



# King County

1200 King County  
Courthouse  
516 Third Avenue  
Seattle, WA 98104

## Meeting Agenda

### Roundtable 2-Health, Housing and Human Services (Discussion Related to Proposed 2021-2022 Budget)

*Councilmembers: Kathy Lambert, Co-Lead; Joe McDermott, Co-Lead;  
Claudia Balducci, Dave Upthegrove, Girmay Zahilay*

*Roundtable Lead: Andrew Kim (206-477-8495)  
Roundtable Assistant: Angelica Calderon (206-477-0874)*

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9:30 AM

Wednesday, October 14, 2020

Virtual Meeting

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#### SPECIAL MEETING

**PUBLIC NOTICE:** Roundtable 2's October 14, 2020 meeting will be held virtually. To help prevent the spread of the COVID 19 virus, the chambers will be closed and all committee members and staff will be participating in the meeting remotely. The live feed of the video conference will be streaming on the King County Council's website and on KCTV Channel 22.

Pursuant to K.C.C.1.24.035 A. and F., this meeting is also noticed as a meeting of the Metropolitan King County Council, whose agenda is limited to the committee business. In this meeting only the rules and procedures applicable to committees apply and not those applicable to full council meetings.

**HOW TO PROVIDE PUBLIC COMMENT:** Roundtable 2 values community input and looks forward to hearing from you on agenda items.

The Roundtable will accept public comment on agenda items in writing. You may do so by submitting your written comments to [kcccomitt@kingcounty.gov](mailto:kcccomitt@kingcounty.gov). If your comments are submitted before 8:00 a.m. on the day of the meeting, your comments will be distributed to the roundtable members and appropriate staff prior to the meeting.



*Sign language and communication material in alternate formats can be arranged given sufficient notice (206-1000).  
TDD Number 206-1024.*

*ASSISTIVE LISTENING DEVICES AVAILABLE IN THE COUNCIL CHAMBERS.*



**HOW TO WATCH/LISTEN TO THE MEETING:** There are several ways to watch or listen in to the meeting:

- 1) Stream online via this link: <https://livestream.com/accounts/15175343/events/4485487>, or input the link web address into your web browser.
- 2) Watch King County TV Channel 22 (Comcast Channel 22 and 322(HD), Wave Broadband Channel 22)
- 3) Listen to the meeting by telephone.

Dial: 1 253 215 8782  
Meeting ID: 541 737 1945  
Password: 541205

To help us manage the meeting, please use the Livestream or King County TV options, if possible, to watch or listen to the meeting.

1. **Call to Order**

2. **Roll Call**

**Briefing**

3. Briefing No. 2020-B0089

Briefing on Proposed 2021-2022 Biennial Budget - Health, Housing and Human Services

*Andrew Kim, Council Staff*

**Adjournment**

## **2021-2022 Council Budget Decision Guidelines for BFM and Roundtable meetings**

- Gain consensus on budget decisions (new adds, rejection of executive proposed cuts, new cuts, expenditure restrictions, provisos) with the following guidelines:
  - Reach consensus on concept and allow central and district staff to determine details;
  - For a new add or rejection of an executive proposed cut, the author of the proposal must determine either a supporting revenue source or a new cut. For each roundtable, such proposals must be within the scope of the roundtable policy area; and
  - If possible, avoid using General Fund's fund balance to support new adds or rejection of executive proposed cuts to maintain the 6% Ending Fund Balance.
  
- Include all BFM and Roundtable budget decisions in the Chair's Striking Amendment pending budget balancing.
  
- *Close* appropriation units where consensus has been reached on budget decisions and further public deliberation is no longer needed.
  
- Keep *Open* appropriation units that need further analysis and consensus has not been reached on budget decisions:
  - Week 1: BFM – Any open appropriation units that align with a Roundtable policy area will be discussed during Week 2 Roundtables; all other open appropriation units that do not align with a Roundtable policy areas will be discussed during Week 3 BFM meetings;
  - Week 2: Roundtable – Any remaining open appropriation units will be discussed during Week 3 BFM meetings; and
  - Week 3: BFM – Any appropriation units that have not been closed may be further deliberated in a meeting of the BLT (Budget Leadership Team), to be formed by the BFM if needed.
  
- All councilmembers should actively participate with proposals given and decisions made at BFM and Roundtable meetings.
  
- Roundtable Co-leads should facilitate building of consensus on proposed budget decisions.



**King County**  
**Metropolitan King County Council**

**Roundtable 2-Health, Housing and Human Services**

**October 14, 2020 – 9:30 a.m.**

*Councilmembers: Kathy Lambert, Co-Lead; Joe McDermott, Co-Lead;  
Claudia Balducci, Dave Upthegrove, Girmay Zahilay*

*Andrew Kim, Roundtable Lead*

*Angelica Calderon: Roundtable Assistant*

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## COMMUNITY SERVICES OPERATING

ANALYST: APRIL SANDERS

	<b>Expenditures</b>	<b>Revenues</b>	<b>FTEs</b>	<b>TLTs</b>
2019-2020 Revised Budget	\$56,521,067	\$56,443,329	12.6	0.0
2021-2022 Base Budget	(\$43,023,691)	(\$43,065,419)	0.0	0.0
2021-2022 Decision Packages	\$4,275,924	\$4,711,499	3.0	0.0
<b>2021-2022 Proposed Budget</b>	<b>\$17,774,000</b>	<b>\$18,090,000</b>	<b>15.6</b>	<b>0.0</b>
% Change from prior biennium	(68.6%)			
Dec. Pkg. as % of prior biennium	7.6%			

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**Major Revenue Sources:** General Fund, Interfund Transfers

**Base Budget Assumptions:** (1) 0.0% GWI in 2021; (2) 2.0% GWI in 2022; (3) CARES Act one-time appropriation expiration at the end of 2020

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### DESCRIPTION

The Community Service Operating (CSO) fund is operated by the Department of Community and Human Services (DCHS) and is used to gather and distribute revenue to other divisions, funds, or appropriation units in support of a wide variety of human service activities and contracts. Prior to the 2015-2016 budget, this fund was known as the Children and Family Service Fund.

### SUMMARY OF PROPOSED BUDGET AND CHANGES

The 2019-2020 revised biennial budget reached over \$56.5 million, while the 2021-2022 proposed budget totals \$17.7 million. This is due in large part to a \$43 million decrease in the base budget occurring largely because of one-time federal CARES Act funding that was appropriated to the CSO fund in the 2019-2020 biennium. Additionally, there is \$4.2 million in proposed decision package adjustments.

Of the proposed decision package adjustments, \$2.8 million would provide support to DCHS to contract for record expungement and legal financial obligation relief for those involved in the legal system through community contracts. This item would be entirely funded by Marijuana Enforcement Please see Key Issue 1 below.

There is a technical adjustment removing \$500,000 in appropriation authority for civil legal aid. In the 2019-2020 biennial budget, Council allocated that funding, though the funding was never expended. Please see Key Issue 2 below.

The proposal also includes \$1.5 million to provide county staff and funding to create a community-based organizations (CBO) capacity building strategy. The strategy would include 2.0 additional FTEs, a network of consultants and funds to award to community-based organizations for their own internal capacity building efforts. Please see Key Issue 3 below.

Additionally, the proposed budget includes \$332,833 for an additional FTE to serve as an economic development and veterans contract lead.

Other technical adjustments include central rate adjustments and vacancy rate adjustments.

### **KEY ISSUES**

#### **ISSUE 1 – MARIJUANA EXCISE TAX REVENUE // RECORD EXPUNGEMENT AND LFO RELIEF**

Of the proposed decision package adjustments, \$2.8 million would provide support to DCHS to contract for record expungement and legal financial obligation (LFO) relief for those involved in the legal system through community contracts. This item would be entirely funded by Marijuana Excise Tax Revenue.

Beginning in 2016, King County has received a portion of marijuana excise taxes collected by the State in accordance with RCW 69.54.540. Though unrestricted general fund revenue, and therefore not dedicated to any specific purpose within KCSO, the marijuana excise tax monies have been programmed as new revenue in the Sheriff's budget since distributions to the County began.

The Executive's proposed budget would allocate the \$4.6 million in marijuana excise tax revenues King County anticipates collecting over the 21-22 biennium to community based programs within the Department of Local Services and to the Community Services Operating appropriation unit. Though the tax revenues have traditionally gone to KCSO, according to the Executive, "all of the reductions to KCSO's budget were made in the context of the \$150 million shortfall in the General Fund, and none were specifically linked to the marijuana revenue. Because the revenue was not tied to any specific KCSO expenditures, redirection of the revenue did not result in any additional operational or FTE changes."

The package of changes regarding the marijuana excise tax revenue is further described in the Department of Local Services and Sheriff's Office budgets.

In addition to the \$2.8M proposed in this fund, there are existing civil legal aid contracts in the base budget totaling \$966K. These contracts have historically provided broad support for civil legal aid activities determined during contract negotiation with providers after budget adoption. The 2019-2020 budget included 2.0 TLTs for the Department of Public Defense (DPD) and 2.0 FTEs for the Prosecuting Attorney's Office (PAO) for a

Post-Conviction Relief pilot program. The DPD positions would be eliminated in this budget. In the PAO, there would still be 3.0 FTEs who provide assistance with post-conviction relief including vacation, sealing, and/or expungement related to all eligible criminal convictions dedicated to processing and assisting with conviction expungement requests.

It is a policy decision whether record expungement and LFO relief continue to be housed solely in DPD and PAO, or whether DCHS begins to play a major role in this service.

## **ISSUE 2 – CIVIL LEGAL AID**

In the 2019-2020 biennial budget, Council appropriated \$500,000 within the CSO budget for civil legal aid. None of this funding was utilized, and this decision package item would disappropriate all of those monies. Executive staff indicate that their original intent was for DCHS and DPD to work together to identify a contractor for this work, but they were unable to develop a contracted services model for civil collateral consequences.

## **ISSUE 3 – CBO CAPACITY BUILDING**

As referenced above, the Executive proposes \$1.5 million and 2.0 FTEs to provide county staff and funding to create a community-based organizations capacity building strategy. Executive staff indicate that one of the themes in the proposed budget is supporting CBOs. Given that the Executive plans for the County to become increasingly reliant on CBOs, this proposal would invest dollars into capacity building for these CBOs.

Executive staff indicate that the County strategy could be threefold: (1) dedicated staffing to provide foundational capacity building for CBOs; (2) a network of consultants working with the County to provide next level implementation of foundational capacity building, and (3) a fund to award CBOs resources to hire consultants for deeper, ongoing capacity building efforts.

CBOs that enter into contracts with the county and express interest in the capacity building program would be able to apply to the county on a rolling basis.

The program may include conducting a RFP for Capacity Building Organizations to work with CBOs who need assistance and smaller awards may be made directly by the County to CBOs in specific circumstances. Awards will likely be granted periodically based on the needs of an organization and an assessment of a submitted application. All awards will be subject to funding availability.

The intent is to assist CBOs that want to work with the County but have barriers. This program could help remove barriers and those CBOs could also apply to the program.

## RESPONSE TO COUNCIL INQUIRIES

**QUESTION 1: WITH REGARD TO POST-CONVICTION RELIEF PILOT PROGRAM, DOES THE COUNTY HAVE AN EVALUATION OF HOW THE PROGRAM WORKED?**

ANSWER: The below cumulative data was provided by Executive staff represents post-conviction work performed by DPD from 2019 thru Q3 2020. This is the extent of the evaluation provided.

<b>Number of clients</b>	753
<b>Convictions vacated</b>	397
<b>LFO cases resolved</b>	122
<b>LFOs waived</b>	\$432,539
<b>Firearm rights restored</b>	66

**QUESTION 2: CAN WE USE OTHER LEVY FUND FOR THE CBO CAPACITY BUILDING?**

ANSWER: Executive staff indicate that program is intended to support all CBOs that work with the county and using funding other than the General Fund will limit the CBOs that the County can work with. The program as it is currently construed is designed to be flexible and ongoing, so it needs a flexible and ongoing funding source.

DCHS already has capacity building dollars available within VSHSL and BSK funds, but those dollars are only available for CBOs working in those specific initiatives.

**QUESTION 3: CAN YOU PROVIDE A LIST OF ORGANIZATIONS TO WHICH DPD/PAO REACHED OUT WHEN TRYING TO FIGURE OUT A CONTRACTED SERVICE MODEL TO EXPEND THE CIVIL LEGAL AID FUNDING?**

ANSWER: Columbia Legal Services and the Northwest Justice Project.

**QUESTION 4: PLEASE PROVIDE ADDITIONAL INFORMATION ON THE CIVIL LEGAL AID DISAPPROPRIATION.**

ANSWER: In 2017, DPD had been given approximately \$440,000 by the City of Seattle to provide advice regarding civil legal aid to clients. DPD approached Columbia Legal Services and Northwest Justice Project.

The Northwest Justice Project was ready to do the work, using their attorneys, whom they would continue to supervise. DPD's position was that in order for the attorney-client privilege to flow to the civil legal aid lawyer, that lawyer had to be embedded in DPD



and subject to DPD supervision and authority. The Northwest Justice Project was not interested under such an arrangement.

This approach was revisited in 2019 but with the same issue (DPD oversight of the contracted civil legal aid lawyer) that precluded a contract agreement that worked for all parties.

## EMPLOYMENT EDUCATION RESOURCE

ANALYST: APRIL SANDERS

	<b>Expenditures</b>	<b>Revenues</b>	<b>FTEs</b>	<b>TLTs</b>
2019-2020 Revised Budget	\$37,624,978	\$37,441,005	38.5	0.0
2021-2022 Base Budget Adjust.	(\$2,191,533)	(\$3,533,515)	(0.9)	0.0
2021-2022 Decision Packages	\$401,296	\$1,851,869	1.0	0.0
<b>2021-2022 Proposed Budget</b>	<b>\$35,835,000</b>	<b>\$35,760,000</b>	<b>36.6</b>	<b>0.0</b>
% Change from prior biennium	(4.8%)			
Dec. Pkg. as % of prior biennium	1.1%			

**Major Revenue Sources:** Interfund transfers – BSK, General Fund, Federal funds, State funds, Intragovernmental funds

**Base Budget Assumptions:** (1) 0.0% GWI in 2021; (2) 2.0% GWI in 2022

### DESCRIPTION

The Employment and Education Resources (EER) program of the Department of Community and Human Services (DCHS) provides education, job placement, training and other services to youth and adults through a combination of contracted services and services provided directly by King County employees. Populations served by EER programs include youth who have dropped out of high school, youth in danger of dropping out of high school, gang-involved youth, low-income adult job seekers, homeless families, young parents with children, individuals with limited English proficiency, adults with prior criminal justice involvement, and displaced workers.

### SUMMARY OF PROPOSED BUDGET AND CHANGES

The 2021-2022 proposed budget shows a 4.8% decrease from the 2019-2020 biennium. Of EER program services, 54% are done by contract through other service providers.

Included in the proposed budget is an elimination of the adult services program, at a savings of \$4.5 million and 6.0 FTEs. Executive staff indicate that these programs will continue to be provided in the community, however not by EER. Specifically, in the 2019-2020 biennium, DCHS Adult Services Division (ASD) invested proceeds from the Veterans, Seniors and Human Services Levy (VSHSL) in the regional transformation of the adult workforce system through a partnership with the Workforce Development Council (WDC).

As of a result of this transition, the proposed budget eliminates funding managed by DCHS while preserving the services to the community through WDC. Revenue-backed by the VSHSL and County General Fund, the program will continue through a partnership with community-based organizations in collaboration with the WDC, and will focus on:

- Expansion of populations served and overall program reach;
- Support regional prioritization of employment support for those with greatest barriers;
- Increase resources to most effective program model;
- Improve coordination between employers, labor and educators to make sure job seekers are prepared for the best career opportunities available in the region; and
- Better alignment of local, federal and philanthropic funding to maximize flexibility and produce better results.

Additionally, the 2021-2022 proposed budget would appropriate \$248,635 to support the Department of Vacation Rehabilitation Resources. The program provides pre-employment transitions to students with disabilities before they leave secondary education.

Lastly, \$333,551 is disappropriated from the proposed budget to transfer a Communities of Opportunity employment manager from the Employment Education Resource unit to the Department of Public Health. The position is funded by the Best Starts for Kids Communities of Opportunity Strategy.

## **KEY ISSUES**

### **ISSUE 1 – RESTORATIVE COMMUNITY PATHWAYS**

In lieu of filing charges, the King County Prosecuting Attorney's Office proposes to refer up to 600 young people (about 60 percent of cases) pre-filing in 2022 to community-based organizations for comprehensive services intended to promote accountability, healing, and avoid future involvement in the criminal legal system. This new diversion program referred to as "Restorative Community Pathways (RCP)" was developed in partnership between community organizations, the Department of Public Defense, the PAO, and the Department of Community and Human Services. This program will serve youth ages 12-17 and will address misdemeanors (except domestic violence and sexual assault) and many first-time felony charges. Eligibility is at PAO discretion and PAO will consider other factors such as criminal history, level of injury, and use of a deadly weapon.

RCP will both complement and expand on pre-filing diversion opportunities for justice involved youth. Cases will continue to be diverted through the Choose 180 workshop (first time juvenile misdemeanor offenders) and FIRS program (intra-familial domestic violence cases). The RCP program would also include appropriate services and support

for harmed parties and a restitution fund so that youths who cannot pay fines or other financial obligations do not end up in a cycle of probation violations and incarceration.

The total funding for this program is \$6.2 million, budgeted in the DCHS-Employment Education Resources appropriation unit. This includes a decision package for \$5.4 million added to EER and \$800,000 in existing Best Start for Kids funding in EER intended for existing diversion programs that will now be rolled into the RCP program. The \$6.2 million will support the following:

- \$5.2 million for community grants for DCHS (of this, PAO anticipates \$150,000 will be needed for a restitution fund);
- \$509,917 and two FTEs for DCHS to manage the program; and
- \$500,000 for program evaluation.

DCHS Children Youth and Young Adults Division will work with DPD, PAO, and community organizations serving youth and harmed parties to develop a selection process for community-based organizations. Selected RCP community-based organizations are expected to begin receiving referrals by July 2021. Council staff have asked PSB for information on the capacity of existing community-based organizations to do this work and whether there is any funding in the proposed budget specifically dedicated to building the capacity of community-based organizations to serve as part of a diversion program.

The program would largely be funded by the General Fund (\$5.2 million) and from Best Starts for Kids (\$1<sup>1</sup> million from shifting the BSK funding for existing CEDAR and Theft 3 diversion programs into this program). According to Executive staff, the program will eventually be fully funded through staff savings throughout the criminal justice system by diverting cases away from the criminal legal system. The proposed budget includes savings expected in the appropriation units listed below beginning in 2022 as a result of the effects of this program. The savings are discussed in the staff report for each appropriation.

The Restorative Community Pathways proposal has fiscal impacts across agencies and is also detailed in the PAO, DPD, and Superior Court Staff Reports.

## **ISSUE 2 – ELIMINATION OF THE ADULT SERVICES PROGRAM IN EER**

As mentioned above, the Executive proposes elimination of the Adult Services Program within EER, instead using VSHSL and other funds to provide the services through the Workforce Development Council. Elimination of this program removes \$4.5 million from the EER budget as well as 6.0 FTEs. Five of the FTEs are currently filled position and 1 position is currently vacant. Executive staff indicate that, if passed, the 5.0 FTEs would receive layoff notices.

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<sup>1</sup> This includes \$800,000 in BSK funding already in the EER cost center and additional \$200,000 in BSK funding for diversion programs transferred from PAO.

## RESPONSE TO COUNCIL INQUIRIES

**QUESTION 1: WOULD RCP POTENTIALLY BE AVAILABLE TO CBOs SERVING YOUTH WHO ARE NOT ALREADY INVOLVED WITH OTHER DIVERSION PROGRAMS?**

**ANSWER:** YES, Executive staff indicate that RCP complements and expands existing diversion programs. RCP is expected to serve an additional 600 students starting in 2022. Cases referred to RCP will be in addition to cases already referred to FIRS and CEDAR.

**QUESTION 2: WOULD OTHER DIVERSION PROGRAMS BE DISCONTINUED?**

**ANSWER:** Waiting for Executive staff to provide a response.

**QUESTION 3: DOES KING COUNTY, OR THE DEPARTMENT, HAVE AUDIT REQUIREMENTS FOR WHEN KING COUNTY CONTRACTS WITH COMMUNITY BASED ORGANIZATIONS?**

**ANSWER:** DCHS does not conduct formal audits with contracted CBOs. Instead, the Department has subrecipient monitoring requirements, using standards included in federal guidance to conduct the monitoring for all DCHS funded CBOs.

DCHS has a compliance unit that has standardized monitoring requirements for all DCHS funded CBOs. The compliance unit conducts risk assessments on all CBOs annually and performs required monitoring and site visits (or virtual site visits during COVID-19) based on specific funding requirements and risk levels for all DCHS funded CBOs at least every 3 years.

**QUESTION 4: HOW IS EER WORKING WITH THE SCHOOLS ON DEVELOPMENT OF IEPs WITH STUDENTS?**

**ANSWER:** When appropriate, EER works with school districts on the development of IEPs (Individualized Education Plans), especially for the Department of Vocational Rehabilitation project.

However, by State law the school districts have to take the lead on development of the plan, and the monitoring/revisions. School districts are ultimately responsible for ensuring any student with disabilities gains the services they need to be successful, but invite other partners to participate in this as they deem appropriate.

For DCHS's Open Doors program, the school district is responsible for ensuring the development of IEPs. The following example was provided by Executive staff: if a student is referred to DCHS for Open Doors services from Renton School District, the district then need to develop the IEP and work with DCHS to implement. The school district collects the Special Education Allocation from the State (OSPI) and can pass along extra funding to DCHS to support the student or keep the funding for themselves and provide the services.

**QUESTION 5: ARE ANY PROGRAMS BEING DISCONTINUED IN THE SHIFT TO RELYING ON VSHSL FUNDING AND THE WORKFORCE DEVELOPMENT COUNCIL INSTEAD OF HOUSING THE ADULT SERVICES PROGRAM INTERNALLY?**

**ANSWER:** The names of programs will cease to exist, though currently served populations are expected to continue to be served. Executive staff indicate that the proposal to shift to partnering more extensively with the Workforce Development Council will impact existing programs as follows:

- *Career Connections*: formerly dedicated to employment services for individuals who were experiencing homelessness and expanded in the 2019-2020 biennium to serving a broader range of individuals who fit into the vulnerable populations definition in the VSHSL, would not exist as the Career Connections program. Instead, as DCHS began doing with part of these program dollars in the 2019-2020 biennium, funding would be braided to serve a broader population in alignment with the policy direction in the VSHSL but through the WDC partnership. Executive staff state that this will enable deeper funding of a broader provider cohort and more expanded reach into the community. DCHS would partner with the WDC in community outreach and related processes to ensure King County policy is adhered to, as is done with other funding partners.

- King County Jobs Initiatives (*KCJI*): There are two components of this program. One is direct services out of the Adult Services Division (ASD) and then there are two small contracts with providers (YWCA and TRAC Associates, both of which are also funded through the WDC with VSHSL funds) for \$83,000 per year for each of 2019-2020. Internally, KCJI, as it currently exists, would cease to exist in name. However, Executive staff state that the population that the program serves--individuals reentering from incarceration--would continue to be the priority for these dollars. The program would also expand to serve more individuals reentering that were involved with the criminal justice system but not necessarily incarcerated, since there are possible collateral consequences from any involvement with the criminal justice system. DCHS state that they would transition the current providers thoughtfully, including aligning future contracting with open re-procurement timelines to allow for service continuity.

## HOUSING AND COMMUNITY DEVELOPMENT

ANALYST: APRIL SANDERS

	<b>Expenditures</b>	<b>Revenues</b>	<b>FTEs</b>	<b>TLTs</b>
2019-2020 Revised Budget	\$359,045,238	\$293,031,093	50.2	0.0
2021-2022 Base Budget	(\$107,371,169)	(\$89,794,969)	1.0	0.0
2021-2022 Decision Packages	\$446,274,614	\$619,475,698	10.0	0.0
<b>2021-2022 Proposed Budget</b>	<b>\$697,949,000</b>	<b>\$822,712,000</b>	<b>61.2</b>	<b>0.0</b>
% Change from prior biennium	94.4%			
Dec. Pkg. as % of prior biennium	124.3%			

**Major Revenue Sources:** Proposed Health through Housing Bond, Transit Oriented Development Bond, Federal Grants, Interfund Revenue (VSHSL, MIDD, BSK, BHRD), State Authorized Recording Fees, State Grants (HEN, CHG, and REDI), Other, Affordable and Supportive Housing (SHB 1406), Hotel/Motel Sales Tax, Short-term Hotel/Motel Tax (AirBnB), General Fund

**Base Budget Assumptions:** (1) 0.0% GWI in 2021; (2) 2.0% in 2022; (3) Transit Oriented Development expenditures appropriated in 2019-2020 removed from base budget

### DESCRIPTION

The Housing and Community Development (HCD) Fund provides a mechanism for King County to administer a number of federal, state and local funding sources that support homelessness prevention, housing repair, low-income and special needs housing development and community development.

### SUMMARY OF PROPOSED BUDGET AND CHANGES

The 2020-2020 proposed budget includes a \$108 million decrease in base budget adjustments due to in part to an end of CARES Act funding that was allocated in 2019-2020 biennial budget supplementals, but also a proposed \$400 million increase pending Council passage of the Executive's proposed councilmanic sales tax for housing acquisition, construction and operations, which would be accomplished if Council chooses to enact Proposed Ordinance 2020-0311. This councilmanic sales tax was authorized by Housing Bill 1590. More on this item is listed under Key Issues #1 below. Sales tax revenue associated with the proposed housing sales tax would go to the Health through Housing fund, which will then transfer revenue to HCD to support debt services payments for long-term general obligation bonds.

Resulting from Ordinance 19005 and Motion 15492, which established the Puget Sound Taxpayer Accountability Account fund and adopted an implementation plan, \$13.8

million from that revenue source is proposed to be allocated to the HCD fund for early learning intervention facilities.

In August 2019, Council enacted Ordinance 18973<sup>1</sup>, which imposed a councilmanic 0.0146% sales tax for affordable and supportive housing as authorized by House Bill 1406. The proposed budget includes \$5.6 million in new appropriation authority from this revenue source for affordable housing.

In addition, the proposed budget also includes appropriations to support youth homelessness efforts, including \$20 million in U.S. Department of Housing and Urban Development monies to support expanded permanent supportive housing and rapid rehousing for domestic violence and the Youth Homelessness Demonstration Project, as well as \$1.3 million for youth homelessness projects from hotel/motel tax revenue.

Additional proposals backed by lodging (hotel/motel) tax revenue include \$2 million to support development or preservation of housing in transit-oriented development (TOD) locations and \$187 million in TOD Bond Revenue to reimburse DCHS for early expenditures on TOD projects, of which \$87 million was appropriated in the 2017-2018 biennial budget as per the Transit Oriented Development Bond Allocation Plan adopted by Council in 2016<sup>2</sup> and \$100 million which was appropriated through the 2019-2020 biennial budget.

The HCD fund proposal also includes a number of additional FTEs, including the following:

- Program integration manager -- \$332,833
- System connected housing manager -- \$289,717
- KCRHA contracts manager -- **\$255,196**
- Affordable Housing Program Support (x3) -- \$738,906
- Community engagement manager -- \$255,196
- Project program analyst II -- \$255,196
- Performance measurement and evaluation support (x2) -- \$622,550

Other adjustments include technical budget, central rate and vacancy rate adjustments. Note that the HCD budget also assumes that homelessness contracts will shift to the King County Regional Homelessness Authority (KCRHA) beginning in January 2021.

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<sup>1</sup> <https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=4087589&GUID=927C2417-1C95-4092-968F-9BEE0353BCBC&Options=Advanced&Search=>

<sup>2</sup> <https://mkcclegisearch.kingcounty.gov/LegislationDetail.aspx?ID=2732477&GUID=2FF56BCE-5DAF-48AD-9BFC-BBDF3BA1405E&Options=Advanced&Search=>



## KEY ISSUES

### ISSUE 1 – COUNCILMANIC HOUSING SALES TAX

Along with the 2021-2022 proposed biennial budget transmittal, the Executive transmitted Proposed Ordinance 2020-0311, which would impose an additional sales and use tax of 1/10 of 1% to fund affordable housing construction, operations and maintenance of affordable housing and behavioral health facilities, newly constructed evaluation and treatment facilities for involuntary psychiatric care, and the operation of behavioral health treatment programs. This allowance for a councilmanic sales tax is authorized by RCW 82.14.530.

Alternatively, the council initiated Proposed Ordinance 2020-0337 a varied version to authorize the sales tax and companion legislation Proposed Ordinance 2020-0338 which would establish provisions related to an implementation plan to utilize the housing sales tax proceeds. The Council initiated proposed ordinances have been introduced by Councilmember McDermott. In addition, the executive transmitted Proposed Ordinance 2020-0319 would establish the Health through Housing fund to collect and expend the housing sales tax proceeds. **Proposed Ordinance 2020-0337 along with Proposed Ordinance 2020-0319 to establish this fund passed out of the October 6<sup>th</sup> Committee of the Whole meeting and will be taken up at the October 13<sup>th</sup> Council meeting for final action.**

If adopted, the housing sales tax is expected to generate approximately \$106 million throughout the biennium. The Executive proposes bonding against anticipated revenue for \$400 million to fund housing projects. A breakdown of the proposed expenditures is below.

- Permanent housing debt service to support the \$400 million bond \$36.9 million
- Behavioral health service programs \$8.7 million
- Permanent supportive housing operations \$46.7 million
- Support service delivery planning \$4.4 million

**As of October 9, 2020, 5 jurisdictions (Covington, Issaquah, Kent, Renton and Snoqualmie) have enacted legislation adopting the 0.1% housing sales tax. Three additional jurisdictions, Bellevue, North Bend and Maple Valley, are considering adopting the tax the week of October 12, 2020. As a result, the revenue to the County may reduce by 13% to 26% depending on actions by the various local jurisdictions.**

Analysis is ongoing and additional analysis will be included in the staff report for the housing sales tax ordinance.

## **ISSUE 2 – FTE ADDITIONS**

The Executive proposes adding 10 additional FTEs to the HCD budget, several of which are outlined above, at a total cost of approximately \$2.75 million. Council may wish to consider whether these FTE additions are in alignment with Council priorities for this budget.

### **RESPONSE TO COUNCIL INQUIRIES**

**QUESTION 1: CAN YOU PROVIDE MORE DETAIL ON THE 10 FTE ADDITIONS PROPOSED IN THIS BUDGET? WHAT WOULD EACH WORK ON, WHERE WOULD THEY BE HOUSING, HOW DID PSB/DCHS DECIDE ON THE SALARIES, AND WHAT IS THE FUNDING SOURCE FOR EACH?**

**ANSWER:** Please see below for a description of each position.

HHCDD 2021-2022 Staff Decision Packages Funding		Revenue for FTE expense	Revenue	
		Investment/interest income	\$ 2,161,565	
		DRF	\$ 588,029	
		<b>Total</b>	<b>\$2,749,594</b>	
Work Area	Position Description	Fund Source	Expense	FTE
Housing Stability Support	<b>1 SP II - New Program Integration Manager</b> - manage Division shift to housing stability including integration of behavioral health housing, prevention/diversion, and criminal justice.	DRF	332,833	1.00
Housing Stability Support	<b>1 PPM III SYstem Connected Housing Manager</b> to to oversee 4 existing staff managing over \$40 M focused on Master Leasing and Service enriched housing.	Inv/int	289,717	1.00
Housing Stability Support	<b>1 PPM II KCRHA Contract Manager</b> to oversee KCRHA Contracts/ funding.	DRF	255,196	1.00
HHCDD PME Housing Stability Staffing	<b>Performance Measurement and Evaluation (PME) 1 PPM IV and 1 PPM III.</b> The PPM III would manage the day-to-day work around Housing Stability. The PPM IV manager would coordinate and lead the HHCDD work and the workflow with KCRHA, and maintain a strategic relationship with KCRHA.	Inv/int	622,550	2.00
Additional HHCDD Staff to support shifting focus - Move On Initiative & Affordable Housing	<b>1 PPM II - Move On Manager</b> to manage the Move On Initiative. With the creation of the KCRHA, DCHS is shifting its focus to community stability, focusing on preventing homelessness and increasing access to affordable housing. Move-on initiative is a key component of this strategy and is a partnership between HHCDD, King County Housing Authority (KCHA) & more recently Seattle Housing Authority (SHA). <b>1 PPM 1 as Division Support Project Manager</b> administering ewxpenditure and revenue contracts. <b>1 PPM II - Affordable Housing Committee Support Manager</b> to support AHC work with local jurisdictions.	Int/int	738,906	3.00
HHCDD TLT Conversion	Convert 1 TLT to FTE - <b>1 PPM II Community Engagement</b> Support division wide community engagement and provides planning support, engagement strategies, and meeting facilitation for community outreach on broad topics including: Equitable Development Strategies, Affordable Housing Committee, Renter's Commission, etc.	Inv/int	255,196	1.00
Program Analyst for HHCDD	<b>1 Project Program Analyst I (PPM II)</b> for HHCDD (will sit in Directors Office) to provide strategic planning and guide community outreach, education, and engagement with and for the communities throughout King County in support of affordable and permanent supportive housing development, homelessness issues and homeless prevention strategies, and community development for the Housing, Homelessness and Community Development Division.	Inv/int	255,196	1.00
		<b>Total</b>	<b>\$2,749,594</b>	<b>10</b>

**Notes:**

1. DRF – Document Recording Fee
2. Inv/int – Investment and interest income, including interest earned from housing finance loans.

Below is the rationale provided by Executive staff for the above positions.

(1) **Shift to Housing Stability.** The creation of the King county Regional Homelessness Authority (KCRHA) allows King County government to focus more on upstream solutions that support individuals and families who are unstably housed and at risk of homelessness. As discussed during the One Table effort, many households face housing instability and risk homelessness due to unaffordable housing, behavioral health disorder, engagement with the criminal legal system, and other root causes. This portfolio of programs has been growing over recent years, through the Best Starts for Kids and Veterans, Seniors, and Human Services Levy focus on homelessness prevention and housing stability. Such programs include homeless prevention, operating and services for affordable housing, master leasing / shallow rent subsidy programs, and programs designed to transition households to lower acuity programs (“Move On”). Collectively, the Housing, Homelessness, and Community Development Division (HHCDD) is shifting to focus on Housing Stability and recognizes the County’s true space of working upstream in preventing homelessness in the first place.

DCCHS proposes the following positions to support this focus on Housing Stability:

- **Special Projects II: Program Integration Manager.** Will lead division wide effort to integrate Housing Stability programs with existing systems such as behavioral health housing, prevention/diversion, and criminal legal. Will proactively engage with the KCRHA and mainstream systems to identify and implement opportunities for system connection and integration that results in improved housing stability. Will have overall span of control of entire Housing Stability section, including 11 FTE, 8 existing FTE and 3 proposed new FTE. Salary would be at standard rate for position classification.
- **Program Project Manager (PPM) III: System Connected Housing Manager.** Responsible for implementing system connected housing strategies and programs, including *Keeping Families Together* and other programs that are focused on providing housing to households involved with various systems, including Criminal Justice, Behavioral Health, and Child Welfare Systems. Will supervise one FTE and is paid at standard PPM III rate.
- **Program Project Manager (PPM) II: KCRHA Contract Manager.** Charged with creating a seamless connection between the new King County Regional Homeless Association with County upstream programming and monitoring for compliance with County funding requirements. Contract will be for approximately \$50M annually and position will assist in maintaining support for and ensuring success of operational components of KCRHA. This will include compliance with

federal, state, and local requirements for the variety of funds provided to the new authority. Paid at standard PPM rates.

- **Program Project Manager (PPM) II: Move On Program Manager.** Move On is a highly successful partnership with the KCRHA and Seattle Housing Authority to help families move out of permanent subsidized housing to allow higher risk households access to stable housing. This program is key to the success of both KCRHA and King County as it creates throughput in the affordable housing system, allowing households to move from homelessness to housing. This position will partner with the housing authorities and other housing providers to identify and deploy resources to expand this successful program. Paid at standard PPM rates.

(2) **Improved Decisions Through Data.** As is true throughout King County, DCHS values data-informed decision making to ensure efficient and effective policy development and to continually improve programs for better client outcomes and to reduce racial inequities. The Performance Measurement and Evaluation team currently has a dedicated group focused on homelessness, which analyzes data from the Homeless Management Information System (HMIS) and related data. However, the team currently includes no evaluators or data analysts focused on affordable housing, housing stability, and community development. Data experts focused on housing and community development will help guide and evaluate housing focused investments by continuing to improve the Affordable Housing Committee data dashboard, improve data quality regarding existing affordable housing investments and regional evictions, and evaluate the effectiveness of homelessness prevention programs, among other projects. In addition, this team will support transparent metrics of significant community investments, especially critical if investments are expanded in line with the 2021-2022 Health Through Housing budget proposal. The positions are funded through investment income and interest.

Specific positions include the following:

- **PPM IV:** Manage and coordinate data and projects between homeless investments at KCRHA and HHCDD, as well as scope and oversee a performance measurement and evaluation approach for affordable housing, housing stability, and community development, including developing and maintaining necessary data resources. This position will supervise PPMIIIs and is paid at standard PPM rates.
- **PPM III:** Dedicated support to HHCDD team focused on affordable housing and housing stability. Paid at standard PPM rates.

(3) **Division Wide Support.** The HHCDD continues to grow in program breadth, budget, and complexity. Over the last biennium, the division expanded its scope of work to include initiating and managing the relationship with KCRHA, local

jurisdiction requests for the Affordable Housing Committee, site-specific work for local affordable housing development, and anti-displacement policy development and implementation.

The following positions are focused on supporting division-wide efforts.

- **PPM I: Division Support Project Manager.** Will support administering expenditure and revenue contracts, including support to PPM II and PPM III positions throughout the division. Paid at standard PPM rates.
- **PPM II: Affordable Housing Committee Support Manager.** The AHC staff are receiving increased interest and demand from local jurisdictions about how to implement committee recommendations. This position will support local jurisdictions in these efforts. The position will also work with Division staff engaged with local communities in developing community-based housing solutions. Paid at standard PPM rates.
- **Convert 1 TLT to FTE.** Current position supports division wide community engagement support and strategies, including meeting facilitation. The need for this work will continue to grow as HHCDD works with local jurisdictions to support affordable housing and community development projects. Paid at standard PPM rates.
- **PPM II Program Analyst.** Provide strategic communication planning and guide community outreach, education, and engagement with and for the communities throughout King County in support of affordable and permanent housing development, homelessness issues and homeless prevention strategies, and community development for the HHCDD.

**QUESTION 2: CAN YOU PROVIDE ADDITIONAL INFORMATION ON DS\_005 (YOUTH HOMELESSNESS PROJECTS)? WHAT DECISION POINTS LED TO HOTEL/MOTEL DOLLARS GOING INTO YOUTH HOMELESSNESS PROJECTS AND WHAT ARE THE INTENDED USES OF THESE FUNDS?**

**ANSWER:** In 2015, the Washington Legislature passed Substitute House Bill 1223, which became Chapter 102, Laws of Washington 2015 which outlined how hotel/motel revenue generated in King County could be utilized starting in 2021.

The King County Council passed Ordinance 18788 in 2018 which further outlines the utilization of two and six- tenths of one percent of hotel/motel tax revenue starting in 2021 for homeless youth services per RCW 67.28.180(3)(d)(ii).

This decision package adds the now available Hotel/Motel (lodging) tax revenue and expenditure authority of approximately \$2M over the biennium to provide services supporting homeless youth as directed in Ordinance 18788. Providing services to

homeless youth is critical to supporting their stability and growth. With the establishment of KCRHA, DCHS expects to administer funds in consultation w/ KCRHA and may transfer these funds to the new authority to be administered in line with the regional homeless response.

# HEALTH THROUGH HOUSING

ANALYST: APRIL SANDERS

	<u>Expenditures</u>	<u>Revenues</u>	<u>FTEs</u>	<u>TLTs</u>
2019-2020 Revised Budget	\$0	\$0	0.0	0.0
2021-2022 Base Budget	\$0	\$0	0.0	0.0
2021-2022 Decision Packages	\$96,746,102	\$106,211,354	0.0	0.0
<b>2021-2022 Proposed Budget</b>	<b>\$96,747,000</b>	<b>\$106,212,000</b>	<b>0.0</b>	<b>0.0</b>
% Change from prior biennium	100%			
Dec. Pkg. as % of prior biennium	100%			

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**Major Revenue Sources:** Local (proposed Housing Sales Tax)

**Base Budget Assumptions:** N/A

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## DESCRIPTION

If created, the Health through Housing fund would house revenue for the proposed councilmanic 0.1% Housing Sales Tax as proposed via the Executive transmitted Proposed Ordinance 2020-0311 or through the Council initiated Proposed Ordinance 2020-0337 which would authorize the sales tax and companion legislation Proposed Ordinance 2020-0338 which would establish provisions related to an implementation plan to utilize the housing sales tax proceeds. The Council initiated proposed ordinances have been introduced by Councilmember McDermott. In addition, the executive transmitted Proposed Ordinance 2020-0319 which would establish the Health through Housing fund to collect and expend the housing sales tax proceeds. **Proposed Ordinance 2020-0337 along with Proposed Ordinance 2020-0319 to establish this fund passed out of the October 6<sup>th</sup> Committee of the Whole meeting and will be taken up at the October 13<sup>th</sup> Council meeting for final action.**

## SUMMARY OF PROPOSED BUDGET AND CHANGES

If the Health through Housing fund is created and the housing sales tax is approved (see staff reports on those items for more detail), an anticipated \$106 million in revenue would be deposited into this fund, then distributed to other agencies/funds for spending. The Executive proposes bonding against anticipated revenue for \$400 million, which would go into the Housing and Community Development fund.

Within this fund, the Executive proposes the following allocation:

- Permanent housing debt service to support the \$400 million bond      \$36.9 million
- Behavioral health service programs      \$8.7 million
- Permanent supportive housing operations      \$46.7 million



- Support service delivery planning \$4.4 million

More details on specific uses for those allocations are included in the Housing and Community Development and Behavioral Health staff reports.

## **KEY ISSUES**

### **ISSUE 1 – COUNCILMANIC HOUSING SALES TAX**

Along with the 2021-2022 proposed biennial budget transmittal, the Executive transmitted Proposed Ordinance 2020-0311, which would impose an additional sales and use tax of 1/10 of 1% to fund affordable housing construction, operations and maintenance of affordable housing and behavioral health facilities, newly constructed evaluation and treatment facilities for involuntary psychiatric care, and the operation of behavioral health treatment programs. This allowance for a councilmanic sales tax is authorized by RCW 82.14.530.

Alternatively, the council initiated Proposed Ordinance 2020-0337 a varied version to authorize the sales tax and companion legislation Proposed Ordinance 2020-0338 which would establish provisions related to an implementation plan to utilize the housing sales tax proceeds. The Council initiated proposed ordinances have been introduced by Councilmember McDermott. In addition, the executive transmitted Proposed Ordinance 2020-0319 would establish the Health through Housing fund to collect and expend the housing sales tax proceeds. **Proposed Ordinance 2020-0337 along with Proposed Ordinance 2020-0319 to establish this fund passed out of the October 6<sup>th</sup> Committee of the Whole meeting and will be taken up at the October 13<sup>th</sup> Council meeting for final action.**

**The need for this fund and specific allocations within it will vary depending on Council action at the October 13<sup>th</sup> Council meeting.** Please refer to the staff reports for Proposed Ordinances 2020-0337, 0338, and 0319 for further analysis and details.

### **ISSUE 2 – TIMING**

Due to requirements from RCW 82.14.055, a local sales and use tax cannot take effect sooner than 75 days after the Department of Revenue receives notice of the change and only on the first day of January, April or July. If Council approves legislation imposing the tax after October 17, 2020, the sales tax would not go into effect until April 1, 2021. If so, Executive staff indicate that proposed budget assumes revenue collections will not begin until July 1, 2021. Staff analysis is ongoing.

## RESPONSE TO COUNCIL INQUIRIES

**QUESTION 1: CAN WE GET AN IMPACT ANALYSIS NOW THAT SEVERAL CITIES HAVE ADOPTED THE TAX? WHAT DOES THIS MEAN FOR THE COUNTY'S PLAN?**

**ANSWER:** As of October 9, 2020, 5 jurisdictions have enacted legislation adopting a 1/10<sup>th</sup> of 1% housing sales tax. Three additional jurisdictions, Bellevue, North Bend and Maple Valley, are considering adopting the tax the week of October 12, 2020.

The two scenarios below outline anticipated revenue collections in 2 scenarios, the assumptions of which are articulated in each scenario. Please note that there are additional variables not contemplated in the scenarios below, including when cities provide notification to the Department of Revenue, what the Department of Revenue considers sufficient notification for this purpose, etc.

***Revenue Scenario 1:***

**Assumptions**

- 1) The following cities have effectuated ordinances adopting the sales tax and have provided sufficient notice to the Department of Revenue before King County: Covington, Issaquah, Kent, Renton and Snoqualmie;
- 2) Collections of the housing sales tax begin in January 2021, meaning biennial countywide collections would be estimated at \$140 million (Note: The Executive's proposed budget anticipates collections beginning in July 2021, so this number reflects 6 months of additional collections.); and
- 3) Collections remain consistent with 2019 sales tax collections.

**Table 1. Collections by Jurisdiction that have enacted legislation.**

<b>Jurisdiction</b>	<b>Estimated Biennial Collections through a 0.1% Sales Tax</b>
Covington	\$1,188,907
Issaquah	\$3,479,409
Kent	\$6,098,687
Renton	\$6,756,492
Snoqualmie	\$661,141
<b>Total</b>	<b>\$18,184,635</b>

**Impact Analysis**

- 13% reduction in anticipated revenue
- **\$122.8 million** in collections for King County government

## Revenue Scenario 2:

### Assumptions

- 1) All assumptions presented in Revenue Scenario 1; and
- 2) The cities of Bellevue, North Bend and Maple Valley adopt the sales tax and provide sufficient notice to the Department of Revenue before King County.

**Table 2. Collections by Jurisdiction that have enacted or planning to enact legislation.**

<b>Jurisdiction</b>	<b>Estimated Biennial Collections through a 0.1% Sales Tax</b>
Covington	\$1,188,907
Issaquah	\$3,479,409
Kent	\$6,098,687
Renton	\$6,756,492
Snoqualmie	\$661,141
North Bend	\$665,545
Maple Valley	\$879,648
Bellevue	\$17,866,684
<b>Total</b>	<b>\$36,407,605</b>

### Impact Analysis

- 26% reduction in anticipated revenue
- **\$103.6 million** in collections for King County government

### **Bonding:**

Executive staff are analyzing how the above scenarios will impact our bonding capacity and expect to have answers in time for the Health, Housing and Human Services Roundtable meeting.

# BEHAVIORAL HEALTH

ANALYST: SAM PORTER

	<u>Expenditures</u>	<u>Revenues</u>	<u>FTEs</u>	<u>TLTs</u>
2019-2020 Revised Budget	\$690,027,793	\$659,134,526	155.3	0.0
2021-2022 Base Budget Adjust.	(\$2,986,243)	(\$14,758,798)	(0.2)	0.0
2021-2022 Decision Packages	(\$131,034,386)	\$77,257,537	0.0	0.0
<b>2021-2022 Proposed Budget</b>	<b>\$556,008,000</b>	<b>\$567,119,000</b>	<b>155.1</b>	<b>0.0</b>
% Change from prior biennium	(19.4%)			
Dec. Pkg. as % of prior biennium	(18.9%)			

**Major Revenue Sources:** Medicaid, non-Medicaid State, General Fund, grants.

**Base Budget Assumptions:** (1) 0.0% GWI for 2021; (2) 2% GWI for 2022; (3) Federal, non-Medicaid, and Intragovernmental revenues are based on current contract levels.

## DESCRIPTION

The Behavioral Health Fund supports the Behavioral Health and Recovery Division (BHRD), in the Department of Community and Human Services (DCHS). BHRD provides oversight and management of the publicly funded mental health and substance use disorder (behavioral health) service system for eligible county residents. Since 2016, the behavioral health system in Washington has gone through a state-mandated transformation culminating in the integrated managed care (FIMC) system that now operates in King County.

BHRD now contracts with five Managed Care Organizations (MCOs) to administer the King County Integrated Care Network (KCICN). The KCICN is the Medicaid-funded network of integrated physical and behavioral health providers. BHRD continues to serve as the Behavioral Health Administrative Services Organization (BHASO) for the King County region and administers the State-funded crisis behavioral health system, including the Involuntary Treatment Act Court and other non-Medicaid-funded behavioral health services. BHRD also manages programs funded through the Mental Illness & Drug Dependency (MIDD) 1/10th of 1 cent sales tax.<sup>1</sup>

## SUMMARY OF PROPOSED BUDGET AND CHANGES

The Executive's proposed Behavioral Health Fund budget consists primarily of significant reductions in almost all programs supported by state flexible dollars that are not required under State law beginning in 2022. Executive staff stated that these proposed reductions are the result of a "longstanding imbalance between State flexible

<sup>1</sup> The various MIDD funds have separate decision packages and are discussed elsewhere in this staff report.

funding for behavioral health and the growing needs in the community, plus the ever-increasing costs of the Involuntary Treatment Act court." FIMC was implemented in the County in January 2018 at which time Medicaid funding was delivered directly to the MCOs who have entered into individual agreements with the County to contract back and serve as the administrator for the KCICN. The ending fund balance in the proposed budget for this fund is approximately \$238,000 with a reserve shortfall of \$8.4 million at the end of the biennium. Reductions for a number of key programs are proposed to begin in 2022, as discussed in Key Issue 1 below.

The Proposed Budget also includes a reduction in Medicaid inpatient expenses of \$102.3 million. This is the result of the MCO's taking over responsibility for this line of business and the County no longer serving as the administrator for this program. Additionally, there is a decrease in expenditure authority of \$15 million to match the updated estimates of the implementation of a new payment model for Medicaid outpatient services that was implemented mid-2020. Executive staff indicate this was implemented in anticipation of new actuarial changes as the State transitions Medicaid rate-setting authority for behavioral health beginning in January 2021. The Proposed Budget also includes a \$15 million transfer from the MIDD Fund to the Behavioral Health Fund. This transfer is proposed to increase to \$20 million in future biennia and is intended to backfill the structural gap in the Behavioral Health Fund due to FIMC.

## **KEY ISSUES**

### **ISSUE 1 – COUNCILMANIC HOUSING SALES TAX**

The Executive transmitted legislation with the Proposed Budget that would impose an additional 0.1% sales tax for affordable housing and behavioral health programs<sup>2</sup>. Revenue and expenditure projections for this proposed sales tax are detailed in the Health Through Housing staff report and Proposed Ordinance 2020-0337 staff report. Executive staff indicate that, "it is the Executive's intent that a portion of the new revenue would be used to cover the costs of the programs proposed for reduction in 2022. The Proposed Budget postponed cuts until 2022 in order to give the Council time to make a decision on the sales tax proposal and to allow for the necessary notice period under State law to pass before new revenue is realized." Council analysis indicates that if the proposed sales tax were adopted by Council and implemented beginning July 1, 2021 approximately \$8.7 million would be generated for behavioral health programs. This amount would increase if the proposed sales tax were adopted on an earlier timeline.

The programs listed below are proposed to be reduced in the proposed budget by the amounts listed (totaling approximately \$8.6 million). These reductions would result in programs either being terminated entirely or eliminate access for non-Medicaid eligible individuals beginning in 2022. Executive staff indicate that "if the Health through

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<sup>2</sup> Proposed Ordinance 2020-0337.

Housing sales tax were adopted, the Executive recommends that Council use a portion of revenue proceeds from the tax to restore these reductions completely."

- Next Day Appointments (\$196,478)
- Homeless Outreach, Stabilization, and Transition (HOST) program (\$659,226)
- Medication Assisted Treatment (\$2,795,548)
- Extraordinary Treatment Program<sup>3</sup> (\$545,544)
- Substance Use Disorder (SUD) Advocacy Program (\$198,147)
- SUD Residential Treatment Services (\$362,013)
- Mental Health Residential Treatment Services (\$2,706,244)
- Transition Support Program<sup>4</sup> (\$905,481)
- Crisis Respite Program<sup>5</sup> (\$267,753)

The adoption of this sales tax, and whether to use the proceeds to backfill these reductions, is a policy choice for the Council to consider.

### **ISSUE 2 – \$15 MILLION TRANSFER FROM MIDD TO SUPPORT THE BH FUND**

The proposed Behavioral Health Fund budget includes a \$15 million transfer from the MIDD Sales Tax Fund. This money is proposed to be used to backfill the revenue gap in the Behavioral Health Fund and could support programs separate from those outlined in the MIDD Service Implementation Plan (SIP). Council staff analysis indicates that the MIDD SIP approved by the Council in Ordinance 18406 provides flexibility in the use of MIDD funds "to respond to the changing needs of the county's population." State law prohibits the use of MIDD tax revenue to supplant existing funding.

Executive staff indicate that this transfer has been presented to the MIDD Advisory Committee (AC) as part of the regular monthly financial presentations. This item has not been discussed with Advisory Committee as a standalone proposal. Executive staff state that if Council approves this transfer, DCHS staff would then make a proposal for how the money would be used that would then be reviewed by the MIDD AC for recommendation.

This transfer and use of MIDD money to backfill the Behavioral Health Fund structural gap is a policy choice. Policy and legal analysis are ongoing.

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<sup>3</sup> The Extraordinary Treatment Program provides intensive behavioral health support services and ancillary services (e.g. guardianship, housing support, room & board or personal needs allowance) to individuals who previously experienced long-term hospital stays costing over \$1 million per person per year.

<sup>4</sup> TSP connects individuals who have been involuntarily detailed under the ITA with discharge planning with the aim of reducing the lengths of their stays in community hospitals or E&Ts.

<sup>5</sup> Crisis Respite provides short-term intensive case management, referrals to treatment, medication monitoring, and assessment for housing eligibility.

**RESPONSE TO COUNCIL INQUIRIES**

**QUESTION 1: WAS THE DECISION TO PROPOSE A TRANSFER OF \$15M IN THE 2021/22 BUDGET MADE AS A RESULT OF IMPROVED PROJECTED REVENUE FORECASTS OEFA PROVIDED IN AUGUST COMPARED TO THE JUNE OUTLOOK?**

**ANSWER:** The response to this question can be found in the MIDD Staff Report.

# **MENTAL ILLNESS AND DRUG DEPENDENCY FUND (MIDD)**

ANALYST: SAM PORTER

	<b>Expenditures</b>	<b>Revenues</b>	<b>FTEs</b>	<b>TLTs</b>
2019-2020 Revised Budget	\$138,965,260	\$145,841,753	18.0	0.0
2021-2022 Base Budget Adjust.	(\$3,469,201)	\$1,340,427	0.0	0.0
2021-2022 Decision Packages	(\$1,929,064)	(\$7,009,851)	0.0	0.0
<b>2021-2022 Proposed Budget</b>	<b>\$133,567,000</b>	<b>\$140,173,000</b>	<b>18.0</b>	<b>0.0</b>
% Change from prior biennium	(3.9%)			
Dec. Pkg. as % of prior biennium	(1.4%)			

**Major Revenue Sources:** Mental Illness and Drug Dependency sales tax

**Base Budget Assumptions:** (1) 0.0% GWI for 2021; (2) 2% GWI for 2022

## **DESCRIPTION**

The Mental Illness and Drug Dependency (MIDD) fund is comprised of sales tax revenue dedicated by state law to supporting new or expanded behavioral health (substance use disorder and mental health) treatment programs and services, and for the operation of therapeutic court programs and services. The King County Council renewed the MIDD sales tax in 2016.

## **SUMMARY OF PROPOSED BUDGET AND CHANGES**

The MIDD appropriation is proposed to decrease by 3.9 percent from \$138.9 million in the 2019-2020 biennium to \$133.6 million in 2021-2022 and includes drawing down half of the Rainy Day Reserve (\$6.3 million) resulting in a reserve shortfall of approximately \$3,000. This is largely driven by a projected decrease in sales tax revenue as a result of the COVID-19 pandemic. As proposed, the budget includes reductions to multiple initiatives within all MIDD strategies resulting in impacts to service and do not include County staffing reductions. These proposed reductions to MIDD strategies are summarized below.

- \$1.7 million (4%) decrease to Prevention and Intervention Strategies
- \$5.3 million (11%) decrease to Crisis Diversion Strategies
- \$6.6 million (29%) decrease to Recovery and Reentry Strategies
- \$3.7 million (28%) decrease to System Improvement Strategies
- \$2.9 million<sup>1</sup> (12%) decrease to Therapeutic Court Strategies

<sup>1</sup> \$492,000 from the MIDD Fund and the remainder from the mini-MIDDs.



The Executive's budget proposes an overall 13% total decrease across initiatives. The following initiatives did NOT receive a reduction:

- Law Enforcement Assisted Diversion (LEAD)
- South County Pretrial Services
- South County Crisis Diversion Services Center
- Adult Crisis Diversion Center, Respite Beds and Mobile Behavioral Health Crisis Team
- Children's Crisis Outreach and Response System (CCORS)
- Parent Partners Family Assistance
- Family Intervention Restorative Services (FIRS)
- Involuntary Treatment Triage Pilot
- RADAR, North Sound Navigator Program
- Juvenile Justice Youth Behavioral Health Assessments
- Behavior Modification Classes at CCAP
- Housing Vouchers for Adult Drug Court
- Hospital Re-Entry Respite Beds
- RR-11a Peer Bridger Programs/RR-11b SUD Peer Support
- SUD Peer Support

The Recovery Café, Workforce Development, and Youth Respite are proposed to be decreased by 100%.

### **KEY ISSUES**

#### **ISSUE 1 – \$15 MILLION TRANSFER FROM MIDD TO SUPPORT THE BH FUND**

The proposed MIDD Fund budget includes a \$15 million transfer to the Behavioral Health Fund. This money is proposed to be used to backfill the revenue gap in the Behavioral Health Fund and could support programs that are separate from those outlined in the MIDD Service Implementation Plan (SIP). Council staff analysis indicates that the MIDD SIP approved by the council in Ordinance 18406 appears to allow for flexibility in the use of MIDD money can does have "flexibility to respond to the changing needs of the county's population." This transfer and use of MIDD money to backfill the Behavioral Health Fund is a policy choice for the Council to consider. Policy and legal analysis are ongoing.

#### **ISSUE 2 – USE OF MIDD FUND RAINY DAY RESERVE**

The proposed MIDD budget includes the use \$6.3 million, which would be half, of the MIDD Fund Rainy Day Reserve in order to reduce the impacts of the projected sales tax revenue shortfall. Executive staff indicate this amount was applied across the MIDD appropriation units to decrease the amount proposed to be cut from strategies and initiatives.

## RESPONSE TO COUNCIL INQUIRIES

**QUESTION 1: WAS THE DECISION TO PROPOSE A TRANSFER OF \$15M IN THE 2021-2022 BUDGET MADE AS A RESULT OF IMPROVED PROJECTED REVENUE FORECASTS OEFA PROVIDED IN AUGUST COMPARED TO THE JUNE OUTLOOK?**

ANSWER: No. The decision to make this transfer was made earlier in the budget process when the challenging financial situation of the Behavioral Health fund was becoming clear. The improved August OEFA revenue forecasts allowed for lessening many of the program cuts planned for the MIDD based on the June forecasts and the planned \$15M transfer to the Behavioral Health fund.

**QUESTION 2: PLEASE PROVIDE MORE INFORMATION ABOUT THE RECOVERY CAFÉ REDUCTION?**

ANSWER: The 2019-2020 budget provided significant capital funding for the Recovery Café with all funds disbursed by June 2020. The new site opened in January 2020. Currently, the Recovery Café is not operating due to COVID. We anticipate this shutdown will last at least into 2021. While the Recovery Cafe is closed during the pandemic, the SODO location has been repurposed as an interim Sobering Center. The Sobering Center is funded by Behavioral Health Fund/ non-MIDD dollars. When the Sobering Center is able to relocate, and it becomes safe to operate Recovery Café as intended, we expect to work with their leadership to resume services based upon the availability of funds.

**QUESTION 3: CAN YOU PROVIDE DETAILS OF THE PROPOSED REDUCTION OR ELIMINATION OF MIDD INVESTMENTS FOR 2021-2022?**

ANSWER: Table 1 below provides details of the 2021-2022 baseline budget (status quo from 2019-2020) of MIDD initiatives compared to the 2021-2022 executive proposed budget.

**Table 1. 2021-2022 Proposed Cuts to MIDD Initiatives**

<b>MIDD Strategies</b>	<b>MIDD 2 Initiatives</b>	<b>2021-2022 Baseline</b>	<b>Proposed Reduction Percent</b>	<b>Proposed Reduction Amount</b>	<b>2021-2022 Proposed</b>
<b>Admin</b>	Administration & Evaluation	\$8,822,674	(6.0%)	(\$529,360)	\$8,293,314
<b>Crisis Diversion</b>	Law Enforcement Assisted Diversion (LEAD)	\$8,588,355	0.0%	-	\$8,588,355
	Youth Detention Prevention Behavioral Health Engagement	\$1,844,486	(9.5%)	(\$175,000)	\$1,669,486
	Outreach & In reach System of Care	\$880,509	(17.0%)	(\$679,047)	\$201,462
	South County Crisis Diversion Services/Center	\$1,100,000	0.0%	-	\$1,100,000
	High Utilizer Care Teams	\$550,319	(13.5%)	(\$74,128)	\$476,191
	Adult Crisis Diversion Center, Respite Beds, and Mobile Behavioral Health Crisis Team	\$12,902,369	0.0%	-	\$12,902,369
	Multipronged Opioid Strategies	\$6,621,373	(8.3%)	(\$551,000)	\$6,070,373
	Children's Domestic Violence Response	\$605,350	(10.0%)	(\$60,535)	\$544,815
	Behavioral Health Urgent Care-Walk In Clinic Pilot	On Hold			
	Next Day Crisis Appointments	\$660,381	(10.0%)	(\$66,038)	\$594,343
	Children's Crisis Outreach and Response System (CCORS)	\$1,210,700	0.0%	-	\$1,210,700
	Parent Partners Family Assistance	\$1,158,165	0.0%	-	\$1,158,165
	Family Intervention Restorative Services (FIRS)	\$2,335,897	0.0%	-	\$2,335,897
	Involuntary Treatment Triage Pilot	\$322,137	0.0%	-	\$322,137

<b>MIDD Strategies</b>	<b>MIDD 2 Initiatives</b>	<b>2021-2022 Baseline</b>	<b>Proposed Reduction Percent</b>	<b>Proposed Reduction Amount</b>	<b>2021-2022 Proposed</b>
	Wraparound Services for Youth	\$6,603,815	(45.4%)	(\$3,000,000)	\$3,603,815
	Youth Respite Alternatives	\$1,046,580	(100.0%)	(\$1,046,580)	\$0
	Young Adult Crisis Stabilization	\$1,995,479	(10.0%)	(\$199,548)	\$1,795,931
	RADAR, North Sound Navigator Program	\$780,000	0.0%	-	\$780,000
<b>Prevention and Early Intervention</b>	Screening, Brief Intervention and Referral To Treatment (SBIRT)	\$1,540,890	(13.5%)	(\$207,558)	\$1,333,332
	Juvenile Justice Youth Behavioral Health Assessments	\$1,254,726	0.0%	-	\$1,254,726
	Prevention and Early Intervention Behavioral Health for Adults Over 50	\$1,040,803	(5.0%)	(\$52,040)	\$988,763
	Older Adult Crisis Intervention/Geriatric Regional Assessment Team - GRAT	\$706,609	(13.0%)	(\$95,180)	\$611,429
	School-Based SBIRT (Screening, Brief Intervention, Referral to Treatment)	\$3,364,863	(13.0%)	(\$453,247)	\$2,911,616
	Zero Suicide Initiative Pilot	On Hold			
	Mental Health First Aid	\$644,275	0.0%		\$644,275
	Crisis Intervention Training - First Responders	\$1,801,602	(11.0%)	(\$200,000)	\$1,601,602
	Sexual Assault Behavioral Health Services	\$1,093,922	(13.0%)	(\$147,351)	\$946,571
	Domestic Violence and Behavioral Health Services & System Coordination	\$1,371,503	0.0%	-	\$1,371,503
	Community Behavioral Health Treatment	\$26,058,040	(2.0%)	(\$547,219)	\$25,510,822
<b>Recovery and</b>	Housing Supportive Services	\$4,388,753	(5.0%)	(\$219,438)	\$4,169,316

<b>MIDD Strategies</b>	<b>MIDD 2 Initiatives</b>	<b>2021-2022 Baseline</b>	<b>Proposed Reduction Percent</b>	<b>Proposed Reduction Amount</b>	<b>2021-2022 Proposed</b>
<b>Reentry</b>	Behavior Modification Classes at CCAP	\$235,485	0.0%	-	\$235,485
	Housing Capital and Rental	\$5,140,416	(88.0%)	(\$4,540,416)	\$600,000
	Rapid Rehousing-Oxford House Model	\$1,073,791	(13.0%)	(\$144,640)	\$929,151
	Housing Vouchers for Adult Drug Court	\$604,283	0.0%	-	\$604,283
	Jail Reentry System of Care	\$1,867,352	(10.0%)	(\$186,735)	\$1,680,616
	Behavioral Health Risk Assessment Tool for Adult Detention	\$1,000,034	(45.0%)	(\$447,697)	\$552,337
	Hospital Re-Entry Respite Beds	\$1,994,352	0.0%	-	\$1,994,352
	Recovery Café	\$748,897	(100.0%)	(\$748,897)	\$0
	BH Employment Services & Supported Employment	\$2,249,452	(9.0%)	(\$200,000)	\$2,049,452
	RR-11a Peer Bridger Programs/RR-11b SUD Peer Support	\$1,298,752	0.0%	-	\$1,298,752
	Substance Use Disorder (SUD) Peer Support	\$352,203	0.0%	-	\$352,203
	Peer Respite	On Hold			
	Jail-based SUD Treatment	\$954,010	(13.0%)	(\$128,505)	\$825,505
	Familiar Faces	\$309,023	13.0%	\$40,924	\$349,947
	Shelter Navigation Services	On Hold			
	South County Pretrial Services	\$446,000	0.0%	-	\$446,000

<b>MIDD Strategies</b>	<b>MIDD 2 Initiatives</b>	<b>2021-2022 Baseline</b>	<b>Proposed Reduction Percent</b>	<b>Proposed Reduction Amount</b>	<b>2021-2022 Proposed</b>
<b>System Improvement</b>	Community Driven Behavioral Health Grants	\$435,377	63.0%	\$274,623	\$710,000
	Rural BH Grants	\$710,000	0.0%	-	\$710,000
	Workload Reduction	\$10,818,102	(22.0%)	(\$2,418,100)	\$8,400,002
	Workforce Development	\$1,595,921	(100.0%)	(\$1,590,421)	\$5,500
<b>Therapeutic Court</b>	Adult Drug Court	\$7,976,991	(11.0%)	(\$875,711)	\$7,101,280
	Family Treatment Court	\$4,070,965	(9.0%)	(\$367,592)	\$3,703,373
	Juvenile Drug Court	\$2,361,802	(14.0%)	(\$326,070)	\$2,035,732
	MH Court and Regional Veterans' Court	\$8,850,371	(12.0%)	(\$1,067,905)	\$7,782,466
	Seattle Mental Health Municipal Court	\$200,047	(13.0%)	(\$27,000)	\$173,047
	Community Court Planning and Pilot	\$1,177,643	(22.0%)	(\$258,984)	\$918,659
	<b>Totals</b>	<b>\$157,765,846</b>	<b>(13.0%)</b>	<b>(\$20,787,035)</b>	<b>\$136,978,811</b>