



POLICY BRIEF

October 26, 2022

Understanding the Impact of American Rescue Plan Act Funding for Homeless Services

Highlights

The State and Local Fiscal Recovery Funds through the American Rescue Plan Act of 2021 provided critical stopgap funding to Hawaii's local governments. Some State Fiscal Recovery Funds were used to support or expand existing services and programs during the 2021-2023 biennium. As these non-renewable funds are expended, the State must prepare for the budgetary implications of transitioning essential services back to State General or Special Funds.

Key Findings

- The Hawaii State Legislature appropriated \$21.6 million in State Fiscal Recovery Funds to continue existing homeless services for the 2021-2023 biennium.
- The State must identify replacement funds to continue homeless services funded by State Fiscal Recovery Funds.

Recommendations

- Fully fund existing homeless services for the 2023-2025 biennium.
- Ensure annual funding for homeless services reflects the steadily rising cost increases of essential services, infrastructure, and staffing.
- Keep funding for the State's existing homeless services in the Executive Budget.
- Support the creation of designated revenue streams for homeless services and housing projects at the State and County levels.

Introduction

The onset of the COVID-19 pandemic resulted in significant budget implications for Hawaii's government services. In 2020, the State's Council on Revenues predicted a budget shortfall of over \$2 billion for fiscal years 2020 and 2021, largely attributed to sharp decreases in tourism and consumer spending. At the same time, demand for emergency and safety net services, including unemployment insurance, rental assistance, and public benefits, increased dramatically.

Several federal funding infusions were authorized in March 2020, including the [Coronavirus Preparedness and Response Supplemental Appropriations Act](#), the [Families First Coronavirus Response Act](#), and the [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#). These economic relief packages provided federal funding for a wide range of emergency activities during the onset of the COVID-19 pandemic, including unemployment assistance, stimulus payments to individuals and businesses, and public health costs associated with the COVID-19 response. Despite the unprecedented allocation of federal funds to support the pandemic response, State and local governments continued to face financial shortfalls for existing government services funded through tax measures and other revenue streams.

The [American Rescue Plan Act of 2021 \(ARPA\)](#) allocated approximately \$362 billion directly to states and counties for COVID-19 economic recovery efforts. In addition to responding directly to the public health emergency, states and counties were able to use ARPA State and Local

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Existing Homeless Services Funded through State Fiscal Recovery Funds		
<u>Program Type</u>	<u>Annual Amount for FY22 and FY23</u>	<u>Description</u>
Street Outreach	\$1,750,000* <i>*Represents partial funding through SFRF</i>	Housing-focused street outreach services to help people experiencing unsheltered homelessness access a wide array of services, including shelter and housing resources. Includes civil legal services for people experiencing homelessness.
Family Assessment Centers	\$1,550,000	Temporary shelter services for families with minor children using a two-generation, wrap-around approach that emphasizes rapid placement into stable, permanent housing.
Rapid Rehousing	\$3,750,000	Temporary case management and financial assistance to prevent eviction and connect people experiencing homelessness to stable, affordable permanent housing.
Housing First	\$3,750,000	Permanent housing and supportive services to people experiencing chronic homelessness who are highly vulnerable due to disabling conditions, length of time homeless, age, or other acute medical needs.
TOTAL	\$10,800,000	

Figure 1 – Descriptions of Existing Homeless Services Funded through American Rescue Plan Act State Fiscal Recovery Funds for the 2021-2023 Biennium.

Fiscal Recovery Funds (SLFRF) to fund essential government services by replacing lost revenue due to the pandemic.

The State of Hawaii received approximately \$1.6 billion in State Fiscal Recovery Funds (SFRF) in May 2021. While the largest single allocation of SFRF was used to repay the U.S. Department of Labor for Title XII unemployment insurance advances, the 2021 Hawaii State Legislature approved the use of SFRF to fund new and existing services within the State's Executive Branch agencies.ⁱ

The American Rescue Plan Act provided critical stopgap funding to Hawaii's local governments during a period of economic uncertainty. The State must redirect and refocus its efforts during the COVID-19 recovery period to ensure the continuity of important programs and services.

This policy brief outlines the impact of State Fiscal Recovery Funds on homeless services and recommends strategies to ensure sustained funding for these safety net programs.

Overview of State-Funded Homeless Services

The Hawaii Department of Human Services (DHS) is the primary entity responsible for administering State funds for homeless services. The Department's annual budget requests for homeless services include approximately \$14.6 million in the executive budget for shelters and outreach services and \$10.8 million for additional services administered through the

Homeless Programs Office (HPO). These programs include additional Street Outreach and Civil Legal Services, Family Assessment Centers, Rapid Rehousing assistance, and Housing First permanent supportive housing (Figure 1). HPO leverages an additional \$2.5 million in reserve funds from the Temporary Assistance for Needy Families (TANF) program to support Housing Placement Programs for TANF-eligible families.

While the DHS Homeless Programs Office is the primary funder of most State-funded homeless services, other parts of State government administer funding for special projects or subpopulations of people experiencing or at risk of homelessness, such as households attempting to flee domestic violence or youth in crisis. The Statewide Office on Homelessness and Housing Solutions maintains an online dashboard of government funding for homeless services.ⁱⁱ

Implications of ARPA State Fiscal Recovery Funds

The [General Appropriations Act of 2021 \(SLH\)](#) allocated over \$1.4 billion in American Rescue Plan Act funds for various State expenditures, including existing homeless services.ⁱⁱⁱ A total of \$21.6 million was allocated to the Department of Human Services Homeless Programs Office for the continuation of a wide range of homeless services that are typically funded year-to-year with State General Funds (Figure 1).

While the 2021 Hawaii State Legislature's allocations of ARPA SFRF ensured the stability of these existing programs

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for the 2021-2023 biennium, funding for these programs must be requested again during the 2023 Legislative Session. ARPA SFRF is a non-renewable funding source, and the State must eventually identify replacement funds for any services or projects funded by SFRF.

For non-profit agencies contracted by the State to administer homeless services, continuing existing funding addresses only part of the actual need. Many non-profit agencies experience challenges utilizing government funding, including the lack of contract amount increases despite an expectation that services will remain the same or even increase.^{iv} This practice puts considerable strain on agencies that provide critical safety net services, especially as the costs of overhead, infrastructure, and direct services continue to rise.^v

Policy Recommendations

To preserve existing homeless services, the Hawaii State Legislature must allocate State General Funds to replace State Fiscal Recovery Funds during the 2023 Legislative Session. Additional recommendations to improve the sustainability and future funding of homeless services and housing projects are provided.

➤ **Fully fund existing homeless services for the 2023-2025 biennium.**

Uninterrupted funding for these services is critical to ensuring the continuation of Street Outreach and Civil Legal Services, Family Assessment Centers, Rapid Rehousing, and Housing First programs.

- **Keep funding for the State's existing homeless services in the Executive Budget.**
Street Outreach and Civil Legal Services, Family Assessment Centers, Rapid Rehousing, and Housing First programs have historically been removed from the Executive Budget proposal during the legislative process. The uncertainty created by this practice causes additional strain for organizations that contract with the State to provide these services. As of the 2022 Hawaii State Legislative Session, funding for these programs remains year-to-year.
- **Support the creation of designated revenue streams for homeless services and housing projects at the State and County levels.**
Dedicated revenue streams exclusively for housing and services related to homelessness will position the State and Counties to invest in long-term, sustainable initiatives to prevent and end homelessness. Dedicated funding for homeless services and housing projects has been successfully implemented in other communities and may also improve providers' abilities to partner with private sector donors and leverage additional funds.^{vi}

For more information about statewide homelessness advocacy efforts and priorities, visit <http://homelessness.hawaii.gov/advocacy>.

ⁱ The State's [2021 Recovery Plan Performance Report](#) outlines the initial allocations of State Fiscal Recovery Funds.

ⁱⁱ An interactive dashboard detailing government funding for homeless services can be found at <http://homelessness.hawaii.gov/data>.

ⁱⁱⁱ Appropriations using American Rescue Plan Act funds as the means of financing are indicated by the letter symbol V.

^{iv} In September 2022, leaders of 20 local non-profit organizations co-authored an [editorial](#) calling for fairness in government funding and contracting with service providers.

^v In October 2022, the minimum wage for employment in Hawaii [increased to \\$12 per hour](#) and will continue to increase through 2028. The Hawaii Department of Business, Economic Development and Tourism (DBEDT) predicts a [6.3 percent increase](#) in the consumer inflation rate in 2022, while Hawaii's electricity costs per kilowatt hour [increased by over 30 percent](#) since July 2021.

^{vi} For example, communities in [Portland](#), [Los Angeles](#), and [Denver](#) have implemented special dedicated funding measures to increase housing inventory and supportive services for people experiencing homelessness.