

June 30, 2020

MEMORANDUM

To: Select Budget Committee
From: Jeff Simms, Analyst
Subject: Summary of CB 119816: Washington Department of Commerce and Federal Department of Health and Human Services Appropriations

On Wednesday, July 1, 2020, the Select Budget Committee will discuss and vote on [Council Bill \(CB\) 119816](#), which accepts grant funds received from the Washington Department of Commerce (Commerce) and the United States Department of Health and Human Services (HHS) and authorizes spending of those funds. This memo (1) summarizes the grants; (2) describes the uses proposed by the Executive; and (3) outlines areas the Council may want to consider amendments.

Grant Funds Received

CB 119816 accepts and authorizes spending \$13,498,120, of which \$13,000,000 come from Commerce to support emergency housing and homeless services in response to the COVID-19 outbreak. The remaining funds come from HHS, in accordance with the Older Americans Act, to support nutrition programs for older adults during the COVID-19 outbreak.

The Commerce grant, approved on March 27, 2020, originally stipulated that grant funding ended on September 30, 2020. The Executive requested passage of this budget legislation on an accelerated timeline compared to other supplemental budget legislation because of this deadline. However, on June 30, 2020, Commerce extended that deadline to December 31, 2020. Any supported activity must now be completed prior to December 31, and time will be allowed for financial close out after that date.

The Commerce grant agreement allows funds to be used only to "respond to the COVID-19 outbreak related to public health needs of people experiencing homelessness or otherwise in need of quarantine or isolation housing due to the COVID-19 outbreak", which is limited to:

1. Shelter needs,
2. Hygiene services,
3. Supplies,
4. Costs incurred by permanent supportive housing facilities due to the pandemic, and
5. Food access or delivery services.

Proposed Uses

The Executive proposes to use these funds for six specific uses, which align with the authorized spending categories in the Commerce grant agreement. Some of the proposed uses are

projected to occur in November and December, after Federal Emergency Management Authority (FEMA) funding is ended. The proposed spending includes the following:

1. \$3.3 million for Permanent Supportive Housing (PSH)

This proposal backfills funding for investments in PSH that were to be funded with revenues from the Short-term Rental Tax. The economic slowdown caused by COVID-19 has led to a significant reduction in revenues from this tax.

2. \$2.5 million for food support at PSH sites

This proposal reimburses providers for costs that have been or will be incurred for meal and grocery delivery for residents of PSH facilities, who are typically at high risk for more severe symptoms of COVID-19. Residents would typically access food banks and congregate meal programs at high rates, but those programs have been forced to change their service delivery models and may not be available for these residents during the COVID-19 outbreak.

3. \$4.85 million for enhancements at shelters, day and hygiene centers, and PSH sites necessitated by COVID-19

Emergency shelter, day and hygiene center programs, and PSH providers have incurred substantial costs to deliver services under new models that slow the spread of COVID-19. These programs will also incur future costs, including capital costs for facility modifications, to offer those service models going forward. This funding would offset those unanticipated costs. The Human Services Department (HSD) will issue a funding announcement inviting current providers to submit their costs for payment. When eligible, FEMA reimbursement for those funds will be sought.

4. \$1.6 million for ramping down shelter de-intensification

The City is currently incurring monthly costs of \$800,000 to spread shelter residents across a larger number of facilities, thereby increasing social distancing for residents in congregate shelters. The FEMA reimbursement for these costs will not be available after the federal declared emergency is ended. The timeline for that occurrence is not known, but CBO's planning assumes an end date in October. These funds would support an additional two-months of congregate shelter de-intensification following the end of the federal declared emergency.

5. \$750,000 for ramping down hygiene services

Seattle Public Utilities (SPU) has procured and placed portable toilets, handwashing stations, and two mobile hygiene trailers with shower stalls in publicly accessible locations throughout the City as basic hygiene provisions for people experiencing homelessness. The FEMA reimbursement for these costs will not be available after the federal declared emergency is ended. These funds would support an additional two-months of hygiene services following the end of the federal declared emergency.

6. \$498,120 for food and meal programs for seniors

Using funds from HHS, this proposal adds to the spending authorized in [Ordinance 126074](#) on May 4, 2020 to support the expansion of existing food programs for seniors and shifting the program model from congregate meals to home delivery to facilitate appropriate social distancing in response to the COVID-19 pandemic. The federal funds received for this activity exceed the amount previously appropriated.

Discussion

There are three areas of proposed spending that the Committee may wish to consider changing, one of which corrects a technical error.

1. Technical Correction

Section 2 of the legislation, as introduced, incorrectly describes the funds directed to SPU as supporting “emergency housing”. As noted in this memo, those funds support emergency hygiene services. SPU does not operate emergency housing.

Options:

- A. No change.
- B. Correct spending description.

2. Modification of Ordinance 126084

In [Ordinance 126084](#) (CARES Act funding), passed on May 18, 2020, the Council authorized \$1.4 million of Community Development Block Grant (CDBG) funding to allow shelter providers to achieve shelter de-intensification using non-congregate shelter options (e.g., hotel rooms) rather than using those funds for rental assistance, as the Executive had proposed. Those funds have not been expended or made available to contractees. The Executive has indicated that the proposed use of \$4.85 million to cover costs incurred by homeless service providers (use three) meets the Council’s desire to provide funds to service providers. While the new funding source would carry less administrative burden for capital projects, such as facility reconfigurations, service changes to-date have not been primarily to create non-congregate shelter options. The Executive will use administrative authority to redirect the CDBG funds for rental assistance, as initially proposed, assuming passage of this bill as it was introduced.

Options:

- A. No change.
- B. Authorize spending some Commence funds for different purposes than those proposed by the Executive so that the \$1.4 million of CDBG funding remains necessary for reimbursing homeless services providers.
- C. Through separate legislation, impose a proviso on the \$1.4 million of CDBG funding to ensure it is used as intended by Ordinance 126084.

3. Funding Level for COVID-19 Enhancements at Service Providers

It is unclear if the third proposed use, covering costs incurred by homeless service providers due to COVID-19, will be sufficient to meet all requests. HSD does not have estimates of the total costs incurred by homeless service providers to date or the portion of those costs that are eligible for FEMA reimbursement. In addition, providers will be able to request capital funding for long-term facility reconfigurations to respond to COVID-19, potentially further stretching this pool. That information will be obtained through the proposed application process. While new CDBG, Emergency Solutions Grant (ESG), and Commerce funding will become available as early as August 2020 and could be used to meet those requests, the Executive has not submitted a proposal for any of those funds nor publicly communicated an intent to use them for this purpose. In addition, there are substantial administrative burdens that come with some of those funding streams, notably CDBG, if they are used for capital projects.

Options:

- A. No change.
- B. Change the amount of funding from the Commerce grant for this purpose.

Next Steps:

A vote on this bill is anticipated on Wednesday, July 1. As such, it is likely that amendments to act on the above issues will need to be prepared in advance of Wednesday's meeting or for consideration at the Council meeting on July 6.

cc: Kirstan Arestad, Executive Director
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