



**EXECUTIVE CHAMBERS**  
HONOLULU

**DAVID Y. IGE**  
GOVERNOR

February 29, 2016

**TO:** The Honorable Senator Jill N. Tokuda, Chair  
Senate Committee on Ways and Means

**FROM:** Scott Morishige, MSW, Governor's Coordinator on Homelessness

**SUBJECT: SB 2559 Proposed SD1– RELATING TO HOMELESSNESS**

Hearing: Monday, February 29, 2016, 9:05 a.m.  
Conference Room 211, State Capitol

**POSITION:** The Governor's Coordinator on Homelessness appreciates the intent of this measure, as it addresses key components of the state's efforts to address homelessness, and is supportive of Section 9, provided that its passage does not replace or adversely impact priorities indicated in the Executive Budget. The Coordinator notes that the Governor's Executive Budget includes a request for two FTE positions within the Department of Human Services (DHS) Homeless Programs Office, and asks for the Legislature's support of this request.

The Coordinator defers to DHS in regard to issues relating to the administration and oversight of homeless programs, including shelter. While the Coordinator establishes and coordinates state policy to address homelessness, the DHS Homeless Programs Office is responsible for the administration and implementation of homeless programs.

**PURPOSE:** The purpose of the Proposed SD1 is to establish minimum requirements for emergency shelters, require homeless shelter stipends to be paid for achievement of performance measures, repeal the automatic annual adjustment of homeless shelter stipend amounts, revise existing provisions on the establishment and collection of shelter and service payments from homeless families and individuals, requires homeless service provider agencies to submit a financial audit to DHS at least annually, and establish 2.0 FTE positions to assist in the implementation of the homeless shelter program. The bill would also appropriate general

funds for homeless shelters and other non-recurring costs, contingent upon the reduction of an appropriation to the emergency and budget reserve fund in fiscal year 2014-2015.

The Coordinator notes that the 2015 Point in Time (PIT) count estimated that there are 7,620 homeless individuals statewide on any given night, including an estimated 3,777 (49.5%) who are sheltered. However, according to the 2015 Housing Inventory Count (HIC) issued by the U.S. Department of Housing & Urban Development (HUD), there are a total of 4,363 shelter beds statewide. Based upon 2015 PIT and HIC estimates, there may be as many as 586 shelter beds that are empty on a given night, despite the fact that the number of unsheltered homeless individuals statewide has increased by 23% between 2014 and 2015.

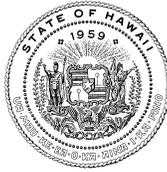
According to feedback from homeless service providers and individuals experiencing homelessness, the lack of privacy and lack of amenities (i.e. showers or lockers, etc.) are sometimes disincentives for shelter entry. Other disincentives identified by homeless individuals include shelter fees, and the inability of shelters to accept pets. The Coordinator notes that HPO regularly monitors shelter performance across all contracted providers, and is in the process of preparing a new Request for Proposals (RFP) for shelter services, which is expected to be released later this spring. The RFP is intended to encourage greater efficiency throughout the shelter system, and is expected to result in the maximization of shelter spaces to better serve Hawaii's growing number of unsheltered individuals and families.

The Coordinator notes that the administration and DHS are in the process of transitioning Hawaii's system of care to a 'Housing First' oriented system, which emphasizes permanent housing, the use of evidence-based practices, and the removal of barriers that prevent homeless individuals from accessing services. This movement towards a new system of care will be reflected in the upcoming RFP, but is also reflected in the Governor's Executive Budget request, which includes funding for Housing First, Rapid Re-Housing, and increased funding for homeless outreach. Another example of the state's movement to a new system of care is the recent execution of a \$5 million contract with Aloha United Way to implement a Coordinated Statewide Homelessness Initiative (CSHI). The CSHI will address the immediate need for services by directing \$4.67 million for evidence-based Rapid Re-Housing services that will assist an estimated 1,390 households statewide over the next 12-months. In addition, the

CSHI will strengthen the capacity of Aloha United Way's 2-1-1 system to connect homeless individuals more quickly to permanent housing, and will include long-term strategic planning and research around the needs of specific vulnerable homeless sub-populations, such as unaccompanied youth and individuals with chronic medical conditions. Through this comprehensive approach, the administration aims to reduce the number of unsheltered homeless families, and to increase the percentage of homeless households that transition out of shelter to permanent housing.

Thank you for the opportunity to testify on this bill.

DAVID Y. IGE  
GOVERNOR



WRITTEN ONLY

WESLEY K. MACHIDA  
DIRECTOR

RODERICK K. BECKER  
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
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**STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE**

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**TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
SENATE BILL NO. 2559, PROPOSED S.D. 1**

February 29, 2016  
9:05 a.m.

**RELATING TO HOMELESSNESS**

Senate Bill No. 2559, Proposed S.D. 1, addresses homelessness by appropriating \$5,000,000 in general funds for Fiscal Year (FY) 2017 for the cost of developing emergency and transitional shelters for the homeless and other non-recurring costs of projects or programs to assist homeless families and individuals. The bill also specifies that the \$5,000,000 appropriation shall not lapse at the end of FY 17, but that unencumbered balances of the appropriation shall lapse at the end of FY 20.

The Department of Budget and Finance would like to point out that the \$5,000,000 general fund appropriation cannot be made to lapse at the end of FY 20. The Department of the Attorney General has opined that Article VII, Section 11 of the Hawaii State Constitution, provides that funds may not be appropriated for a biennial appropriation period with a lapse date more than one year beyond the close of the biennial period. Thus, the \$5,000,000 appropriation must lapse no later than the end of FY 2018, which is one year beyond the close of the current Fiscal Biennium 2015-17.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
TWENTY-EIGHTH LEGISLATURE, 2016**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 2559, PROPOSED S.D. 1, RELATING TO HOMELESSNESS.

**BEFORE THE:**

SENATE COMMITTEE ON WAYS AND MEANS

**DATE:** Monday, February 29, 2016 **TIME:** 9:05 a.m.

**LOCATION:** State Capitol, Room 211

**TESTIFIER(S):** Douglas S. Chin, Attorney General, or  
Lila C. A. King, Deputy Attorney General

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Chair Tokuda and Members of the Committee:

The Department of the Attorney General supports the intent of the bill, but raises a possible constitutional issue. We submit the following comment and recommendation.

The purpose of this bill is to establish minimum requirements for emergency shelter, require homeless shelter stipends to be paid for achievement of performance measures, establish and fund 2.0 FTE positions to assist in the implementation of the homeless shelter programs, and appropriate funds for the programs, contingent upon S.B. No. 2558 or other legislation being enacted that will reduce the general fund appropriation in section 3 of Act 202, Session Laws of Hawaii 2015, by at least five million dollars..

Section 9 of this measure, at page 13, lines 8-12, provides as follows:

(c) Notwithstanding any law to the contrary, the appropriation under this section shall not lapse at the end of fiscal year 2016-2017; provided that any unexpended and unencumbered balance of the appropriation under this section shall lapse on June 30, 2020.

This provision may be subject to challenge based on article VII, section 11, of the Hawai'i Constitution, which provides:

Any such appropriation or any portion of any such appropriation that is unencumbered at the close of the fiscal period for which the appropriation is made shall lapse[.]

This Department has previously opined that:

[I]t is our opinion that Section 11 permits the expenditure of an appropriation, if so specified in the act making the appropriation, up to one year beyond the biennial period covered by the

appropriation. Thus it is permissible, in a bill making an appropriation for biennial period to provide that a specified portion of the appropriation shall be expendable during the first fiscal year and the remaining portion during the second fiscal year of the biennial and that both portions shall lapse on June 30 of the year following the end of the biennium.

Atty. Gen. Op. No. 81-2 (March 9, 1981).

The proposed provision allows unexpended and unencumbered appropriated funds to lapse three years beyond the end of the current biennial period. This lapse date exceeds the one year beyond the biennial period allowed under article VII, section 11, of the Hawai'i Constitution and therefore may be subject to constitutional challenge.

To address this concern, we suggest the following changes on page 13, lines 8-12:

(c) Notwithstanding any law to the contrary, the appropriation under this section shall not lapse at the end of fiscal year 2016-2017; provided that any unexpended and unencumbered balance of the appropriation under this section shall lapse on June 30, [~~2020~~] 2018.

The Department urges the Committee to pass this bill only if this concern is addressed.



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

February 29, 2016

TO: The Honorable Senator Jill N. Tokuda, Chair  
Senate Committee on Ways and Means

FROM: Rachael Wong, DrPH, Director

SUBJECT: **SB 2559 Proposed SD1 – RELATING TO HOMELESSNESS**

Hearing: Monday, February 29, 2016, 9:05 a.m.  
Conference Room 211, State Capitol

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) appreciates the intent of this proposed bill and offers comments and additional information about the possible implications of the proposed changes to the existing system of care.

**PURPOSE:** The purpose of this measure is to establish minimum requirements for emergency shelters, and require homeless shelter stipends to be paid for achievement of performance measures; repeal automatic annual adjustments of stipend amounts, and revises existing provision on the establishment and collection of shelter service payments from homeless individuals and families; require homeless service providers to submit annual financial audits to the state; establish 2.0 FTE to assist in the implementation of the shelter program; and appropriate general funds for homeless shelters and other recurring costs contingent upon the reduction of an appropriation to the emergency and budget reserve fund in fiscal year 2014-15.

DHS is aware that our existing homeless shelter inventory must be better utilized. Our current contracts with providers are based on a set contract amount in order to ensure that shelter spaces are available when needed. Changes to payment formulas based on achievement of performance measures (versus set or guaranteed payments) can be implemented via contract, and DHS is exploring mechanisms to operationalize these changes. It should be noted that due to

budget constraints, the Homeless Programs Office has not increased shelter stipends on an annual basis since approximately 2010.

One possible unintended consequence of basing shelter stipends solely on performance measure/outcome is that shelters may feel the need to "cherry pick" clients to increase the odds of achieving positive permanent housing discharges (for example). This would be detrimental to the homeless individuals and families whose needs are more complex and challenging. These folks may be overlooked for service in favor of clients with fewer or less complicated needs.

The collection of shelter fees or payments by clients is a substantial form of operational income for provider agencies. DHS does its best to ensure that fees remain reasonable and fair. The Department has no objection to re-examining the issue of shelter fees paid by clients.

DHS and our State's two Continua of Care (Partners in Care on Oahu and Bridging the Gap for the neighbor islands) have been working diligently to create a Coordinated Entry System that is capable of addressing the needs of homeless individuals and families that might range from permanent supportive housing (Housing First level of care), to Rapid Rehousing, and mainstream benefits. Collectively, our shelter inventory has slowly been added to our Coordinated Entry resources, and we expect that the integration will be complete within the next year. This means that our coordinated system should help clients that need Housing First level of care to be admitted to permanent supportive housing.

Those that need shelter services (for example while awaiting Rapid Rehousing assistance) shall be matched with an appropriate shelter placement, all with the long term goal of achieving permanent housing. Those individuals and families that require only mainstream resources will be assisted through improved employment or other eligible benefit programs. It is anticipated that the Coordinated Entry System will mitigate some of the potential "cherry picking" as noted above, and will promote the more efficient use of existing shelter inventory.

Additionally, the Governor has requested \$3 million for the Housing First program, \$2 million for additional homeless outreach efforts, and \$2 million for a Rapid Re-Housing Program. The Department asks for the Legislature's support of the Executive Budget as requested funding/programs will assist in achieving the objectives detailed in the proposed SD1.

Additional outreach resources will engage more unsheltered homeless individuals and families. Rapid rehousing funds will help those who are in shelters move more quickly and

efficiently from shelter to permanent housing, thereby creating "flow" to allow others to benefit from shelter services.

The continuation of the Housing First program will ensure that those clients who need more long term help (housing and supportive services) than is provided in shelter, are housed as quickly as possible. The Executive budget also includes a request for 2.0 FTE for the Homeless Programs Office, and the Department asks that the Legislature support the Executive Budget request.

Regarding Section II, the Department notes that minimum requirements for emergency shelters as detailed in the proposed bill may be challenging to achieve. DHS appreciates the Legislature authorizing DHS to use discretion in establishing standards for emergency shelters.

Thank you for the opportunity to testify on this bill.

*Cynthia K.L. Rezentes*

Testimony with **Comments** for SB 2559 Relating to Homelessness  
Ways and Means Committee  
Scheduled for Hearing Monday, February 29, 2016, 9:05 AM, Room 211

Dear Chair Tokuda and members of the Ways and Means Committee:

Thank you for the opportunity to provide comments on SB 2559, which provides guidelines for shelters both emergency and transitional.

While appreciating the intent of the bill to make our emergency and transitional shelters more accountable to both the clients and community, I would hesitate to support any measure that allows no time limits for the time that an individual or family could reside in an emergency shelter. These shelters are meant to help stabilize families and prepare them to continue on a path to permanent housing. By removing the time limits currently in place, it may make it more difficult for the provider to work with the client and family to conscientiously work towards the next step of either moving into a transitional shelter or other permanent housing. There are currently clients who do not wish to move towards transitional or more permanent housing options and it is only with the time limit stick that we can use other carrots to help move them to other accommodations thereby opening up the path for others who need help also. We may find that these shelters now become a quasi-public housing facility, contrary to the intent of the shelters.

Thank you for the opportunity to provide comments