

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: July 1, 2019

TO: Honorable Members of the City Council

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 19-0002-S121
Assignment No: 19-06-0703

SUBJECT: Resolution (O'Farrell - Wesson) to SUPPORT or SPONSOR legislation to allocate \$1.2 billion from the State Reserve Fund to the City of Los Angeles for homeless housing assistance as a match of the City's approved \$1.2 billion Proposition HHH program.

CLA RECOMMENDATION: Adopt Resolution (O'Farrell - Wesson) to include in the City's 2019-2020 State Legislative Program SUPPORT or SPONSORSHIP of legislation that would allocate \$1.2 billion from the State Reserve Fund to the City of Los Angeles for homeless housing assistance as a match of the City's approved \$1.2 billion Proposition HHH program.

SUMMARY

Resolution (O'Farrell - Wesson), introduced on June 26, 2019, states that of the estimated 130,000 Californians experiencing homelessness, 36,300 reside in the City of Los Angeles in 2019, a 16 percent increase from 2018. The Resolution refers to the efforts of the City to address the homeless problem, including a \$1.2 billion bond program approved by City voters to build supportive housing through Proposition HHH, and the County-wide Measure H, a ten year sales tax increase that resulted in \$460 million in homeless services funding for FY 2019-20. Describing the \$214.8 billion FY 2019-20 California State Budget with its \$16.5 billion reserve fund, the Resolution calls on legislation to dedicate \$1.2 billion from the reserve to the City to serve as a match to the City's approved \$1.2 billion Proposition HHH program.

BACKGROUND

The Los Angeles Homeless Services Authority's (LAHSA) 2019 homeless count determined that there are approximately 36,300 homeless individuals in Los Angeles, a growth of 16 percent in the past year. In 2016, the City adopted the Comprehensive Homeless Strategy, which determined that 13,000 units of new housing, including 10,000 units of supportive housing, are needed to house the homeless. Proposition HHH, approved by the voters in 2016, authorizes the City to issue General Obligation bonds in the amount of \$1.2 billion to develop 10,000 units of housing, facilities for the homeless, and affordable housing for those at risk of homelessness. Proposition HHH has already funded 79 projects that will create 5,388 housing units for persons at risk and currently experiencing homelessness. In 2017, County voters approved Measure H, a ten year sales tax increase that provided \$460 million in homeless services funding for FY 2019-20.

The Governor recently signed the \$214.8 billion FY 2019-20 State budget, which contains four reserve funds totaling \$19.4 billion:

- **Budget Stabilization Account (\$16.5 billion).** State officials are required to put aside at least 1.5 percent of the general fund into this account every year. For funds to be transferred out of this account, Proposition 2 requires the Governor to first declare a budget emergency, at which point the Legislature can pass a bill, by majority vote, to withdraw funds from the fund. A “budget emergency” is strictly defined (by Proposition 2) as resulting from either:
 - A disaster or extreme peril, as currently defined in Article XIII B of the State Constitution; or
 - Insufficient resources to maintain General Fund expenditures at the highest level of spending in the three most recent fiscal years, adjusted for State population growth and the change in the cost of living.

- **Special Fund for Economic Uncertainties (\$1.5 billion).** This fund ensures the ability of the State to meet General Fund obligations in the event of declining revenues or unanticipated expenditures. The State Controller, as necessary, may use the monies in the Fund to help meet General Fund cash needs. All monies must be returned when no longer needed. The Fund is expected to grow to \$4.1 billion in 2020-21.

- **Safety Net Reserve (\$900 million).** This account was established in the 2018-19 budget under Former Governor Brown to help support CalWORKs and Medi-Cal services during an economic downturn. Monies in this Reserve can only be used to maintain existing program benefits and services for the Medi-Cal and CalWORKs programs during economic downturns when caseload and cost per case related to these programs increase and state revenues decline.

- **Public School System Stabilization Account (\$505 million).** Restricted to schools only.

As part of the State homelessness budget, the City is receiving approximately \$130 million in funding, an increase of more than 50 percent from 2018. Due to the gravity of the homeless housing crisis, however, Resolution (O’Farrell - Wesson) should be approved to call on the State to provide the kind of assistance demonstrative of the level of the crisis. The homeless crisis in Los Angeles, with the number of homeless growing by 16 percent from last year, is worthy of the State’s assistance.

DEPARTMENTS NOTIFIED

N/A

BILL STATUS

N/A



 Clay McCarter
 Analyst

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the United States Interagency Council on Homelessness reports that an estimated 130,000 Californians are homeless on any given day; and

WHEREAS, of this population, the 2019 homeless count reported that 36,300 reside in the City of Los Angeles, a 16 percent increase from 2018 and the largest homeless population in the State; and

WHEREAS, residents of the City of Los Angeles have taken substantial efforts in addressing the housing of the homeless, approving \$1.2 billion to build supportive housing through Proposition HHH, while residents of the County of Los Angeles approved Measure H, a ten year sales tax increase that resulted in \$460 million in homeless services funding for FY 2019-20; and

WHEREAS, utilizing Proposition HHH funding, the City has successfully identified 79 projects in under three years that will create 5,388 housing units, an unprecedented housing development program that will provide essential housing services to persons at risk and currently experiencing homelessness; and

WHEREAS, the \$214.8 billion FY 2019-20 California State Budget proposed a reserve fund of \$16.5 billion, which is expected to grow to \$18.7 billion by FY 2022-23; and

WHEREAS, while the State has provided homelessness resources to cities in the past, now is the time for State leadership to provide Los Angeles with the assistance required to tackle this tragic humanitarian crisis that is a destabilizing force in our communities;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2019-2020 State Legislative Program SUPPORT or SPONSORSHIP of legislation which would allocate \$1.2 billion from the State Reserve Fund to the City of Los Angeles for homeless housing assistance as a match of the City's approved \$1.2 billion Proposition HHH program.

PRESENTED BY: *Mitch O'Farrell*
MITCH O'FARRELL
Councilmember, 13th District

SECONDED BY: *Herb Wang*

ORIGINAL

JUN 26 2019

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[Signature]