



**King County**

**Metropolitan King County Council  
Operating Budget, Fiscal Management  
and Select Issues Committee**

**AGENDA ITEM No.:** 7

**DATE:** August 27, 2008

**Proposed No.:** 2008-0376

**PREPARED BY:** Kelli Carroll

**STAFF REPORT**

**SUBJECT**

A Motion adopting the King County Mental Illness and Drug Dependency Implementation Plan.

**SUMMARY**

Ordinance 15949 authorized a one tenth of one percent sales and use tax for the delivery of mental health, chemical dependency and therapeutic court services in King County. It required the Executive to submit oversight, implementation and evaluation plans for the programs funded with the tax revenue. The 2008 budget ordinance included a proviso with the same requirements. The Mental Illness and Drug Dependency (MIDD) Implementation Plan and motion were transmitted to the Council on July 3, 2008.

This is the committee's second briefing on the proposed legislation. The proposed legislation is not ready for committee action at this time. There will be at least one additional Operating Budget, Fiscal Management and Select Issues Committee meeting on the proposed legislation in order for the Committee to review and discuss the Implementation Plan, as well as to provide policy direction and make modifications to the Implementation Plan if needed.

In addition, this legislation has been referred to the Regional Policy Committee. It was discussed at the August 6<sup>th</sup> special meeting of the Regional Policy Committee and will be discussed and potentially acted on at the September 10<sup>th</sup> regular meeting.

At the July 23<sup>rd</sup> Operating Budget Financial Management and Select Issues meeting on the Executive's proposed MIDD Implementation Plan, a number of questions arose from committee members. The purpose of this briefing is to provide information in response to those questions for the committee.

## **BACKGROUND**

Because the committee is familiar with the background of the MIDD Implementation Plan, this section provides background information on the housing and financial plan areas as directed by committee members from the July 23, 2008 Operating Budget, Fiscal Management and Select Issues Committee. The committee's questions were primarily focused in two areas: housing and financial planning.

### **Housing**

In March of 2008, the state Legislature passed into law an amendment to the statute providing county-authorized sales and use tax for mental health and chemical dependency services and therapeutic courts. The amendment allows for the tax revenues to be used for housing that is a component of a coordinated chemical dependency or mental health treatment program or service.

The initial MIDD Action Plan that was accepted by the Council in October of 2007 did not include housing development or housing subsidies as strategies because providing housing with the tax revenues was not allowed under the original statute.

The Implementation Plan<sup>1</sup> proposes utilizing \$18 million of unspent funds for a new housing strategy to include housing development capital and rental assistance/subsidies.

The Implementation Plan states that the new housing strategy will use unspent funds resulting from the delayed start-up of programs in 2008. Funding the housing strategy will not take away from resources to be used for the service strategies. The MIDD spending plan shows that the strategies (except housing) are proposed to be funded at a lower than budgeted level in 2008.

The Implementation Plan outlines the rationale for including housing as a strategy of the MIDD, stating:

1. Homeless adults receiving outpatient mental health services are four times as likely to be incarcerated as those who have housing. In one study, homeless clients stayed an average 22 days in jail, compared to an average of two days for similar clients who had housing.
2. Supportive or affordable housing has been shown to be a cost-effective public investment for populations who are most at risk for criminal justice involvement, lowering corrections and jail expenditures and freeing up funds for other public safety investments. Additionally, providing affordable or supportive housing to people leaving correctional facilities is an effective means of reducing the chance of future incarceration.

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<sup>1</sup> The Implementation Plan is not attached to this staff report; it was included in the July 23, 2008 staff report to the Operating Budget, Fiscal Management and Select Issues Committee.

3. Local examples, such as the Downtown Emergency Services Center, 1811 Eastlake Project and the Plymouth housing group's Begin at Home Program have demonstrated large reductions in emergency medical visits as a result of providing housing for homeless individuals with mental illness and chemical dependency.

The Implementation Plan also outlines that the housing funds will:

1. Fund budget gaps for housing projects that have not acquired all of the necessary funding to complete their capital budget.
2. Provide capital funding for new housing projects that might otherwise not be funded or that might be under-funded due to lack of capital dollars.
3. Provide funds for time-limited rental subsidies for those individuals and/or housing projects waiting for subsidies from the Housing Authorities or other funders of operating costs.
4. Provide funding for a revolving loan program for interim loans to affordable housing agencies for the acquisition of property that will be utilized for a housing project. Interim loans will have a low interest rate, will be available for application throughout the year and will not need to be paid back until all permanent financing for the project is acquired. The program will lower the costs of creating housing projects and will allow for the rapid acquisition of sites.

Explicit outputs such as the number of units to be developed or made available through rental assistance have yet to be determined and were therefore not included in the Implementation Plan. Outcomes cited in the plan include reduction of homelessness among the target population and an associated reduction in the use of jail and emergency medical services.

At the end of July, the Department of Community and Human Services (DCHS), in conjunction with a variety of other funders, released a Notice of Funding Availability (NOFA). A NOFA is essentially a request for proposals on a certain topic. This NOFA will be a combined application for supportive housing capital, operating and services funding for homeless families, individuals and youth. The funders participating in the NOFA have combined a variety of funding sources to support initiatives to house homeless people in supportive housing. Funders participating are King County Department of Community and Human Services, City of Seattle Office of Housing, United Way of King county, Seattle Housing Authority, King County Housing Authority, and A Regional Coalition for Housing. King County intends to include MIDD funds if approved by the Council.

The department indicates that while funds are combined in one NOFA, each funding source will maintain its specific programmatic requirements; MIDD funding would only be approved for proposals that are dedicated for people with mental illness and/or chemical dependency-not for serving other homeless individuals or families. Department staff have indicated that the MIDD funds for the NOFA are subject to the Council's approval.

## Financial Plan

Ordinance 15949 required that an updated financial plan be transmitted to the Council along with the Implementation Plan. The Executive's July 3, 2008 transmittal package did not include a financial plan. One was provided to Council staff on August 5<sup>th</sup> (**Attachment 2**). It is discussed in the analysis section below.

## ANALYSIS

At the July 23, 2008 Operating Budget, Fiscal Management and Select Issues Committee, committee members raised several questions around the housing and financial plan elements of the Executive's MIDD transmittal. Council staff met with DCHS staff to follow up on member questions and gather information in response to the questions. The key questions are outlined below with a response below each question.

1. How does housing fit within the MIDD? Did the other MIDD reports address housing?
  - a. In its initial motion directing creation of an action plan, the Council stated that the plan should "... *prevent and reduce chronic homelessness and unnecessary involvement in the criminal justice and emergency medical systems...by implementing a full continuum of treatment, **housing**, and case management services.*"
  - b. All three phases of the MIDD Action Plan called for housing to be included as a strategy, at the same time recognizing that the state statute prevented expenditure on housing.
    - i. Phase I of the MIDD Action Plan transmitted to the Council in September 2006, included in the recommendations section the following: "*Provide a variety of appropriate, affordable housing options along with supportive services to help individuals **maintain their housing***".
    - ii. Phase II transmitted to the Council in April 2007 included in its recommendations, "**A range of accessible housing options (emergency, transitional, and long-term)** is another major resource needed."
    - iii. Phase III transmitted to the Council in June 2007 included in its recommendations a statement regarding the critical need for housing. "**3a. Housing was identified by stakeholders as one of the most critical unmet needs in the community**".
    - iv. Phase III plan also states, "**A range of housing units from transitional to permanent, and from drug and alcohol-free housing to units that are tolerant of some use, is essential for the success of this plan.**"

2. Are there any other counties funding housing with their one tenth funds? If so, which ones, what are they doing and what is the ratio of service dollars to housing dollars?
  - a. Like King County, other counties that have passed the sales tax developed their plans for the funds prior to the legislation that specifically allowed sales tax funds to be used for housing. However, several counties are already devoting resources to housing.
    - i. Skagit County is providing \$1 million per year for capital development and \$80,000 for supportive services linked to housing (27.9% of its budget). The plan says that "housing was identified by local stakeholders as one of the most critical unmet needs in the community. Funds will support the increase in available housing stock as well as case management and other treatment services within supportive housing projects. This strategy includes joining with funders of housing to increase the development of housing units for individuals who have mental illness and chemical dependency treatment needs and who are homeless, exiting jails and hospitals, or who continue to cycle in and out of our crisis system."
    - ii. Okanogan County is setting aside \$40,000 in the first year for safe and sober short term housing and as match to develop special needs housing, \$45,000 in the second year and then \$15,000 per year ongoing.
    - iii. Spokane County is setting aside \$3.3 million to support residential treatment programs or people with serious mental illness.
    - iv. Snohomish County's draft plan proposes \$4,240,000 to develop housing.
    - v. Whatcom County's draft plan proposes \$525,300 for expanding access to re-entry and recovery housing.
3. What kind of results can the County get for its investment in housing?
  - a. Outcomes from national studies and local projects provide a range of comparable metrics to consider
    - i. A 1989-1997 New York/New York study<sup>2</sup> on the effectiveness of providing housing for homeless individuals with mental illness provides compelling data: Placement in housing reduced use of state psychiatric hospitals by 50%, local hospitals by 21%, jails by 38%, and prison by 85%. The study's 4,697 individuals were placed into housing and services with the researchers comparing usage of shelters, jails, and hospitals in the two years before the individuals were housed and the two years after they were housed. They also compared results with a control group of clients who were not housed, but instead stayed in shelters.
    - ii. The State of California evaluated its programs<sup>3</sup> that provide increased mental health services and found that consumers who have stable housing are much more likely to stay in treatment and that housing is a key factor in the positive program results such as decreased

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<sup>2</sup> The New York/New York Agreement Cost Study: The Impact of Support Housing Services Use for Homeless Mentally Ill Individuals, 2004

<sup>3</sup> Effectiveness of Integrated Services for Homeless Adults with Serious Mental Illness, 2007

hospitalization and incarceration rates. The biggest structural barrier to success noted in the evaluation was the lack of affordable housing for those being served.

- iii. A Justice Policy Institute Report released in 2007<sup>4</sup> found that for populations who are most at risk for criminal justice involvement, supportive or affordable housing has been shown to be a cost-effective public investment, lowering corrections and jail expenditures and freeing up funds for other public safety investments. Additionally, providing affordable or supportive housing to people leaving correctional facilities is an effective means of reducing the chance of future incarceration.
  - iv. The 2008 first year preliminary findings of the 1811 Eastlake Project<sup>5</sup> found that providing housing to chronic alcoholics, even without the requirement that they enter treatment or stop drinking, resulted in a 45% decrease in jail bookings, an 87% decrease in admissions to the Sobering Center, a 32 % decrease in visits to Harborview Emergency Room, and an overall annual reduction in the cost of community services used of \$2.5 million.
  - v. Another local example is the Plymouth Housing group's "Begin at Home" program. This program provided housing and services for 20 long-term homeless men and women who had multiple medical problems in addition to mental illness and/or substance abuse disorders. In the first year of the program, emergency room and medical costs for the individuals in the program were reduced from \$1.6 million to \$400,000—a savings of 75% over the previous year.
4. How great is the need for housing among the mentally ill and chemically dependent in King County?
- a. The MIDD contained a prevalence study that included the following data:
    - i. Characteristics of the 300 highest utilizers of Harborview emergency room shows that in 36% of admissions, the person was homeless. Those 2894 admissions by homeless individuals cost close to \$2 million.
    - ii. 95% of people admitted to detox and 90% of those admitted to Sobering Services are homeless.
    - iii. Half of the individuals seen by King County Jail Health in a 2005 study were homeless (note: home status is not a data point that is currently collected by Jail Health).
    - iv. On April 1, 2008, 990 of the 19,251 clients receiving outpatient mental health services through the King County Regional Support Network were homeless.
    - v. Homeless adults receiving outpatient mental health services are four times as likely to be incarcerated as those who are housed. Average jail days for homeless clients were 22 days, compared to two days for those who had housing.

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<sup>4</sup> Justice Policy Institute: Housing and Public Policy, November, 2007

<sup>5</sup> 1811 Eastlake: First Year Preliminary Findings, January, 2008

- vi. Homeless adults receiving outpatient mental health services are three times as likely to be hospitalized for psychiatric treatment as those who are housed.
5. How was \$18 million determined to be the proposed amount to be spent on housing?
- a. \$18 million represents the unspent 2008 funds. As noted above, the Implementation Plan states that the housing strategy will use unspent funds resulting from the delayed start-up of programs in 2008. Funding the housing strategy will not take away from resources to be used for the service strategies. The MIDD spending plan shows that the strategies (except housing) are proposed to be funded at a lower than budgeted level in 2008, providing \$18 million in unspent funds.
  - b. DCHS has stated it is not possible to spend all of the funds on services in year one because providers would not be geared up and staffed to accommodate the demand.
6. What was the stakeholder feedback on housing?
- a. Stakeholder groups involved in the 2006-2007 MIDD planning processes consistently included housing among their top priorities, despite being told that the law did not permit the county to use sales tax funds for housing development and rental assistance.
7. What is the break out of funds between housing development and housing/rental subsidies?
- a. DCHS stated that early estimates would have roughly \$13 million allocated to housing development and \$5 million for rental subsidies/assistance. The final allocations would depend on the results from July's NOFA.
  - b. DCHS indicated that the \$5 million for rental subsidies would be a one-time allocation with expenditure that may occur over more than one year.
8. How many units will be funded with the MIDD money?
- a. This question cannot be answered definitively at this time. In general, a unit of housing costs \$250,000 to build. However, since MIDD funding would likely be one component of many funders, MIDD funds would not be underwriting the entire \$250,000 per unit cost, but some portion of the development costs. Estimates range from \$100,000 and up per unit. Other cost impacts include location, time to build and the leveraging power of other funders.
9. What is the vision for 2009 housing expenditures?
- a. At the July 24, 2008 MIDD Oversight Committee meeting, the Department of DCHS distributed an overview of the housing strategy for 2008 and potential options for 2009 (**Attachment 3**). The document states that for 2009, DCHS will propose to again use unspent funds for housing development estimated that about \$8 million would be available for housing development. The Oversight Committee did not take action on the proposal at the July meeting.

## Financial Plan

Sales tax revenue began to be collected in April of 2008.

1. What is the revenue projection for 2008?
  - a. The August 5, 2008 financial plan projects the following revenue:

2008 Adopted	2008 Estimated	2009 Estimated	2010 Estimated
\$30,852,323	\$38,893,000	\$51,032,885	\$56,099,851

2. How is the 2008 projected revenue different from 2008 adopted and why?
  - a. A full year of revenue was assumed to be about \$48 million, according to the Office of Management and Budget (OMB).
  - b. OMB points out that the 2008 MIDD adopted revenues were budgeted on a cash basis and were not budgeted on an accrual basis, representing a departure from normal practice.
  - c. Given the \$48 million assumption for a full year of revenue, and that the tax would be collected for only 75% of the year, the 2008 revised financial plan revenues reflect collection of higher than anticipated revenues of about \$2.2 million or 5 percent.
3. What is the revenue stabilization reserve?
  - a. The revenue stabilization reserve was established in order to offset fluctuations in revenue collection so that programs would not be adversely affected during economic swings.
  - b. The Executive proposed that a minimum of \$2.0 million would be set aside annually until \$10.0 million level had been reached.
  - c. The 2008 adopted budget set aside \$2.0 million for the reserve; the 2008 estimated column shows an additional \$1.3 million being added to the \$2.0 million reserve. Executive staff indicate that the additional \$1.3 million was added in 2008 because of a desire to build up the reserve faster in year one given higher than anticipated revenue collections.
4. What is the capital reserve?
  - a. The 2008 adopted budget included a \$6.4 million capital reserve. There was no itemized list provided for the 2008 adopted capital reserve. The 2008 adopted capital reserve was created in the fall of 2007 and was not intended to be used for housing because the change in state law was not yet known.
  - b. The 2008 estimated budget includes \$6.4 million in a capital reserve. OMB indicates that the current \$6.4 million capital reserve is set aside for capital expenditures in 2009:
    - i. \$18 million is proposed to be spent on capital in 2008.
    - ii. There is only \$11.6 million of expenditure authority to use on capital costs.
    - iii. The \$6.4 million represents the balance of what cannot be spent on capital in 2008 due to adopted expenditure level restrictions
  - c. The 2009 projected column reflects that the capital reserve will be expended in 2009.



**REASONABLENESS**

The proposed legislation is not ready for Committee action at this time. Staff analysis is continuing.

**INVITED:**

- Amnon Shoenfeld, Division Director, Mental Health, Chemical Abuse and Dependency Services Division, Department of Community and Human Services
- Bob Cowan, Director, Office of Management and Budget

**ATTACHMENTS:**

1. Proposed Motion 2008-0376
2. Revised MIDD Financial Plan, dated August 5, 2008
3. MIDD Oversight Group Housing Strategy Information Sheet, dated July 24, 2008



KING COUNTY  
Signature Report

1200 King County Courthouse  
516 Third Avenue  
Seattle, WA 98104

August 26, 2008

Motion

Proposed No. 2008-0376.1

Sponsors Ferguson

1 A MOTION adopting the mental illness and drug  
2 dependency implementation plan in compliance with  
3 Ordinance 15949.

4  
5 WHEREAS, in 2005, the state legislature authorized counties to implement a one-  
6 tenth of one percent sales and use tax to support new or expanded chemical dependency  
7 or mental health treatment programs and services and for the operation of new or  
8 expanded therapeutic court programs and services, and

9 WHEREAS, in November 2007, the council approved Ordinance 15949  
10 authorizing the levy collection of and legislative policies for the expenditure of revenues  
11 from an additional sales and use tax of one-tenth of one percent for the delivery of mental  
12 health and chemical dependency services and therapeutic courts, and

13 WHEREAS, the ordinance defined the following five policy goals for programs  
14 supported through sales tax funds:

15 1. A reduction of the number of mentally ill and chemically dependent using  
16 costly interventions like jail, emergency rooms and hospitals;

17           2. A reduction of the number of people who recycle through the jail, returning  
18 repeatedly as a result of their mental illness or chemical dependency;

19           3. A reduction of the incidence and severity of chemical dependency and mental  
20 and emotional disorders in youth and adults;

21           4. Diversion of mentally ill and chemically dependent youth and adults from  
22 initial or further justice system involvement; and

23           5. Explicit linkage with, and furthering the work of, other council directed efforts  
24 including, the adult and juvenile justice operational master plans, the Plan to End  
25 Homelessness, the Veterans and Human Services Levy Services Improvement Plan and  
26 the county Recovery Plan, and

27           WHEREAS, the ordinance established a policy framework for measuring the  
28 public's investment, requiring the King County executive to submit oversight,  
29 implementation and evaluation plans for the programs funded with tax revenue, and

30           WHEREAS, the ordinance set forth the required elements of the mental illness  
31 and drug dependency implementation plan including the requirement that the plan be  
32 developed in collaboration with the mental illness and drug dependency oversight group,  
33 and

34           WHEREAS, in 2008, the state legislature expanded the allowable use of sales tax  
35 funds to include housing that is a component of a coordinated chemical dependency or  
36 mental health treatment program or service, and

37           WHEREAS, the mental illness and drug dependency implementation plan  
38 contains the elements required by Ordinance 15949, including program proposals for  
39 expansion of adult drug diversion court, early intervention and prevention programs for

**Motion**

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40 adult and child victims of domestic violence and sexual assault, and the revised 2008  
41 spending plan, as well as a new program for housing development, and

42 WHEREAS, Ordinance 16077 established the mental illness and drug dependency  
43 oversight committee and accepted the oversight plan, and

44 WHEREAS, the mental illness and drug dependency oversight committee was  
45 seated through a process of appointment by the executive and confirmation by council on  
46 May 19, 2008, and

47 WHEREAS, the mental illness and drug dependency implementation plan was  
48 developed in collaboration with the oversight committee from April through June 2008,  
49 and

50 WHEREAS, the mental illness and drug dependency implementation plan sets  
51 forth the necessary next steps for developing and operating new and expanded programs;

52 NOW, THEREFORE, BE IT MOVED by the Council of King County:  
53

**Motion**

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54           The Mental Illness and Drug Dependency Implementation Plan, Attachment A to  
55   this motion, is hereby adopted.

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KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

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ATTEST:

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**Attachments**     A. King County Mental Health Chemical Abuse and Dependency Services --Mental  
                      Illness and Drug Dependency Implementation Plan

**MIDD Financial Plan**  
**Fund 000001135 / Dept #0990**  
**Department of Community and Human Services / MHCADSD/ Mental Illness and Drug Dependency Fund (MIDD)**

	2007 Actual	2008 Adopted	2008 Estimated <sup>1</sup>	2009 Projected <sup>2</sup>	2010 Projected <sup>2</sup>	2011 Projected <sup>2</sup>
<b>Beginning Fund Balance</b>	0	0	0	16,681,395	9,657,770	11,657,770
<b>Revenues <sup>3</sup></b>						
* CD/MH Sales Tax		30,852,323	38,893,000	51,032,885	53,099,717	56,099,851
*	0	30,852,323	38,893,000	51,032,885	53,099,717	56,099,851
<b>Total Revenues</b>						
<b>Expenditures</b>						
* Operating Expenditures		(22,211,605)	(22,211,605)	(58,056,510)	(51,099,717)	(54,099,851)
*	0	(22,211,605)	(22,211,605)	(58,056,510)	(51,099,717)	(54,099,851)
<b>Total Expenditures</b>						
<b>Estimated Underexpenditures</b>						
<b>Other Fund Transactions</b>						
*						
<b>Total Other Fund Transactions</b>	0	0	0	0	0	0
<b>Ending Fund Balance</b>	0	8,640,718	16,681,395	9,657,770	11,657,770	13,657,770
<b>Reserves &amp; Designations</b>						
* Capital Reserve <sup>4</sup>		(6,418,602)	(6,402,551)			
* Revenue Stabilization Reserve <sup>5</sup>		(2,000,000)	(3,800,844)	(5,800,844)	(7,800,844)	(9,800,844)
*	0	(8,418,602)	(10,203,395)	(5,800,844)	(7,800,844)	(9,800,844)
<b>Total Reserves &amp; Designations</b>						
<b>Ending Undesignated Fund Balance</b>	0	222,116	6,478,000	3,856,926	3,856,926	3,856,926
<b>Target Fund Balance <sup>6</sup></b>						

**Financial Plan Notes:**

- <sup>1</sup> 2008 Estimated is based on accrual revenue and updated expenditure projections.
- <sup>2</sup> 2009, 2010 and 2011 Projected are based on estimated revenues and expenditures.
- <sup>3</sup> 2008 adopted revenues are on a cash basis. GAAP standards require sales tax revenue to reflect sales that occurred in the year. 2008 Estimated revenues are on an accrual basis and include an estimated revenue adjustment.
- <sup>4</sup> 2008 Estimated Capital Reserve is unexpended balance of \$18,000,000 in housing expenditures per the spending plan.
- <sup>5</sup> A minimum of two million will be reserved each year until \$10 million Revenue Stabilization Reserve is reached in order to create stable funding for committed services.
- <sup>6</sup> Target fund balance is being discussed and will be established in 2008.

## **Housing Development: Strategy #16A**

### **Current Status**

The Oversight Committee agreed to support a proposal to use funds that are not able to be spent in 2008 due to the delays in the MIDD implementation for housing development under strategy 16A. The estimated amount that will be available is \$18 million. These are funds that cannot be spent on service strategies as a result of the requirement that no MIDD funds can be spent until the County Council has approved the Oversight, Implementation and Evaluation Plans, which will be sometime in September. In addition, a number of strategies will not begin until providers are selected through a procurement process and contracts are signed. Funding for these programs does not begin until contracts are signed. Finally, a number of strategies are still being developed and will not be implemented until sometime in 2009.

### **Housing Development Strategy for 2008**

The top priority for 2008 is to fill gaps in housing projects that have not yet acquired all the necessary funds to complete their capital budgets. These are projects that will be able to start construction in 2009, and be completed much earlier than if they had to wait for other fund sources in future years. While not all projects that have funding gaps will necessarily qualify for MIDD funding, the estimated funding gap for these projects is approximately \$16 million. Since we estimate the need for \$3 million for housing vouchers for individuals leaving jails and hospitals, not all projects with funding gaps will be able to be funded in 2008.

### **Options for 2009 Funding for Housing**

1. Some members of the Oversight Committee have argued that services that need housing to be successful should not be funded until housing is available for those who would be served by the program. Under this option, we would delay implementation of programs that need housing to be successful in achieving desired outcomes, and redirect funds for these programs to housing development.
2. Other members have argued that the MIDD Action Plan was approved to provide services and not housing, that funding for housing is available through other sources, and that funding for housing should not be provided beyond the first year of MIDD implementation (2008). Options for the use of the funds that cannot be spent on services as designed in 2009 (due to several programs needing further development and others being implemented gradually or in stages during 2009) would include adding new service strategies and increasing funding for those strategies that may be able to use additional funding.
3. The Mental Health, Chemical Abuse and Dependency Services Division (MHCADSD) proposes to again use funds that will not be able to be spent on services in 2009 for Housing Development Strategy 16A. Based on the forecast for sales tax revenues, MIDD revenues will exceed the amount that can be spent

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on services by \$10, 000,000. Assuming \$2 million is reserved for additional housing subsidies and vouchers, \$8 million will be left to fund any projects that meet MIDD priorities that were not funded in 2008, as well as new projects that will be chosen based on their ability to provide housing for individuals being served by MIDD strategies that are identified as most in need of dedicated housing.

#### **Rationale for MHCADSD Proposal**

- There is a substantial need for housing development dedicated to individuals with mental illness and chemical dependency.
- Without housing, the MIDD Plan will not be as successful in reducing the use of emergency services, hospitals, and jails.
- There are limits in how much housing can be developed in a given year, both in terms of provider capacity, and in terms of other funds that can be used to leverage County funds, such as the State Housing Trust Fund. Projects that are developed without using these other funding sources will yield far less housing units per MIDD dollar invested than will projects that leverage other funding sources.
- The proposal will not take away funds for service strategies, since the service strategies are not ready for implementation. There are a number of programs that will not be ready for full implementation at the beginning of 2009, and, in some cases, until the last quarter of 2009. These unspent funds are essentially one-time only funds.
- Adding funds for strategies in 2009, and then having to take away these funds in 2010 and beyond would create a hardship for agencies which would need to hire staff one year and lay them off the next year as funding is redirected to other programs. Similarly, it is not productive to develop and fund new strategies in 2009 with unspent funds from other programs, and then stop funding the new programs the following year.