

2023-2024 PROPOSED MID-BIENNIAL BUDGET ADJUSTMENTS REVIEW

HUMAN SERVICES DEPARTMENT

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Table 1: Budget Summary (\$ in 000s)

	2023 Adopted	2024 Endorsed	2024 Proposed	% Change 2024 Endorsed to 2024 Proposed
Appropriations by BSL				
Operating				
Addressing Homelessness	\$111,425	\$114,832	\$119,495	4.1%
Leadership and Administration	\$16,586	\$16,735	\$17,067	2%
Preparing Youth for Success	\$16,037	\$16,638	\$16,858	1.3%
Promoting Healthy Aging	\$69,738	\$70,887	\$71,404	.7%
Promoting Public Health	\$16,801	\$16,659	\$19,296	15.8%
Supporting Affordability and Livability	\$35,799	\$31,006	\$33,997	9.6%
Supporting Safe Communities	\$52,737	\$52,216	\$55,951	7.2%
Operating Subtotal	\$319,126	\$318,976	\$334,071	
Total Appropriations	\$319,126	\$318,976	\$334,071	4.7%
Total FTE	419.75	427.25	434.25	1.6%
Revenues				
General Fund	\$219,939	\$224,574	\$233,379	3.9%
Other Sources	\$99,186	\$94,401	\$100,691	6.7%
Total Revenues	\$319,126	\$318,976	\$334,071	

I. Introduction

The 2024 Proposed Budget Adjustment for the Human Services Department (HSD) is higher than the 2024 Endorsed Budget by \$15 million, an increase of 4.7 percent. That increase is largely due to the following items:

- \$2.6 million for HSD-administered contracts to increase inflationary adjustments from a projected 6.7% to actual CPI-W of 7.5% and to apply inflationary increases to new contracts added in 2023 that are continuing into 2024.
- \$4.2 million for a two percent increase to HSD-administered contractors for purposes of Human Services Provider Pay.
- \$1.9 million in one-time funding for the continuation of the Third Avenue Project at its current service level; this project seeks to reduce disruptions to public safety within a defined area downtown.
- \$2.2 million in Opioid Settlement Proceed Funds.
- \$916,000 for the relocation of Rosie's Village, a tiny home village in the University District.
- \$123,000 for continued funding for a Crime Victim Advocate, that was previously grant-supported, to maintain recommended caseload levels for victim support.

II. Issue Identification

A. Issues and Options

1. **\$4.6 million for Wage Equity for Contracts Administered by HSD, the Department of Neighborhoods (DON) and the Department of Education and Early Learning (DEEL)**

The 2024 Proposed Budget Adjustments includes \$4.6 million of JumpStart Payroll Expense Tax Revenue to provide a two percent increase to contracts administered by three different departments for the purposes of increasing provider pay. See Issue 2 in Central Staff's [JumpStart Fund Balancing Analysis Memo](#) presented in Committee on October 11 for more detailed discussion on the proposed use of JumpStart.

Table 1: Departments with contracts receiving a two percent increase for provider pay.

Dept.	Proposed Adjustment	Applicable Contracts
HSD	\$4.2 million	Any HSD-administered contracts also receiving an inflationary adjustment under Seattle Municipal Code Section (SMC) 3.20.060
DON	\$11,000	One DON-administered contract to a community-based organization
DEEL	\$327,000 ¹	DEEL-administered contracts that had been transferred from HSD to DEEL in a prior year. Contracts are for investments that support early childhood health and development, covering children from birth to three years of age, generally for low-income families.

The total base contract amount for HSD-administered contracts receiving the provider pay increase is \$209 million in 2024. The base contract amount is the same as for all contracts receiving an inflationary adjustment through SMC 3.20.060 and includes the funding provided by HSD to the King County Regional Homelessness Authority (KCRHA) through its Master Services Agreement. The base contract amount does not include Continuum of Care (CoC) contracts, which are no longer administered by HSD (see Issue 2 for more information on CoC contracts.) The \$4.2 million increase in provider pay for HSD was determined by calculating 2 percent of the base amount, before applying the 2024 inflationary adjustment.

In February 2023, the University of Washington's (UW) School of Social Work published a [Wage Equity Study for Human Services Workers](#), funded by the City of Seattle, which found a 37 percent wage gap between non-profit human services workers (which included childcare workers) and workers in other industries despite evidence that human services work is not easier, less skilled or less demanding than other jobs. In June 2023, City Council approved [Resolution \(RES\) 32094](#), stating City Council's intent to consider a seven percent wage equity increase to contracts HSD-administered by 2025. RES 32094 also stated that Council understood that other City departments may administer human services contracts and requested those

¹ This amount includes funding to increase the provider contracts from 4% inflationary adjustment in the 2024 Endorsed Budget to a 7.5% inflationary adjustment, in line with adjustments made to Human Service Department's (HSD) provider contracts as well as a 2% increase for human services provider pay.

departments to consider wage equity increases and inflationary adjustments when renewing or renegotiating human services contracts.

A wage equity increase is an ongoing commitment by the City, as providers will rely on continued annual funding to be able to maintain pay increases for staff. Currently, the 2 percent provider pay increases at HSD, DON and DEEL are funded using a one-time resource (flexible use of JumpStart Fund resources that only applies to 2024), creating a mismatch between an ongoing obligation and a one-time source of funds. For discussion about the use of the JumpStart Fund for this investment, see Central Staff's [JumpStart Fund Balancing Analysis Memo](#).

Options:

- A. Confirm Council's intent that this spending should not be funded from the JumpStart Fund in future years. (See Issue 2 in the [JumpStart Fund Balancing Analysis Memo](#))
- B. Reduce funding for provider pay, to fund other priorities.
- C. Increase funding for provider pay.
- D. No change.

2. Continuum of Care Inflationary Adjustments

Until 2021, HSD received and administered Continuum of Care (CoC) funding provided by the Department of Housing and Urban Development (HUD) for homeless services in Seattle. Starting in 2022, KCRHA received and administered CoC funding directly from HUD, rather than through the City.

The Executive's 2023 Proposed Budget contained a one-time increase equal to four percent of the CoC contracts. The increase was one-time to provide a transition year for KCRHA and service providers, without making an ongoing City obligation for federal dollars that the City no longer had a role in administering.

The Council adopted [CBA-HSD-001-B-001-2023](#) to provide an additional 3.6 percent inflationary adjustments for CoC contracts (as well as for all HSD-administered contracts covered under SMC 3.20.060.) The inflationary adjustment provided to CoC contracts under the CBA was ongoing, not one-time. The inconsistency in the 2023 Adopted Budget, between the 4% increase that was one-time and the 3.6% increase that was ongoing, makes the Council's intent unclear.

KCRHA currently administers \$17 million in CoC contracts that were previously administered by the City until 2021. Of that, \$1.2 million is for 2023 inflationary adjustments. The 2024 Endorsed budget sustains \$623,000 for inflationary adjustments. Because the 4% inflationary adjustment does not continue into 2024, CoC contracts will be reduced by \$600,000 in 2024.

If the Council's intent was to offer a 7.6% increase to the CoC contracts in one-time funds in 2023 and for HUD or KCRHA to find an alternate funding source to sustain inflationary increases in 2024 and beyond, KCRHA would receive a reduction in funding from the City for these contracts in 2024. To achieve this intent, the Council could reduce HSD's budget by \$623,000 in 2024.

If the Council's intent was to provide a 7.6% increase to the CoC contracts that permanently increased the base of those contracts, but to not provide a new inflationary increase in 2024, the

Council could make all of the 2023 increases ongoing. To meet this intent, the Council could provide an ongoing increase to HSD's budget of \$600,000.

If the Council's intent was to provide an additional annual inflationary adjustment to HUD-administered CoC contracts for 2024, as the City did for HSD administered contracts, it would need to add \$1.3 million of ongoing funds to HSD.

Options:

- A. Reduce HSD's annual appropriation authority by \$623,000
- B. Add \$600,000 ongoing to sustain the inflationary adjustment that was provided in 2023
- C. Add \$1.9 million of ongoing funds in 2024 to sustain the 2023 increase and provide an inflationary adjustment of 7.5 percent in 2024 and make it ongoing.
- D. No change

3. Potential one-time salary savings from a high level of staff vacancies at HSD

HSD currently has 50 vacancies, which accounts for \$4.5 million of their proposed 2024 salary budget. As of September 2023, about 40 percent of the vacancies are in the process of being filled with candidates currently being interviewed, about 30 percent are in the process of requesting a reclassification, and the remaining 30 percent are in various stages of the requirement process prior to interviewing. While HSD states that they plan to fill all 50 positions in 2024, that expectation does not seem consistent with the City's typical timelines for the reclassification and hiring processes. Additionally, even if all positions were to be hired in 2024, conceivably some would be filled later in the year, resulting in some salary savings. Of the vacant positions, 27 are entirely grant funded, ten are funded entirely by the general fund, ten are funded through a combination of grant and general funds, and three are funded by the Opioid Settlement funds. Grant funding for salaries is generally restricted and not available for other uses. Further analysis is needed to determine the portion of salary savings that could be available to be reprogrammed for other uses.

Options:

- A. Reduce HSD Budget in anticipation that there will be unfilled positions and use one-time salary savings for Council priorities.
- B. No change.

4. \$916,000 for relocation of Rosie's Tiny House Village (THV) in University District

The Proposed Adjustments would transfer \$916,000 from the JumpStart Fund Multifamily Housing Program to HSD to support the relocation of Rosie's THV, a 36-unit tiny house village located on Sound Transit-owned land at 1000 NE 45th Street. Sound Transit is currently leasing the land to the City at no cost, and the site will be developed as low-income housing in the next several years.

Sound Transit will only commit to a lease extension through May 2024 and maintains the site needs to be cleared in 2024. Sound Transit has not yet issued an RFP or selected a developer for this site, which means that development of the site is at least eighteen months away and likely longer. It is possible that the relocation of the THV could be moved to early 2025, but Sound Transit cannot commit to this extension until a developer is selected and a timeline for

development is established. This timing calls into question whether the tiny home village would need to move in 2024 and whether this appropriation could be pushed into the 2025 budget. See the Central Staff memo on the Office of Housing for a discussion on the proposed use of Jumpstart to pay for this expense.

Options:

- A. Reduce proposed transfer of \$916,000 to HSD
- B. Adopt a SLI to request the Executive pursue discussions with Sound Transit to delay movement of Rosie's Village until 2025.
- C. No change

5. Recreational Vehicle (RV) storage program

[SDOT-020-C-001-2023](#) provided \$1 million in one-time funding from the General Fund in 2023 and in 2024 for RV storage, along with the associated shelter cost for residents whose RVs had been placed in storage. HSD contracted with the KCRHA to administer this funding. KCRHA intended to issue a Request for Proposals for all \$2 million in 2023. The intent was to lease a site for RV storage and use the remaining portion for short-term rental assistance for RV residents.² In mid-2023, the Executive notified KCRHA that RV storage is only an allowable use under the land use code if the storage site is directly adjacent to a site with non-congregate housing. KCRHA intends to issue a Letter of Interest in October 2023 to all non-congregate shelter providers it funds to determine if any providers have interest and available lots for purposes of RV storage. Given that the lot must be directly adjacent to the non-congregate shelter, it is unlikely that a substantial number of sites will be identified. Additionally, the cost to lease such a site for the rest of the year would be significantly less than a \$1 million. Therefore, it is likely that most or all of the \$1 million in 2023 funds will not be utilized. If no sites are identified, then the entire \$1 million of 2024 funds would not be utilized.

Options:

- A. Maintain \$1 million GF in 2023 and 2024 and impose a proviso to direct funding for another purpose supporting people experiencing homelessness.
- B. Maintain \$1 million GF in 2023, reduce \$1 million in 2024 and use the one-time savings for Council priorities.
- C. No change

6. City Revenues from State Settlements of Opioid Lawsuits

The 2024 Proposed Budget Adjustments appropriate \$2.2 million from two opioid lawsuit settlements obtained by the Washington State Office of the Attorney General. Please see Attachment 1 for background about these settlements, the permissible use of settlement revenues, and HSD's projection of the revenues that the City will receive over the 17-year payout period. Settlement revenues are proposed to accrue to, and be disbursed from, a new Opioid Settlement Proceed Fund. Legislation to create this fund was submitted with the 2024 Proposed Budget Adjustments and is described in the Budget Legislation section of this memo and more fully in the 2024 Proposed Adjustments Overview Memo.

² Creating a non-congregate shelter for RV residents was determined to be infeasible given that the funding was one-time and non-congregate shelter has ongoing operating costs.

The 2023 Year-end Supplemental Ordinance appropriates \$476,000 from settlement revenues received in 2022 and 2023. This includes a required administrative reserve, and the remainder would support existing programs that focus on drug user health and harm reduction³, including the Seattle Fire Department’s overdose-response pilot program, Health 99.

Table 2 details the proposed allocation of opioid settlement revenues in the 2024 Proposed Budget Adjustments.

Row	Amount	Type	Description
1	\$470,000	Ongoing	For existing programs that focus on drug user health and harm reduction, such as Evergreen Treatment Services, the People’s Harm Reduction Alliance, and the Hepatitis Education Project
2	\$325,000	Ongoing	For expanded peer-navigator services for the Seattle Fire Department’s pilot Health 99 program, to provide an increased service level to individuals treated by this program. The service expansion would add 2.0 FTE Social Services Aide, and those positions are included in the Year-End Supplemental Ordinance. Annualized costs for those positions are \$180,000. Remaining funding would support the purchase of supplies.
3	\$582,000	One-time	To support service delivery at a post-overdose stabilization facility. Capital costs associated with the facility will be funded through a Request for Qualifications process that HSD anticipates will open in early November; a timeline for facility opening and a spending plan for these funds would be developed in 2024. This is a placeholder estimate.
4	\$516,000	Ongoing	For ongoing costs at the same post-overdose stabilization facility referenced above. This is a placeholder estimate. Annualized operating costs of this facility and a plan for their full funding would be developed in 2024.
5	\$164,000	Ongoing	This reserve would support the administrative costs of the King County Opioid Abatement Council (see Attachment 1).
6	\$164,000	Ongoing	For 1.0 FTE Planning and Development Specialist, Senior to oversee the administration of work funded by opioid settlement revenues, and HSD’s other public health programs. 1.0 FTE Grants and Contracts Specialist, Senior would assist with this body of work; funding for that position is in HSD’s 2024 base budget. Both positions are included in the 2023 Year-End Supplemental Ordinance.

Table 1: Proposed Use of Opioid Settlement Revenue in 2024

³ Funding is included for Evergreen Treatment Services, the People’s Harm Reduction Alliance, and the Hepatitis Education Project. These organizations’ drug user health and overdose prevention programs received 2022 funding through Public Health – Seattle King County’s Community Based Overdose Prevention Program (CBOPP). Beginning in 2024, HSD intends to fund these programs on an ongoing basis with opioid settlement revenues (see Row 1 of Table 2).

The proposed uses of funding for programming are broadly consistent with the permissible uses of opioid settlement revenues. It is not clear that the settlement revenue may be used for an administrative resource with responsibilities outside of revenue-supported programming, as is referenced in Row 6 of Table 2. Central Staff will continue to research whether this proposed use is permissible.

HSD's spending and staffing plan for these revenues adds 4.0 FTE and emphasizes discrete ongoing investments. If revenue from settlements levels off and then begins to decline, as HSD projects will be the case for the City, the City may need additional funding sources in the future to sustain these programs.

The City's strategy differs from King County's approach with respect to its revenues from the first State-level settlement.⁴ King County has expressed intent to distribute most of its funding from that settlement through competitive grant processes for community-based overdose prevention services. That approach will give the County the ability to better control its spending from these revenues from year to year. It may also mean that community-based providers that scale up to deliver services will need to seek additional funding sources as County settlement revenues decline in the future.

\$1.1 million of this revenue allocation would support a post-overdose stabilization facility, which would provide stable patients a safe place to recover under medical supervision shortly after an overdose and to connect them with substance use disorder (SUD) treatment options. This facility has not been identified but is presumed to become operational sometime in 2024, and the placeholder costs provided here may be underestimates or overestimates of the facility's actual need. Analysis of these expenditures cannot be completed until 2024, and no supplementary funding source has been identified if the placeholder amounts are insufficient. Annual operating costs for such a facility are likely to be significantly more than \$516,000.

Options:

- A. Reprogram some or all of the opioid settlement revenues not reserved for OAC administration, including \$17,000 designated in excess for HSD administrative costs and some of the \$140,000 designated for Health 99 supplies.
- B. Proviso the funding associated with the future post-overdose stabilization facility, requiring Council approval of an operating plan for the facility that projects ongoing costs and a plan for funding them.
- C. Reduce some of the proposed position authority and funding for HSD administration, redirecting the funding to programs.
- D. No change.

⁴ King County has not yet made clear its intended approach regarding revenues from the second State-level settlement, which may be different.

7. Funding for Diversion Programs

[Ordinance 126896](#), passed by Council in August, establishes diversion and treatment as the City's standard approach for most instances of knowing possession and public use of controlled substances. The ordinance will take effect on October 20, and the 2024 Proposed Budget Adjustments do not include new funding to support an anticipated increased number of referrals to diversion services. The Seattle Police Department (SPD) estimated that ordinance requirements will result in it making 700 to 800 new diversion referrals annually.

The majority of City funding for diversion services is provided via an HSD contract with Purpose. Dignity. Action. (PDA) for its project management of the Let Everyone Advance with Dignity (LEAD) **pre-booking** program.⁵ The LEAD program seeks to divert individuals who are engaged in low-level drug crime, prostitution, and crimes of poverty from the criminal legal system and connect them with case managers and needed resources, such as SUD treatment. ORD 126896 not only emphasizes the need for diversion services that include this individualized, ongoing connection to resources but specifically acknowledges LEAD as a "substantial part" of the intended service provision. SPD Interim Policy 15.155, Narcotics Possession and Public Use, which operationalizes the requirements of ORD 126896 for SPD officers, also names LEAD, and no other program, as the provider of pre-booking diversion services for subjects arrested for misdemeanor narcotics crimes.

HSD also contracts for **pre-filing** diversion services with Gay City Health, Choose 180, Unified Outreach, Uplift Northwest, the Urban League, Consejo, and Public Health – Seattle King County. The City Attorney's Office makes referrals to these programs prior to and in lieu of filing charges. These programs do not follow the LEAD model (intensive case management and access to services and treatment). The 2024 Proposed Budget Adjustments maintain total funding for these contracts at \$962,000. Council added \$200,000 in one-time funding to supplement the budgeted amount in the 2023 Mid-year Supplemental Budget Ordinance.

The 2024 Endorsed Budget included \$6.9 million of ongoing funding for LEAD and an additional \$2 million of one-time funding added by Council. The 2024 Proposed Budget Adjustments maintain this funding. With \$9.9 million, LEAD serves approximately 750 program participants and is not able to accept most new referrals. HSD believes that the proposed 2024 funding level for LEAD will be sufficient to meet the aggregate current and new demand for services.

[Resolution 31916](#), adopted by Council in 2019, included the intention that "the LEAD program operate at scale by 2023, with 'scale' understood to mean that the program will have appropriate funding to accept all priority qualifying arrest and social contact referrals cityside" and be "supported through a secure mix of public funding sources, including City funding and some combination of County, state, federal, and Medicaid funding." RES 31916 did not make specific reference to PDA. Various organizations can manage or conduct their own LEAD projects, which would each be subsets of the "LEAD program" referenced in the resolution.

A current cost estimate for funding LEAD to scale consistent with the 2019 understanding is not available, but a September 2021 Central Staff memo estimated that cost at \$30 million for 2023. Any revised cost estimate would be higher due to increased service costs and the projected impact of ORD 126896.

⁵ Most City funding for LEAD passes through PDA, as the project management entity, to subcontractors who provide direct services.

Council Budget Action [HSD-038-C-001-2023](#) added the \$2 million one-time funding to PDA for LEAD to support program expansion while PDA explored other ongoing funding sources. To date, PDA has obtained one-time sources, but no other ongoing sources.

It will not be feasible for the City to meet the intent of RES 31916 in the foreseeable future without a significant funding increase for LEAD, and it may not be feasible to fulfill the requirement of ORD 126896 with the funding included in the 2024 Proposed Budget Adjustments. It may, however, be possible to establish a flexible framework to incrementally scale LEAD responsive to the impacts of ORD 126896. PDA currently has an active Request for Proposals (RFP) from case-management entities who could take on subcontracts between \$500,000 and \$2 million under PDA's current contract with HSD. Once a roster of qualified entities is established, the City may be able to use it to efficiently add funding in the future, aligning the amount of funding with identified referral volume as an outcome of ORD 126896. This funding would be added to HSD's contract with PDA but would support scoped bodies of work performed by subcontracted case-management entities.

Central Staff understands that SPD plans to establish a workgroup that will track the implementation of ORD 126896 and address emergent issues, and this body of work could include evaluating and reporting on additional need for LEAD services so that scaled subcontractor funding could be included in future legislated budget actions.

Options:

- A. Create a Statement of Legislative Intent requesting that HSD develop a roster of qualified LEAD case-management entities responsive to PDA's current RFP process
- B. Create a Statement of Legislative Intent requesting that the SPD-led workgroup provide regular reports to Council on incremental LEAD funding need due to ORD 126896 requirements
- C. No change

B. Contextual Budget Issues

1. King County Regional Housing Authority (KCRHA) \$5.2 Million in One-Time Funding

There are sixteen programs serving people experiencing homelessness that have been successively funded with \$5.2 million of one-time funding sources since 2020⁶. An analysis provided by KCRHA shows that should the \$5.2 million in one-time funding end, the worst-case scenario could be the loss of approximately 300 shelter beds and the inability to prevent or end homelessness for more than 265 additional households.

The 2024 Proposed Budget Adjustments does not include any one-time or ongoing funding to continue these services. However, KCRHA has identified sufficient 2023 underspend to be able to extend \$5.2 million of funding for these services through the end of 2024⁷. The main source of the underspend is from funding provided in the 2023 Adopted Budget for new programs where a full year of funding was provided but operations will not begin until later in 2023 or possibly 2024. Estimated underspend is described below for these projects; actual underspend will be higher as operational costs will start later than what was assumed when estimates were developed initially by KCRHA in August.

- *\$825K in underspend due to the later than anticipated opening of the Salmon Bay RV Safe Lot.* This safe lot is now anticipated to open in the fourth quarter of 2024.
- *\$1.15 million of underspend for new non-congregate shelter RFP.* The 2023 Adopted Budget provided \$2.23 million for start-up, development, operations and services for 50 new Tiny Home Villages. The RFP was released in June and funds were awarded to Catholic Community Services in September.
- *\$1.8 million of underspend related to the operations of new vehicle safe lots.* The 2023 Adopted Budget provided \$3.38 million for ongoing operating costs for 136 vehicle spaces in safe lots (35 existing and 101 to be new). KCRHA released a Safe Lot RFP in June 2023 and is still negotiating with applicants on the final awards.

While KCRHA can maintain current level of services for another year, through 2024, this is not a sustainable or permanent solution. Eventually, a choice will need to be made to:

1. End funding for some or all the sixteen programs currently receiving one-time funds,
2. Redeploy resources from other programs to some or all the sixteen programs when one-time funds expire, or
3. Identify a new ongoing fund source.

As of August 2023, KCRHA had identified a little less than \$600,000 of additional underspend (not including the \$1 million for RV Storage), which they plan to use for projects such as one-time repair needs at facilities providing homelessness services.

⁶ CBA HSD-030-C-001-2023 identified \$9.4 million of expiring one-time funds for rapid rehousing, diversion, outreach and emergency shelter services. Council providing \$600,000 of one-time funds and KCRHA utilized underspend to cover all but \$140,000 of that amount to maintain services through the end of 2023. For the 2024 budget process, KCRHA identified that \$5.2 million was needed to continue the diversion, outreach and emergency shelter services.

⁷ Because the \$5.2 million is already encumbered in the Master Services Agreement between KCRHA and HSD, it will be carried forward into 2024 through administrative action; no legislation is necessary.

2. Update on CBA HSD-035-C-001-2023: Unified Care Team System Navigators

The 2023 Proposed Budget added \$1.3 million and eight new positions to HSD as part of a proposed Unified Care Team expansion, which included six new system navigators. The Council passed [CBA HSD-035-C-001-2023](#), which reduced the number of proposed system navigators and their funding in HSD from six to one and provided KCRHA an additional \$1,212,000 in 2023 and 2024 for homelessness outreach and support (\$812,000 repurposed from HSD and \$400,000 of new funds). Additionally, the CBA established a proviso for the \$1,212,000 that prohibited spending until HSD and KCRHA had executed an agreement. In the event that such an agreement could not be reached, the appropriation would remain with HSD and the Executive and Council would discuss next steps.

In September 2023, consistent with previous communications, the Executive reported to Council that KCRHA and HSD were unable to finalize an agreement and that HSD will retain \$812,000 to hire five Regional Coordinators who will work in partnership with contracted outreach providers awarded under the KCRHA's Geographic Based Outreach RFP. The 2024 Proposed Budget is consistent with that direction, as it reduces KCRHA's budget program by \$812,000 and adds those resources to the HSD City-Managed Homelessness budget program. HSD will use existing pockets to fill the five Regional Coordinator roles. \$400,000 will remain with KCRHA to improve outreach data support and program coordination, primarily through the development and 2024 launch of an HMIS-based system for tracking real-time shelter vacancy information system-wide.

3. Expiration of \$2.5 million in one-time funding for Tiny House Villages (THV) operating costs.

[CBA HSD-032-B-001-2023](#) provided one-time funding in 2023 to the Low-Income Housing Institute for one-time maintenance costs and additional operational needs at eleven existing tiny home villages and one enhanced shelter (Lake Front) with a total of 483 units. HSD contracted with KCRHA to administer these funds. New funding has not been identified to sustain these services in 2024.

Of the \$2.8 million, \$273,000 was for one-time costs such as repairs and the remaining \$2.5 million was for ongoing staffing and services including behavioral health services and case management. LIHI has contracted with Therapeutic Health Services for seven FTE to provide behavioral health counseling and support and to assist LIHI staff with crisis management and de-escalation at nine THVs. Additionally, LIHI has contracted with Lifelong to provide the same types of services at two other sites.

C. Budget Legislation

1. Wage Equity Legislation

This legislation would require that any appropriation for wage equity be used to increase the wages of workers at contracted agencies. Such increases must be in addition to any increases for inflationary adjustments. Additionally, the legislation provides contracting and reporting requirements regarding the wage equity appropriation.

Options:

- A. Pass
- B. Amend and pass
- C. Do not pass

2. Legislation creating Opioid Settlement Proceed Fund

An Ordinance (ORD) to create an Opioid Settlement Proceed Fund for settlement revenues to accrue and be disbursed from was submitted with the 2024 Proposed Budget Adjustments. The Fund would receive revenues from all opioid settlements, including potential future settlements, with parties involved in the manufacturing, distribution, and dispensation of opioids. The ORD is described more fully in Central Staff's 2024 Proposed Adjustments Overview presented on October 11.

If the Council rejects this Ordinance, settlement proceeds will likely accrue to and be disbursed from the General Fund, making oversight and monitoring of those funds more difficult.

Options:

- A. Pass
- B. Amend and pass
- C. Do not pass

Attachments

1. Opioid Settlement Revenues

Human Services Department 2024 Proposed Budget Adjustments Overview

Opioid Settlement Revenues

This memo provides an overview of finalized State-level settlements with companies that fueled the opioid public health crisis, the permissible and recommended uses of settlement revenues, the role of the King County Opioid Abatement Council, and Human Services Department's (HSD's) projected spending plan for \$25.7 million in revenues (net of legal fees) over the 17-year payout period.

The information and data reflect HSD's and Central Staff's best current understanding of this new resource. Central Staff will provide any updated information if it changes. For example, as of September 7 the Washington State Attorney General's Office was preparing for upcoming trials against one opioid manufacturer and multiple pharmacy chains. Seattle would receive a share of any new settlement revenue.

Settlements

State Attorney General Bob Ferguson filed a lawsuit in March 2019, accusing opioid distributors McKesson Corp., Cardinal Health Inc., and Amerisource Bergen Drug Corp. of failing to alert law enforcement when they received suspicious opioid orders and shipping those orders with little or no investigation. The State contended that these companies, the three largest distributors of prescription opioids in Washington State, significantly contributed to the state's supply of opioids and the subsequent opioid use epidemic.

The result of that lawsuit was an October 2022 resolution requiring the distributors to pay a total of \$518 million over a seventeen-year payout period. Of this amount, \$261 million was allocated at the state level and \$215 million was allocated to 125 local governments, including Seattle. These local governments negotiated among themselves an agreement about how locally allocated settlement funds would be divided. That agreement is the [One Washington Memorandum of Understanding](#). Seattle received its initial revenue allocation from this settlement in December 2022.

In June 2023, Attorney General Ferguson announced a settlement of \$372 million from the resolution of a lawsuit with four companies that produced and sold opioids. Those companies are CVS, Walgreens, Teva, and Allergan, and the individual settlements each have different payout periods of up to 15 years. Seattle will receive its initial revenue allocation from this group of settlements in 2024.

Attachment 1: Opioid Settlement Revenues

Permissible and Recommended Uses of Settlement Resources

Resources received as a result of these settlements – and any future settlements – must be used to address the opioid public health emergency. Specific permissible uses of settlement revenue are detailed in the One Washington MOU. They are:

- Supporting the treatment of opioid use disorder (OUD)
- Supporting people in treatment and recovery from OUD
- Connecting people who have OUD or are at risk of developing OUD to support they need
- Addressing the needs of criminal-justice-involved persons with OUD
- Addressing the needs of pregnant or parenting women and their families, including babies with neonatal abstinence syndrome
- Preventing over-prescription and ensuring appropriate prescribing and dispensing of opioids;
- Preventing misuse of opioids
- Preventing overdose deaths and other harms
- Supporting first responders relating to the opioid epidemic
- Supporting leadership, planning, and coordination to abate the opioid epidemic
- Supporting training to abate the opioid epidemic
- Supporting opioid abatement research
- Other uses explicitly permitted by future payments the City receives as a result of settlements with entities within the pharmaceutical supply chain who manufacture, distribute, and dispense prescription opioids

Spending must also be consistent with the [Washington State Opioid and Overdose Response Plan](#).

Council included Statement of Legislative Intent (SLI) [HSD 605-A-001](#) in the 2023 Adopted Budget. This SLI requested the Mayor's Office and HSD to collaborate on a plan to fund addiction treatment using proceeds from the \$518 million settlement referenced above (the second settlement had not been resolved at that time). HSD's SLI response, which Councilmembers received in May, described the steps HSD would take to develop that plan.

One element of HSD's spending plan development was to partner with Public Health – Seattle & King County (Public Health) to seek community input on priority investment areas from opioid settlement revenues. Public Health contracted with Research with Expert Advisors in Drug Use (READU), a community-based research team at the University of Washington. READU sought input from those who have expertise on services for people who use opioids in King County. This group included peer workers; substance use disorder treatment providers; community members; recovery advocates, and people who use drugs, including opioids.

The result of the READU process was the "Opioid Settlement Community Consultation Report," which recommended decisionmakers in King County use settlement revenues to fund low-barrier, flexible, easy-to-access services through peer-led and community organizations, prioritizing such organizations that are led by and that serve people who have been disproportionately impacted by opioid overdose.

Attachment 1: Opioid Settlement Revenues

King County Opioid Abatement Council

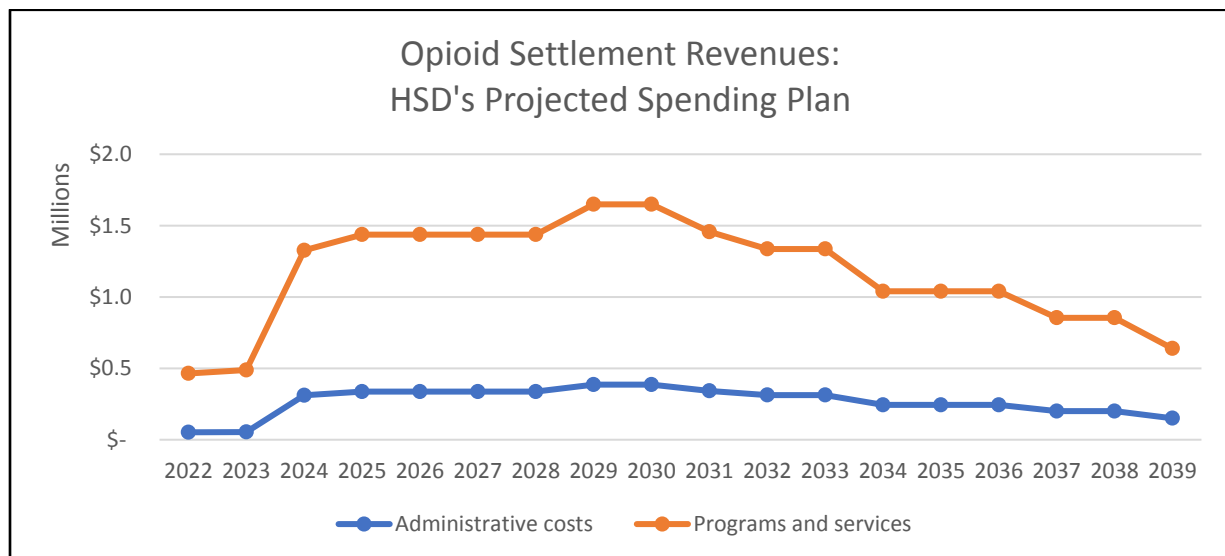
The One Washington MOU required that all local governments enter into an agreement to use the settlement funds toward approved purchases and to form, at the regional or county level, Opioid Abatement Councils (OACs). These OACs would have responsibility for the allocation, distribution, and management of settlement funds consistent with permissible uses. The One Washington MOU further required that ten percent of settlement funds received by local governments be reserved to support the administrative costs of its governing OAC.

The City of Seattle, along with 24 other King County local governments receiving settlement funds, is a party to the King County Regional Agreement Opioid Abatement Council (KCRA OAC) agreement. This agreement establishes the administrative framework for and duties of the King County OAC. These duties include the reporting of all decisions on settlement fund expenditures and the reallocation of funds reserved for the OAC but not needed to support that body's administrative costs. The King County OAC intends to establish guidelines for its own reporting and a process for funds reallocation in 2024.

King County OAC members are Brad Finegood (Strategic Advisor, Public Health – Seattle & King County), Dan Floyd (King County Department of Community Health Services/Behavioral Health and Recovery Division), Kent Hay (City of Auburn Director of Anti-Homelessness), and Jeff Sakuma (HSD Behavioral Health Integration Specialist). The OAC plans to hire an evaluator/epidemiologist to analyze the efficacy of spending from settlement resources, a project manager to provide general and reporting support to OAC members, and a communications staffer.

HSD's Projected Spending Plan for Opioid Settlement Revenues

Figure 1 below shows currently projected revenues to the City from opioid settlements and the projected cost to administer the revenues. Table 1 on the next page provides the data underlying Figure 1.



Attachment 1: Opioid Settlement Revenues

The 2024 Proposed Budget Adjustments includes new ongoing investments supported by opioid settlement revenues. These ongoing investments total \$1.6 million and they include position costs, which increase annually. Settlement revenues are projected to increase by 8.2 percent from 2024 to 2025 and then remain static through 2028. It is likely that the position costs included in some of these ongoing investments will outpace the revenue that is available to support them.

As Figure 1 shows, the City's net receipt of settlement revenues is projected to peak in 2029 and begin declining in 2031. At some point, either reductions will need to be made to the current suite of ongoing investments or another supplementary funding source will need to be identified to maintain them at their current level.

Table 1 shows the amount of revenues that HSD projects the City will receive over the 17-year payout period.

Attachment 1: Opioid Settlement Revenues

Table 1. HSD Projected 17-Year Payout of Opioid Settlement Revenues (\$ in 1,000s)																			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	Totals
Opioid Pharmacies	\$-	\$-	\$1,096	\$1,096	\$1,096	\$1,096	\$1,096	\$1,096	\$1,096	\$860	\$860	\$860	\$495	\$495	\$495	\$265	\$265	\$-	\$12,267
Opioid Distributors	\$607	\$638	\$638	\$798	\$798	\$798	\$798	\$939	\$939	\$939	\$789	\$789	\$789	\$789	\$789	\$789	\$789	\$789	\$14,204
Total Revenues	\$607	\$638	\$1,734	\$1,894	\$1,894	\$1,894	\$1,894	\$2,035	\$2,035	\$1,799	\$1,649	\$1,649	\$1,284	\$1,284	\$1,284	\$1,054	\$1,054	\$789	\$26,471
Legal Fees	\$(91)	\$(96)	\$(96)	\$(120)	\$(120)	\$(120)	\$(120)	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$(763)
Revenues Less Legal Fees	\$516	\$542	\$1,638	\$1,774	\$1,774	\$1,774	\$1,774	\$2,035	\$2,035	\$1,799	\$1,649	\$1,649	\$1,284	\$1,284	\$1,284	\$1,054	\$1,054	\$789	\$25,708
10% for Opioid Abatement Council	\$(52)	\$(54)	\$(164)	\$(177)	\$(177)	\$(177)	\$(177)	\$(203)	\$(203)	\$(180)	\$(165)	\$(165)	\$(128)	\$(128)	\$(128)	\$(105)	\$(105)	\$(79)	\$(2,567)
10% of net for HSD admin costs ¹	\$-	\$-	\$(147)	\$(160)	\$(160)	\$(160)	\$(160)	\$(183)	\$(183)	\$(162)	\$(148)	\$(148)	\$(116)	\$(116)	\$(116)	\$(95)	\$(95)	\$(71)	\$(2,220)
Total Available for Programs	\$464	\$488	\$1,327	\$1,437	\$1,437	\$1,437	\$1,437	\$1,649	\$1,649	\$1,457	\$1,336	\$1,336	\$1,040	\$1,040	\$1,040	\$854	\$854	\$639	\$20,921
Notes																			
1. Figures in this row differ from those in the 2024 Proposed Budget Adjustments. They reflect Central Staff's understanding of the maximum amount that can be reserved for this purpose.																			