

HF780 - 0 - Housing Support Bed Moratorium Modified

Chief Author: **Liz Reyer**
 Committee: **Human Services Finance and Policy**
 Date Completed: **3/10/2021 10:21:29 PM**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	780	2,316	4,026	5,203	
Total	-	780	2,316	4,026	5,203	
Biennial Total			3,096		9,229	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Steve McDaniel **Date:** 3/10/2021 10:21:29 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	780	2,316	4,026	5,203	
Total		-	780	2,316	4,026	5,203
Biennial Total			3,096	9,229		
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	780	2,316	4,026	5,203	
Total		-	780	2,316	4,026	5,203
Biennial Total			3,096	9,229		
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total		-	-	-	-	-
Biennial Total			-	-		

Bill Description

HF780 increases the Metro Demo Housing Support program from the existing cap of 226 supportive housing units to 500 units. In addition, the proposal expands the Metro Demo program region from four counties (Anoka, Hennepin, Ramsey and Dakota) to the entire seven-county Metro area and updates some of the Metro Demo language in Chapter 256I. Lastly, it requests an appropriation for two FTEs for the county fiscal agent to process eligibility for the Metro Demo program.

Assumptions

The assumed effective date of the bill is July 1, 2021.

The fiscal impact from this bill is an increase in Housing Support Services payments due to more people being served monthly. The base rate payment for the 274 units is estimated using the FY2021 HUD fair market rent (FMR) weighted by unit size and assumed to increase by 8% per year based on the FY 2021 over the FY 2020 FMR increase.

In addition, the base rate payment is offset by client contributions estimated to be approximately 18% of the base rate. The base rate is multiplied by 18% as an offset to the total cost. In addition, clients would receive the supplemental service rate funding at a cost of \$241 per person per month. The 18% base rate is based on data from the Housing Services division. In addition, the \$241 per person per month calculation is determined by reducing the current housing support supplemental rate of \$482 by 50%. Under current law, the rate will be decreasing by 50% on July 1, 2021.

It is assumed that the number of units available and rented will have a phased approach to full utilization. Of the 274 mix units, this fiscal note assumes that 92 units would be available every year until 274 units are reached in FY2024. A 12-month recipient phase-in is assumed for each stage of increase. The 274 units are expected to be fully utilized by FY2025. A one month billing lag is also assumed.

In addition, the language states that the appropriation must include administrative costs for two full time equivalent employees to process eligibility. This funding must be disbursed by the department to the fiscal agent for the counties under this subdivision. The funding would be appropriated to the Department of Human Services who in turn would contract with the county. For the equivalent of two FTEs, it is assumed that the cost would be approximately equal to a MAPE 14 position. The estimated cost for two FTEs is a salary costs of \$155,000 and fringe of \$45,000, for a total of \$200,000.

Since the current language does not specify grant funding, the funding would be designated as contract funding to the designated county that would serve as the fiscal agent. The county fiscal agent would be selected by the Regional Metro Committee which is a group comprised of human services leadership from the seven counties. If grant funding is preferred by the county fiscal agent, language changes would be needed for this change. However, grant funding would not include federal financial participation and would have a higher net cost.

No systems funding is needed for this change.

Expenditure and/or Revenue Formula

		FY2022	FY2023	FY2024	FY2025
Monthly average recipients		92	184	274	274
Weighted avg base rate pmt		\$1,252	\$1,355	\$1,465	\$1,585
% client contribution		18%	18%	18%	18%
		-----	-----	-----	-----
less client contributions		-\$225	-\$244	-\$264	-\$285
add supplemental rate pmt		\$241	\$241	\$241	\$241
		-----	-----	-----	-----
Monthly average payment		\$1,268	\$1,352	\$1,443	\$1,541
Months		12	12	12	12
Phase-in/billing lag		46%	73%	82%	100%
		-----	-----	-----	-----
Housing Support Program Cost		\$644,111.66	\$2,179,506	\$3,890,238	\$5,066,751
Costs for administration of the funding:					
Administrative costs					
PT contract- counties		\$200,000	\$200,000	\$200,000	\$200,000
FFP @32%		-\$64,000	-\$64,000	-\$64,000	-\$64,000
Net costs		\$136,000	\$136,000	\$136,000	\$136,000
Total		780,112	2,315,506	4,026,238	5,202,761

Summary

Fiscal Tracking Summary (\$000's)						
Fund	BACT	Description	FY2022	FY2023	FY2024	FY2025
GF	25	Housing support grants	644	2,180	3,890	5,067
GF	15	CSA admin- PT contracts	200	200	200	200
GF	REV1	32% FFP for admin	(64)	(64)	(64)	(64)

		Total Net Fiscal Impact	780	2,316	4,026	5,203
		Full Time Equivalents	0	0	0	0

Long-Term Fiscal Considerations

The ongoing costs into the future are assumed to increase by 8% a year into the future. However, there would not be additional units added beyond FY2025.

Local Fiscal Impact

One designated county noted in the bill would receive the \$200K as the fiscal agent.

References/Sources

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