

FEBRUARY 19, 2020

# Homelessness and the 2020-21 Budget

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PRESENTED TO:

Assembly Budget Subcommittee No. 1  
On Health and Human Services  
Hon. Joaquin Arambula, Chair

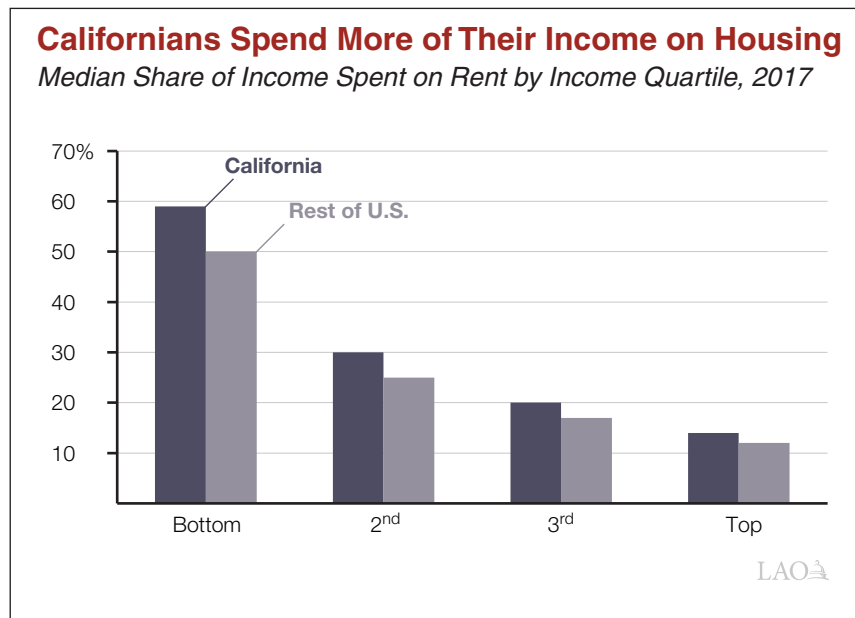
Assembly Budget Subcommittee No. 4  
On State Administration  
Hon. Jim Cooper, Chair



LEGISLATIVE ANALYST'S OFFICE

## Housing Affordability Affects Homelessness

- While homelessness is a complex problem with many causes, the high costs of housing is a significant contributor.
- Californians spend a larger share of their income on rent.

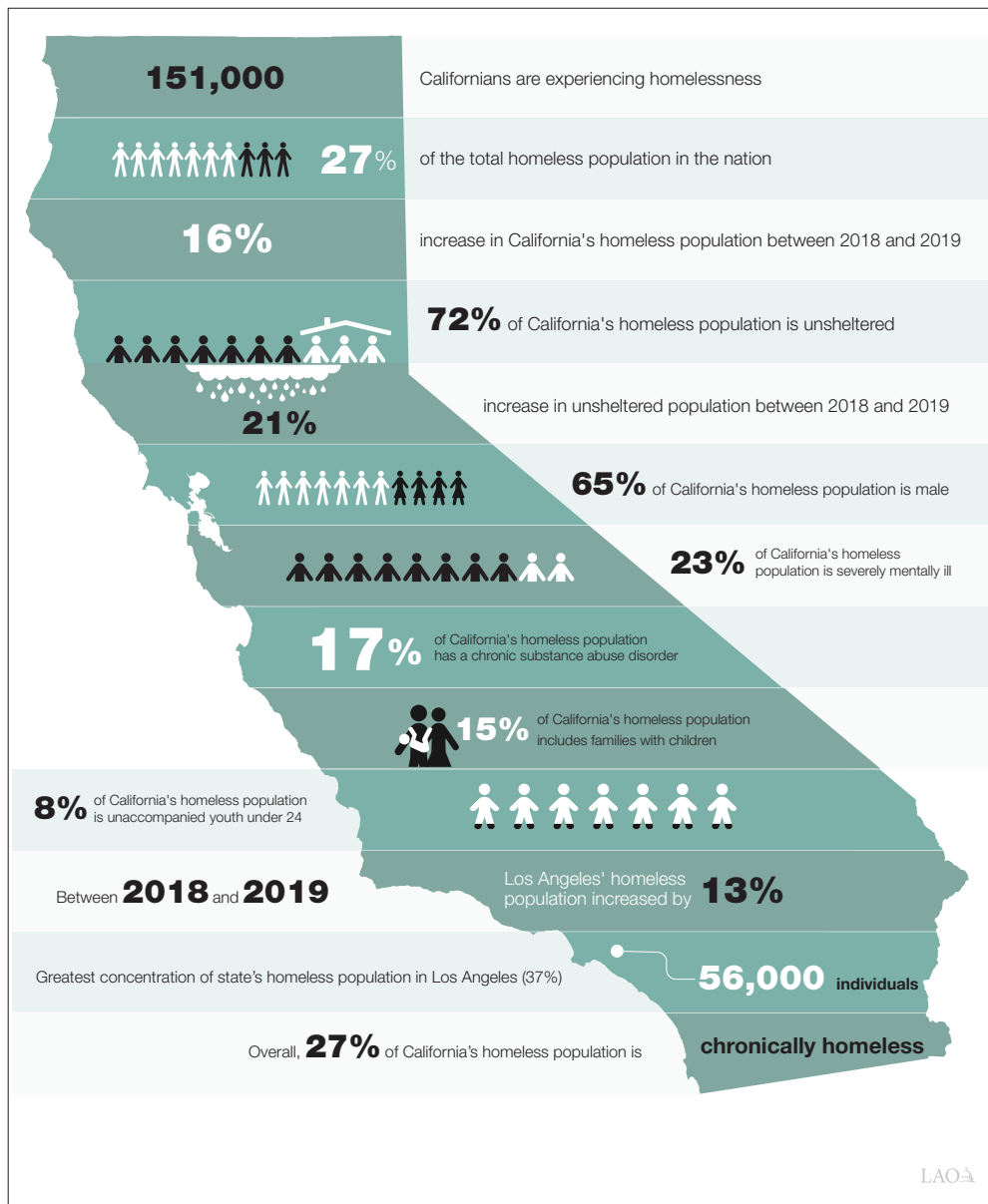


- Rising housing costs have exceeded growth in wages, particularly for low-income households.
- 1.5 million low-income households pay at least half of their income toward rent.



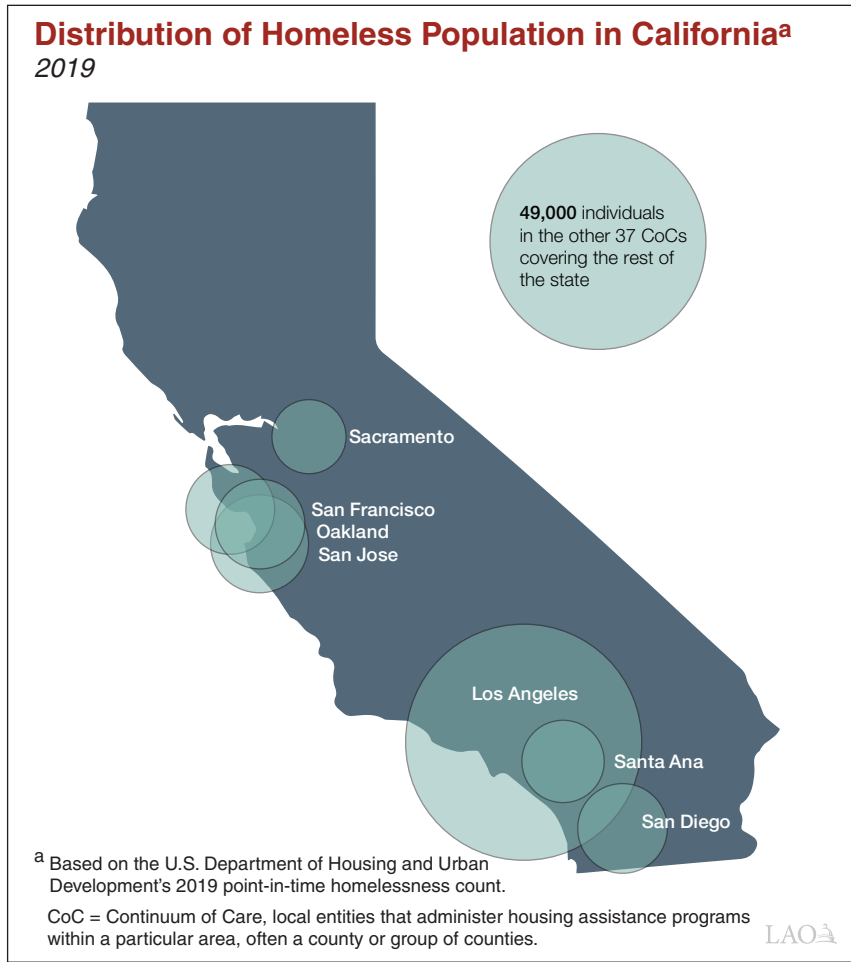
# California's Homeless Population

- An estimated 151,000 people experience homelessness in California.
- More people experience homelessness in California than any other state in the nation.



# California's Homeless Population

(Continued)



- **Homeless Population Likely Larger.** Efforts to produce an accurate and complete count are hindered by various factors, including:
  - The transitory nature of the homeless population.
  - Limitations on counting all forms of homelessness.



# Historical State and Local Efforts to Address Homelessness

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## Various State Programs Historically Have Helped Address Homelessness...

- ***State Homelessness-Related Programs.*** California, in partnership with the federal government, administers and funds a variety of programs that assist individuals experiencing homelessness or at-risk of becoming homeless.
  - Programs that support building new affordably priced housing.
  - Programs that help households afford housing.
  - Health and human services programs that may assist with preventing homelessness.
- ***Multiple State Departments Involved in Addressing Homelessness.***
  - Some of the state’s longest standing and/or largest housing and homelessness programs are administered by the Department of Housing and Community Development, California Housing Finance Agency, California Tax Credit Allocation Committee, and the Homeless Coordinating and Financing Council (HCFC).
  - Other departments either administer the state’s safety net programs and/or have other, more limited roles in addressing housing and homelessness.
- ***Multiple Funding Sources for Addressing Homelessness.*** Funding for these housing and homelessness programs comes from a variety of state and federal sources.



# Historical State and Local Efforts to Address Homelessness

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*(Continued)*

## **...But Most Homelessness Assistance Has Been Provided at Local Level**

- Local governments are most knowledgeable about the specific homelessness-related challenges facing their communities and are well positioned to implement the combination of strategies that will work best for them.
- Historically, cities and counties have provided most of the homelessness assistance in their jurisdiction, relying in part on federal and state funding.
- Local governments set their own policies that aim to alleviate homelessness in their communities. For example, passing inclusionary housing and rent stabilization ordinances.



# Major Recent State Actions Addressing Homelessness

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As the homelessness crisis has become more acute, the state has taken a larger role in funding and supporting local governments' efforts to address homelessness.

<b>Major State Homelessness Spending Actions in 2018-19 and 2019-20<sup>a</sup></b> <i>(In Millions)</i>	
<b>Program</b>	<b>Funding</b>
No Place Like Home <sup>b</sup>	\$2,000
Homeless Emergency Aid Program <sup>c</sup>	500
Homeless Housing, Assistance, and Prevention Program <sup>c</sup>	650
<b>Total</b>	<b>\$3,150</b>

<sup>a</sup> Authorization of \$500 million in Low-Income Housing Tax Credits are not reflected in this figure.  
<sup>b</sup> Revenue bond from the Mental Health Services Act, also known as Proposition 63 of 2004.  
<sup>c</sup> General Fund.



# Overview of the Governor's Homelessness Plan

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In January 2020, the Governor took several major steps to address homelessness in California—issuing an executive order and including several homelessness-related proposals in his 2020-21 budget proposal.

## Key Components of Governor's Homelessness Plan

### Proposal

#### **Governor's Executive Order**

Established the California Access to Housing and Services (CAAHS) Fund.  
Made surplus state properties available for temporary shelters.  
Deployed temporary camp trailers from state fleet.  
Established a multiagency Homelessness Response Team.

#### **Governor's 2020-21 Budget Proposals<sup>a</sup>**

Proposes \$750 million General Fund deposit into CAAHS Fund.  
Proposes \$695 million total funds to reform the Medi-Cal system to serve populations with complex needs.  
Announces efforts to consider potential future changes related to behavioral health.  
Proposes Behavioral Health Task Force to evaluate overall systems effectiveness.  
Proposes to study root cause of homelessness.  
Identifies interest in consolidating state's housing and homelessness programs.

<sup>a</sup> The Governor also proposes \$500 million in Low-Income Housing Tax Credits.

***Governor's Council of Regional Homeless Advisors.*** At the same time, the Governor's Council of Regional Homeless Advisors (established in 2019) issued its initial recommendations.





## California Access to Housing and Services (CAAHS) Fund

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***Proposes \$750 Million Deposit Into CAAHS Fund.*** The Governor proposes depositing \$750 million General Fund in one-time funding into the CAAHS Fund he established through executive order within the Department of Social Services. The administration indicates that a primary goal of the fund is to help alleviate street-based homelessness and increase the number of housing units.

- Proposes selecting “regional administrators” to manage allocations.
- Establishes some criteria for allocating funding to regional administrators.
- Proposes allowing allocations to support a variety of activities.
  - Affordable housing development.
  - Housing-related financial assistance.
  - Board and care facility stabilization.
  - Tenancy support services.
- Allows CAAHS Fund to accept contributions from other governments and private sources.
- Requests resources at DSS to implement and oversee the program.
- Requests legislature take early action on proposal.



## Medi-Cal and Other Behavioral Health Reforms

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- ***Proposes \$695 Million to Reform the Medi-Cal System to Serve Populations With Complex Needs.*** The Governor's budget proposes \$695 million total funds (\$348 million General Fund) to begin implementation of a major Medi-Cal reform proposal referred to as Medi-Cal Healthier California for All (MHCA).
  - Some funding would benefit individuals experiencing homelessness or at risk of homelessness.
  - Benefits provided by Medi-Cal managed care plans.
- ***Announces Efforts to Consider Potential Future Changes Related to Behavioral Health.***
- ***Proposes Behavioral Health Task Force to Evaluate Overall Systems' Effectiveness.***



## Additional Proposals

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- *Proposes to Study Root Cause of Homelessness.*
- *Identifies Interest in Consolidating State's Housing and Homelessness Programs.*
- *Expands the State Housing Tax Credit Program.*



# LAO Comments

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## New CAAHS Fund Raises Issues for Legislative Consideration

- ***Proposal Shifts Away From Providing Funding to Local Governments Directly.***
- ***Proposal Complicates State-Level Homelessness Funding and Coordination.***
- ***Proposal Grants Significant Decision-Making Authority to DSS.***
  - Selecting the number and geographic boundaries of the regions.
  - Selecting the regional administrators.
  - Determining the allocation of funding to regional administrators.
  - Establishing an oversight mechanism and tracking performance.
- ***Key Questions Remain.*** We highlight key questions the Legislature could ask the administration as it considers the merits of the proposal and raise issues for consideration.
  - What objectives does this plan achieve?
  - What incentives are there for the federal government, local governments, and private entities to contribute funding to the CAAHS Fund?
  - How much funding will be allocated to each component of the proposal?
  - Is one-time funding appropriate for the activities the fund supports?
  - Why has the administration decided to establish the CAAHS Fund within DSS?
  - How is the CAAHS Fund strategy different from the Homelessness Emergency Aid Program and the Homeless Housing, Assistance, and Prevention Program



## LAO Comments

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### New CAAHS Fund Raises Issues for Legislative Consideration Continued

- Additional questions related to board and care facilities.
  - To what extent will the board and care component contribute to reducing street homelessness and increasing housing supply? How widespread is the problem?
  - What role do board and care facilities play in addressing homelessness?
  - Will funds be allocated directly to facility operators or Supplemental Security Income/State Supplementary Payment recipients?
  - Will funding be targeted at certain facilities or residents?
  - What level of accountability will be placed on board and care facilities that receive CAAHS funding?
- ***Early Action to Obligate Funding Raises Concerns.***



## LAO Comments

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### Medi-Cal and Other Behavioral Health Reforms Raise Issues for Legislative Consideration

- ***MHCA Represents a Novel Approach for More Directly Addressing Homelessness Through Medi-Cal...***
- ***...However, Key Issues Remain.*** The key issues we describe below are based on our current understating of the proposal, as the administration has yet to release associated trailer bill language.
  - Potential to increase fragmentation in state efforts to address homelessness.
  - Proposal gives Medi-Cal a new, largely untested, role in addressing homelessness.
  - Potential to create an “entitlement” aspect to housing services.
  - Once-per-lifetime restrictions on some housing benefits could hinder effectiveness.
- ***Potential Changes to Mental Health Services Act Raise Major Issues for Legislative Consideration.***



# LAO Comments

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## Overall Long-Term Strategy for Addressing Homelessness Unclear

- ***Governor's Budget Continues Recent Increased State Role in Homelessness.*** California has more people experiencing homelessness than any other state in the nation. Given the scale of the state's homelessness crisis, we think that the Governor's continued effort to expand the state's engagement in addressing homelessness is warranted.
- ***Individually, Components of Governor's Housing Plan and Council's Recommendations Merit Consideration...*** The individual components of the Governor's budget each take a different approach towards addressing the state's challenges. Each approach, whether focusing on expanding the state's affordable housing stock, preventing homelessness through rental assistance programs, or offering services that help break down barriers to stable housing, merits consideration.
- ***...However, Governor's Plan Lacks a Cohesive Approach for Addressing Homelessness.*** Taken collectively, how the Governor's proposals work together and collaborate with existing programs to meaningfully address homelessness is unclear.
- ***Fragmented Approach Creates Various Challenges.*** Addressing a problem as complex and interconnected as homelessness requires the involvement of departments and agencies across the state and collaboration among all levels of government and other stakeholders. A fragmented response creates various challenges.



## Clear Homelessness Strategy Needed

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We suggest the Legislature identify its own priorities for addressing homelessness and develop a plan that aligns with those priorities. By creating a strategy, the Legislature could increase the likelihood that the state's resources are used in a way that results in meaningful reductions in homelessness.

### ***Recommend Legislature Withhold Early Action on CAAHS***

**Fund.** Considering the Governor's CAAHS initiative as part of the regular budget process will afford the Legislature several benefits.

- Allows the Legislature to consider how the proposal aligns with its own homelessness priorities.
- Allows the Legislature the opportunity to engage the administration on the remaining questions and issues we identify in this report.
- Provides the Legislature access to updated revenue information and better insight into the state's economic condition before investing hundreds of millions of dollars into a new program.





## **Framework for Developing Homelessness Plan**

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To help the Legislature develop its own homelessness plan, this section outlines the issues we suggest the Legislature consider when developing a plan.

- Identify goals.
- Identify solutions that align with goals.
- Set clear state and local responsibilities.
- Identify state governance structure.
- Establish funding strategy.
- Develop rigorous oversight mechanism.



## Alternative 2020-21 Action

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A desire to quickly bring relief to those individuals that are experiencing and at risk of homelessness stands in contrast to our recommendation to develop a clear, strategic plan.

- ***Provide Grants to Local Governments Similar to Prior Years.*** We encourage the Legislature to provide one-time resources in 2020-21 to local governments using existing mechanisms, rather than committing to a new system—as proposed by the Governor—that may not ultimately fit into the Legislature’s plan.
  - Mechanisms already are in place through the HCFC to support local governments’ efforts to combat homelessness could be used again in 2020-21, while the Legislature develops its own plan.
  - The Legislature could redirect the \$750 million in homelessness funding proposed by the Governor, or a different amount, for this purpose.
  - If the Legislature uses these existing mechanisms, we suggest maintaining rigorous oversight to ensure accountability and monitor outcomes.
- ***One-Time Action Provides Time to Develop Homelessness Plan.*** Taking one-time action allows the Legislature to support local efforts to address homelessness while it develops a plan. Through that process, the Legislature can determine the state’s role in addressing the problem, the balance between one-time and ongoing funding, and how to effectively oversee progress.

