

HOUSE BILL REPORT

SB 5252

As Passed House:
June 29, 2017

Title: An act relating to measuring the effectiveness of document recording fee surcharge funds that support homeless programs.

Brief Description: Addressing the effectiveness of document recording fee surcharge funds that support homeless programs.

Sponsors: Senators Angel and Wilson.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 3/15/17, 3/23/17 [DP];
Appropriations: 4/3/17, 4/4/17 [DP].

Third Special Session

Floor Activity:

Passed House: 6/29/17, 94-0.

Brief Summary of Bill

- Requires the Department of Commerce (Department) to develop performance measures to measure the effectiveness of the document recording fee surcharge funds in supporting homeless programs and to report its findings and recommendations regarding the new performance measures to the Legislature by December 1, 2017.
- Requires the Department to develop a process to increase the effectiveness of its biennial report to the Governor and Legislature on the state and local governments performance in furthering the goals of their homeless housing plans.
- Directs the Joint Legislative Audit and Review Committee to review how document recording surcharge fees are being expended to address homelessness and report its findings to the Legislature by December 1, 2022.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Majority Report: Do pass. Signed by 7 members: Representatives Ryu, Chair; Macri, Vice Chair; McCabe, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Jenkin, Reeves and Sawyer.

Staff: Kirsten Lee (786-7133).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass. Signed by 29 members: Representatives Ormsby, Chair; Robinson, Vice Chair; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Cody, Condotta, Fitzgibbon, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Nealey, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Stanford, Sullivan, Tharinger, Vick, Volz and Wilcox.

Minority Report: Do not pass. Signed by 3 members: Representatives Chandler, Ranking Minority Member; Buys and Taylor.

Staff: Meghan Morris (786-7119).

Background:

Duties and Authority of County Auditors.

The county auditor is responsible for the recording of specific documents required by law to be maintained as part of the public record kept by a county. The documents that must be recorded by a county auditor include judgments, liens, deeds, mortgages, and many other categories of documents pertaining to property ownership and real estate transactions.

State law specifies requirements that must be met by an auditor when exercising his or her recording duties, including the collection of specific fees when a document is recorded. These fees include three document recording surcharges currently totaling \$58 used for the funding of state and local programs to provide affordable housing for low-income persons and housing assistance for the homeless:

- an Affordable Housing for All (AHA) surcharge of \$10;
- a surcharge for local homeless housing and assistance which is currently \$40; and
- an additional surcharge for local homeless housing and assistance of \$8.

Each of the three document recording surcharges includes a portion which is provided to counties and a portion which is provided for state administered housing and homeless programs. The state's portion of the AHA surcharge is deposited into the Affordable Housing for All Account (AHA Account). The state's portion of the local homeless housing and assistance surcharges are deposited into the Home Security Fund (Fund).

Affordable Housing for All Local Homeless Housing and Assistance Surcharges and Document Recording Surcharges.

Both the state and local homeless housing programs receive funding from the AHA and local homeless housing and assistance surcharges collected by each county auditor when a document is recorded.

For the \$10 AHA surcharge, approximately 60 percent is distributed to the county, and approximately 40 percent to the state. The funds collected for the \$10 AHA surcharge are distributed as follows:

- 5 percent may be retained by the county for collection, administration, and local distribution of the funds;
- 40 percent of the remainder to be deposited into the AHA account to be used by the Department of Commerce (Department) to provide housing and shelter for extremely low-income households, including, but not limited to, housing for victims of human trafficking and their families and grants for building operation and maintenance costs of housing projects or units within housing projects that are affordable to extremely low-income households; and
- all remaining funds are distributed to the county and may be used for acquisition, construction, or rehabilitation of housing projects or units; building operation and maintenance costs; rental assistance vouchers; operating costs for emergency shelters and licensed overnight youth shelters.

For the \$40 local homeless housing and assistance surcharge, approximately 60 percent is distributed to the county, and approximately 40 percent to the state. The funds collected for the \$40 local homeless housing and assistance surcharge are distributed as follows:

- 2 percent to the county for collection of the fee;
- 60 percent of the remainder to the county for its homeless housing program, up to 6 percent of which may be used for administering its homeless housing plan;
- 40 percent of the remainder to be deposited in the Fund, up to 12.5 percent of which may be used by the Department for managing the state Homeless Housing Program (Program), including the costs of creating the statewide homeless housing strategic plan, measuring performance, providing technical assistance to local governments, and managing the homeless housing grant program;
 - of the remaining 87.5 percent of the 40 percent, at least 45 percent must be set aside for private rental housing payments; and
- the remainder of all funds goes to the Department to be used to provide housing and shelter for homeless people and to fund the Homeless Housing Grant Program (Grant Program).

For the \$8 local homeless housing and assistance surcharge, approximately 90 percent is distributed to the county, and approximately 10 percent to the state. The funds collected for the \$40 local homeless housing and assistance surcharge are distributed as follows:

- 90 percent to the county to accomplish the goals of the county's local homeless housing plan, 6 percent of which may be used by the county for administrative costs related to its homeless housing plan; and
- the remainder of the funds are deposited into the Fund. The Department may use the funds for managing the Program, including updating the statewide homeless housing strategic plan, measuring performance, providing technical assistance to local governments, managing the Grant Program, providing housing and shelter for homeless people, or funding the Grant Program.

The AHA and local homeless housing and assistance surcharges apply to most recorded documents. Certain documents are exempt, including assignments or substitutions of previously recorded deeds of trust. Additionally, documents recording a birth, marriage,

divorce, or death, and documents recording a state, county, or city lien are exempt from the \$40 local homeless housing and assistance surcharge.

The State Homeless Housing Program.

The Homeless Housing and Assistance Act directs the Department to develop a state Homeless Housing Program. The Department must implement the program through a 10-year strategic plan with the goal of reducing homelessness by 50 percent in the state, and within each county, by 2015. Local governments must also develop their own 10-year homeless housing plans in coordination with the statewide plan. The Department is required to create and include performance measures and goals in its strategic plan to measure state and local governments' performance.

The Department must annually conduct a homeless census, making every effort to count all homeless individuals living outdoors, in shelters, and in transitional housing. When reasonably feasible, the Department must coordinate their annual census efforts with existing homeless census projects, including the United States Department of Housing and Urban Development (HUD) Point-In-Time (PIT) Count. The Department must also report biennially to the Governor and the appropriate committees of the Legislature. This report is an assessment of the state's performance in furthering the goals of the state's 10-year homeless housing strategic plan, and the performance of each participating local government in creating and executing a local homeless housing plan.

The Department manages a range of homeless assistance, prevention, and housing programs, including grant programs that utilize funds from the AHA Account and Fund. The Department programs include:

- the Consolidated Homeless Grant Program, which provides grants for county governments and other designated entities for services including temporary rent assistance for households who are homeless or at risk of being homeless;
- the Office of Homeless Youth Prevention and Protection Programs, which provides services for youth and young adults, including: (1) the Independent Youth Housing Program, which provides rental assistance and case management for eligible youth who have aged out of the state foster care system; (2) Street Youth Services, which fund outreach to street youth to connect them to shelters and services; and (3) HOPE Beds, which provide voluntary and temporary residential placements for youths under age 18;
- Housing Trust Fund Operations and Maintenance grant program, which provides housing for people with extremely low-incomes, at or below 30 percent of area median income, including grants for building operation and maintenance costs of Housing Trust Fund projects to supplement the rent of low-income households; and
- Crisis Residential Centers, which are short-term, semi-secure and secure facilities for runaway youth and adolescents in conflict with their families

Document Recording Fee Surcharge Audit.

The Office of Financial Management was required to contract for an independent performance audit of the use of AHA and local homeless and housing and assistance document recording surcharge funds by December 1, 2016. The performance audit was required to provide findings to determine if the funds were being used effectively, efficiently, and for their intended purpose. The performance audit was also required to review the

Department's performance in meeting all statutory requirements related to the document recording surcharge funds, and include recommendations for policy and operational improvements for the use of the document recording surcharges by counties and the Department. The performance audit, entitled Washington's Homeless Housing and Assistance Program, was released on December 5, 2016.

The performance audit resulted in a number of recommendations, including:

- due to the limitations of the annual PIT count, requiring the state's Interagency Council on Homelessness and the State Advisory Council on Homelessness to work with the Department and the Affordable Housing Advisory Board to develop and present recommendations to the Legislature to replace the single metric of decreasing the PIT count with at least three metrics designed to measure the success of the state's homeless programs; and
- recommending that the Department increase the effectiveness of the annual homeless report to the Legislature by developing a process to ensure consistent presentation, analysis and explanation in the report, including year-to-year comparisons, highlights of program successes and challenges and information that builds support with the Legislature and other stakeholders for recommended strategy and operational changes.

United States Department of Housing and Urban Development Point-In-Time Count.

Every year the HUD requires communities across the nation to collect data on their homeless populations and to report the data to the HUD. The data collection process is referred to as the PIT Count. The PIT Count is collected as a means to estimate the number of homeless individuals in the United States. Local planning bodies responsible for coordinating homeless efforts in a geographic area, Continuums of Care (CoCs), administer the PIT Count. During even-numbered years, CoCs must provide data on the number of sheltered persons (those living in emergency shelters and transitional housing) experiencing homelessness on a single night. During odd-numbered years, CoCs must provide data on sheltered and unsheltered persons (those living in the street or in another place not meant for human habitation) experiencing homelessness on a single night. The PIT Count results are reported in the HUD Annual Homeless Assessment Report. The 2017 Washington PIT Count took place on January 26, 2017.

Summary of Bill:

The Department of Commerce (Department) must work in consultation with the Interagency Council on Homelessness, the Affordable Housing Advisory Board, and the State Advisory Council on Homelessness to develop performance measures that address the limitations of the annual Point-In-Time (PIT) Count in measuring the effectiveness of the document recording fee surcharge funds in supporting homeless programs. The Department must report its finding and recommendations regarding the new performance measures to the appropriate committees of the Legislature by December 1, 2017.

The Department must implement at least three metrics, in addition to the PIT measurement, that measure the impact of surcharge funding on reducing homelessness by July 1, 2018.

The Joint Legislative Audit and Review Committee (JLARC) must review how document recording surcharge fees are expended to address homelessness, including a review of the related program performance measures and targets. The JLARC must report its findings by December 1, 2022, and update the review every five years.

The Department must also develop a process to ensure consistent presentation, analysis, and explanation of its biennial report to the Governor and appropriate committees on its assessment of the state and local governments' performance in furthering the goals of their respective homelessness housing plans to increase the effectiveness of the report.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Community Development, Housing & Tribal Affairs):

(In support) In the past, fraud and abuse of the homeless housing and assistance surcharges have been found and legislation was enacted to require a third party audit of these funds. The audit, entitled the Washington Homeless Housing and Assistance Program Report, was completed by a third party in December of 2016. This bill implements recommendations provided in the third party audit and will help the Legislature continue to review how homeless housing and assistance surcharges are being used as resources are reassessed.

(Opposed) None.

Staff Summary of Public Testimony (Appropriations):

(In support) None.

(Opposed) None.

Persons Testifying (Community Development, Housing & Tribal Affairs): Senator Angel, prime sponsor.

Persons Testifying (Appropriations): None.

Persons Signed In To Testify But Not Testifying (Community Development, Housing & Tribal Affairs): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.