approach to addressing homelessness.

²¹ Fact Sheet: AB 1177 (Fong and Hill) Interagency Council on Homelessness, available at http://www.housingca.org/site/PageServer?pagename=policyissues_homelessness

²² A.B. 1167, 2011 Legislature, Regular Session (California 2011). Available at http://leginfo.ca.gov/pub/11-12/bill/asm/ab_1151-1200/ab_1167_bill_20110527_amended_asm_v97.html

²³ Interview with Zack Olmstead, 8 June 2011.

²⁴ Id.

²⁵ Id.

States such as Pennsylvania have used an Interagency Council to create agendas to end homelessness and implement supportive housing and homelessness prevention services. Alabama has used its Interagency Council to collaborate efforts between government, private actors and service providers. The Oregon Interagency Council on Hunger and Homelessness has successfully and efficiently developed outreach strategies and recommendations to ensure that various actors are maximizing their efforts. These states and many others are examples of what a valuable asset an ICH is in a state's effort to eliminate homelessness.

Having a California council would increase efficiency and prevent duplication in efforts to address homelessness. It would help to facilitate coordination and communication between state, local, and private actors. For example, California is not accessing all of the federal funds it could due to a lack of coordination among agencies.²⁶ An essential goal for this potential council would be to secure more of this funding. Other states with interagency councils have seen an increase in their federal funding.²⁷ Once the Council has gathered more resources it will be able to effectively go after its goal of reducing homelessness in California.

DISCUSSION

- Do you think that your community would support this type of collaborative effort?
- Will an Interagency Council be an effective use of resources?

Ten-Year Plan to End Homelessness

During his administration, Governor Schwarzenegger pushed for the creation of a ten-year plan to end homelessness. At a conference in June 2006, representatives from state, local, and private agencies worked together to create the five goals of the plan. In 2008 a draft of a plan was released for comments. The comments were later released, but no other version of the plan has been created aside from the draft form. The Ten-Year Plans were adopted in February 2010: one addressing chronic homelessness and one addressing homeless families. Though the plan was adopted, it has never been implemented, mainly due to a lack of funding and resources for the various initiatives. There was also no mechanism in place to ensure that agencies were acting in line with the plan.

The Ten-Year Plan, as drafted, articulates the goals and strategies that would allow the state to end chronic homelessness within ten years. It sets out to establish as a state priority the reduction and prevention of chronic homelessness, pursue a housing first strategy with an increase in the supply of affordable supportive housing, promote early identification of those at risk for chronic homelessness and establish methods of prevention, enhance the accessibility and integration of supportive services, and promote financial stability of the at-risk and chronically homeless population.²⁸

²⁶ A.B. 1167, *supra*.

²⁷ Interview with Zack Olmstead, *supra*.

²⁸ *Governor's Ten Year Chronic Homelessness Action Plan*, available at http://www.hcd.ca.gov/Final_Ten_Year_Chronic_Homelessness_Action_Plan.pdf

Utah has implemented a very successful ten-year plan that was produced through a collaboration of agencies and advocates. The state is following a “housing first” strategy and is moving individuals from the streets into their own affordable apartments. The plan also provides job training and plans for the re-integration of homeless persons back into society. Since implementation of the plan began in 2005, the state has reduced its chronic homeless population by 58%. This plan was created and implemented before the creation of the federal strategic plan, Opening Doors, but the objectives and goals of the federal plan fall in line with Utah’s strategy.

When the state ICH comes back into existence, it would likely resume the task of implementing the current plan to end homelessness or revising the plan to align with Opening Doors. Created by the United States Interagency Council on Homelessness, Opening Doors sets goals for eliminating veteran homelessness by 2015 and eliminating homelessness in families, youth and children by 2020.²⁹ The Council could also choose to either create a new plan or work to implement the existing draft. With the Council able to bring in more federal funding, there will be less pressure on the state budget as a source of financial support for the plan. An improved funding situation would help to galvanize the plan and support its application.

Factors for Successful Ten-Year Plan Implementation

In 2009, the National Alliance to End Homelessness conducted a study on state, city and county plans to see how successfully they were being implemented. The study indicated that there are four factors that are thought to lead to successful implementation: identifying a person/body responsible for implementation, setting numeric outcomes, identifying a funding source, and setting a clear implementation timeline.³⁰ It also indicated that the most recently created plans put more focus on rapid re-housing and shortening homelessness, while continuing to recognize the importance of permanent housing and prevention.³¹ Should the new state ICH take on the task of creating or implementing an existing Ten-Year Plan, these factors to successful implementation and new areas of focus should be taken into consideration.

DISCUSSION

- What effect would a state ten-year plan have on your local initiative?
- Has your community aligned your ten-year plan with the federal strategic initiative? If not, does it plan to do so?

²⁹ United States Interagency Council on Homelessness (2010), *Opening Doors: Federal Strategic Plan to Prevent and End Homelessness*, available at http://www.usich.gov/opening_doors/

³⁰ National Alliance to End Homelessness (2009), *A Shifting Focus: What’s New In Community Plans to End Homelessness*, available at <http://www.endhomelessness.org/content/article/detail/2502>

³¹ Id.

Update on Federal Budget

Fiscal Year 2011

On April 14, 2011 the federal government narrowly avoided a shut down due to the passing of a budget resolution that authorized an additional \$39.9 billion in cuts. The additional cuts included a 16% (\$650 million) reduction in Community Development Block Grants, bringing the funding level to \$3.343 billion. HOME funding was reduced to \$1.61 billion, while Homeless Assistance Grant funding went up slightly to \$1.905 billion. The final resolution granted \$18.408 billion in funding for Housing Choice Vouchers, which indicates a 1% increase from the previous year. Funding for Housing for Persons with disabilities was cut in half and reduced to \$150 million. In addition to these individual program cuts, all non-defense departments experienced a 0.2% across-the-board cut.

Emergency Solution Grants

The budget resolution passed in April directs HUD to implement the Emergency Solutions Grant (ESG) program at a level of at least \$225 million. While the amount of funding has not yet been finalized, this represents at least a \$65 million increase in funding from FY2010. HUD will allocate this money in two phases: first it will allocate/execute grants for \$160 million (the budget funding from FY2010), and then will administer additional funds once the level of funding for FY2011 is finalized.

HEARTH Implementation

The FY 2011 budget did not include enough funding to move forward and fully implement HEARTH. There have, however, been increases in funding for homelessness programs including \$50 million in funding for the HUD-Veterans Affairs Supportive Housing Program.

Fiscal Year 2012

On February 14, 2011, President Obama presented his budget for the 2012 Fiscal Year to Congress.

Department of Housing and Urban Development

The proposed budget provides HUD with a \$48 billion spending level budget. Funding for certain programs has been reduced below recent enacted levels due to the President's promise to cut spending and increases in funding were made only for the neediest Americans.³²

- The budget proposes that funding for Community Development Block Grants be reduced by \$300 million.

³² Office of Management and Budget (2011), *Budget of the United States: Fiscal Year 2012*, available at <http://www.whitehouse.gov/omb/budget/Overview>

- An increase of \$577 million above the 2010 level is recommended for the Federal Strategic Plan to End Homelessness, bringing funding for this initiative to over \$2.5 billion. This should allow HUD to assist 78,000 additional homeless individuals and families.
- The budget provides \$250 million for the Choice Neighborhood initiative to continue transformative investments in areas where distressed HUD-assisted public and privately-owned housing is located.
- A \$200 million demonstration project and evaluation of the conversion of up to 255,000 public housing units to long-term project-based rental assistance contracts is included in the budget. Similarly, the Transforming Rental Assistance initiative will preserve 7,600 HUD-assisted units at risk of leaving the affordable housing stock.
- The budget reduces funding for new housing construction for seniors and persons with disabilities by \$172 million.
- The President requests \$19.2 billion for the Housing Choice Voucher Plan. A large portion of this (\$9.4 billion) would go towards project-based rental assistance to preserve 1.3 million affordable units.
- On Tuesday, June 14, the House voted on a \$75.2 billion measure to increase funding for veterans health programs and military construction projects. This should lead to about a 4% increase in funding for veterans health services. This measure is expected to easily pass in both houses.³³
- The House also announced an \$868 million (13%) funding cut for the food program for Women, Infants, and Children (WIC). This could mean that 200,000 people would be turned away from the program if food prices rise as expected.³⁴

If you would like further information or resources regarding these topics, please contact Danielle Wildkress, HomeBase Staff Lawyer, at danielle@homebaseecc.org or (415) 788-7961 x 301.

This memorandum was constructed by Taylor Pospichel, HomeBase Legal Intern.

³³ Associated Press (2011), *GOP-controlled House to boost veterans' programs, cut food aid for the poor at home and abroad*, available at http://www.washingtonpost.com/politics/congress/gop-controlled-house-to-boost-veterans-programs-cut-food-aid-for-the-poor-at-home-and-abroad/2011/06/14/AGkLhBUH_story.html?nl_headlines

³⁴ Id.