



King County

Adult Services Division

Department of Community and Human Services

401 Fifth Avenue, Suite 500
Seattle, WA 98104

(206) 263-9105 Fax (206) 205-6565
TTY Relay 711

TO: Members of the Budget & Fiscal Management Committee of the King County Council and Members of the Regional Policy Committee

FR: Leon Richardson, Director, Adult Services Division, King County Department of Community and Human Services

Date: March 27, 2023

RE: Background/Cost Modeling Underlying Proposed Veterans, Seniors and Human Services Levy Ballot Measure Ordinance

This memorandum responds to requests from members of the Regional Policy Committee (RPC) and Budget and Fiscal Management Committee (BFM) for additional background and context on the financial modeling and assumptions that underlie the proposed Veterans, Seniors and Human Services Levy (VSHSL). The memorandum's purpose is to inform Councilmembers' and Committee members' consideration of the proposed VSHSL Ballot Measure Ordinance (BMO).

This memorandum contains seven sections to respond to Councilmember questions:

- Overview & Summary
- Section 1. Memorandum Purpose and Renewal Context
- Section 2. Cost Modeling Overview
- Section 3. Accounting for Inflation and the Rising Cost of Services
- Section 4. Cost Modeling for Supporting Veterans
- Section 5. Cost Modeling for Expanding Access for Seniors
- Section 6. Cost Modeling for Strengthening Communities and Building Resiliency
- Section 7. Cost Modeling for Housing Stability Investments

OVERVIEW & SUMMARY

The modeling that this memorandum describes is for planning purposes only and is subject to ongoing refinement by Executive staff should the King County Council (including mandatory referral to the RPC) amend and/or pass the VSHSL BMO. The fiscal modeling described in this memorandum draws upon multiple years of program performance measurement data and incorporates feedback from levy

providers and community input from 52 community engagement meetings. The VSHSL Assessment Report, requested by Motion 16129, details the renewal planning process in detail.¹

The modeling described in this memo informed the Executive's proposal, including levy rate, structure, and emphases and will, along with Council direction, inform subsequent budgeting for a proposed Implementation Plan if the Council passes the BMO and voters approve it.

Levy Proposal Financial Assumptions:

- Rate of 10 cents per thousand dollars of assessed value, up from the current levy's 2023 rate of 8 cents (the current levy began at a 10 cent rate in 2018, but revenue growth is capped at 3.5% and valuations have grown faster than that).
- Initially projected to generate approximately \$580 million from 2024-2029.
- **Most recent forecast at \$564 million or \$200 million more than the current levy.**
- Cost of \$83.75/year (+\$17/year compared to existing levy) for the owner of a median valued home.

The modeling that underlies the proposal for VSHSL assumes \$200M of increased revenues compared to the current levy. In addition to continuing the VSHSL's commitment to allocate at least 25% revenues to promote housing stability for levy populations, the financial model assumes continued investment in most VSHSL strategies, including 5% annual inflation, and amplifies investments in high-priority strategies as follows:

- Maintain existing VSHSL strategies, including 5% inflation, \$488 million
- Gun violence \$7 million
- Non-profit workforce stabilization \$60 million
- Doubling funding in senior centers \$10 million

Strategic Context

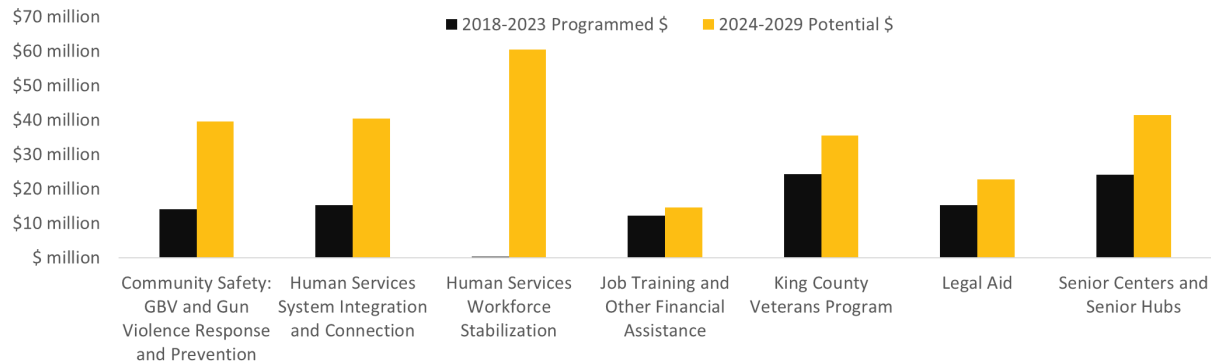
In consultation with Executive Office and DCHS Leadership, we offer these strategic themes for your consideration to inform the Council's and RPC's deliberations:

The Executive has proposed to *renew* the VSHSL at the 10 cent rate. This is \$200+ million more than the current levy. Levy *renewal* can be compared to the 2017 introduction of the VSHSL, which was a more substantial *replacement* of the prior Veterans and Human Services Levy, which included the addition of seniors as a new focus population.

As a renewal, the levy proposal focuses on stabilizing and reinforcing current VSHSL strategies that have been effective rather than on creating multiple new service strategies. DCHS prepared this [VSHSL Visual Guide](#) to summarize key parts of the proposal. Lead components of the proposal include:

- Supporting veterans by building the nation's strongest local veterans program and reducing veteran homelessness;
- Expanding accessibility for seniors by doubling funding for senior centers,
- Strengthening communities and building resiliency by doubling funding for prevention of and responses to survivors of gender-based violence.

¹ VSHSL Assessment Report [\[LINK\]](#)



Workforce sustainability for non-profit providers has become a major consideration and limiting factor in Human Services. Although decades in the making, today’s wage inadequacy for providers is [a newly-acute issue](#) leaving many providers increasingly challenged to attract and retain staff long enough for the staff to develop the mastery and deep relationships that are necessary for effective human services. .

System and funding stability for providers is itself a driver of human services outcomes. Quickly escalating local costs of housing and living, generationally high inflation, historically agile pandemic responses, rapid growth and retraction of substantial one-time federal pandemic funding with burdensome reporting requirements, and emergent proliferation of new human services needs and rapid shifts of prioritization amongst them all threaten the ability of providers to establish and maintain stable, effective, and high-quality services, programs, and expertise. The financial modeling for this proposed Levy reflects an overarching effort to better stabilize providers by incorporating inflation and cost of living increases of 5% to levy programs.

DCHS’s rapid growth in scope and service type have exceeded the growth in staffing, administrative, communications, intergovernmental, program monitoring, and performance measurement capacity. As human services needs continue to increase substantially in intensity and variety, King County must deliberately consider when to invest organizational capacity in ensuring the success of existing priorities, where to divert organizational capacity to new priorities, and whether and where to eliminate previous priorities. The priority should clearly remain in maximizing funds for community services, but we must maintain sufficient capacity within DCHS to responsibly administer those resources.







Section 1. Memorandum Purpose and Renewal Context

The purpose of this memorandum is to provide additional detail and context about the cost modeling that informed the Executive’s proposed VSHSL renewal. Holistically, the VSHSL renewal proposal is a straight renewal of the initiative approved in 2017. As identified in the Assessment Report, this proposal builds upon the success of this levy:

Since 2018, the VSHSL has served more than 185,000 people throughout King County, achieving the following results:

- **Housing Stability:** 80% of VSHSL Housing Stability program outcomes showed positive housing results – such as remaining housed or finding permanent housing.
- **Healthy Living:** 76% of Healthy Living outcomes showed improved health and well-being.

- **Financial Stability:** Supported King County residents in gaining and maintaining self-sufficiency. From 2018-2021, 66% of VSHSL Financial Stability program outcomes showed increases in financial security through employment obtainment, education enrollment, public benefit/veteran assistance, or other progress on financial goals.
- **Social Engagement:** 57% of VSHSL Social Engagement program outcomes showed reduced isolation through increased feelings of connection or increased engagement in community.
- **Service System Access and Improvement:** 78% of VSHSL Service System Access and Improvement program outcomes showed connection to services through referral or direct service and 66% of VSHSL Gender-Based Violence program outcomes showed survivors made progress or met their self-defined goals each year.

<p>VETERANS</p> <p>Veterans strengthen our region, and King County is building the nation's strongest local veterans program to support them. Through continued support from the past three levies, the KCVP will expand partnerships with service providers to make a one-stop-shop location for thousands of veterans annually.</p> <p>Served more than 27,000 veterans, servicemembers and their families by VSHSL with fewer eligibility barriers than many federal programs</p> 	<p>SENIORS</p> <p>The VSHSL recognizes the essential role of senior centers in our community and will help them become even more accessible and sustainable for the long term.</p> <p>Funded 39 senior centers across the county</p>  <p>Served more than 100,000 through expanded senior programming</p>	<p>BUILD RESILIENCY</p> <p>The levy will help stabilize the human services workforce, and also invest in the people who help our communities thrive. The levy will also deepen investments for prevention efforts and responses to survivors of gender-based violence.</p> <div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">  <p>Funded 675 bonuses at 55 agencies</p> </div> <div style="text-align: center;">  <p>Funded mobile advocacy services for more than 1,200 survivors of gender-based violence</p> </div> </div> <hr/> <p>Helped build more than 1,000 units of affordable housing and 198 new shelter beds</p>  <hr/> <p>Launched DVHopeline, a countywide, 24-hour multi-lingual and multimodal domestic violence hotline and received 16,000 calls or texts and referred nearly 7,000 of those to additional support</p> 
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This proposal assumes the continuation of most of the programs funded today by the 2018-2023 VSHSL, including but not limited to:

- building and supporting the ongoing operations of affordable housing for all three populations,
- the King County Veterans Program,
- senior centers and senior hub partnerships,
- community-informed support for survivors of domestic violence and sexual violence,
- emergency financial assistance to prevent homelessness for households at risk of housing loss and homelessness,
- navigating homeless veterans in finding housing,
- the Vital Program serving homeless residents with behavioral health challenges who are exiting from incarceration, linking them to housing and supportive services, and
- mental health counseling for seniors, veterans and military families.

The landscape over the last few years has highlighted the importance of adaptability. The proposed VSHSL Ballot Measure Ordinance is structured to provide certainty about what a potential levy's proceeds can and cannot fund and what outcomes it must achieve, while providing flexibility for a detailed spending plan to change with conditions over time in order to ensure those outcomes can be reached. If approved, the Executive must transmit an Implementation Plan and describe forecasted expenditure of levy proceeds by result area and levy population. Although the 2024-2029 VSHSL Implementation Plan would outline and govern specific strategy and program investments within each of the levy's result areas, the VSHSL Assessment Report lays the groundwork for the anticipated refinements to improve the way levy services are provided to the community.

Should the VSHSL be renewed, VSHSL proceeds may only be expended for purposes set forth in an updated Implementation Plan. The proposed Implementation Plan will specify planned expenditures to represent estimated investment levels based on fiscal and programmatic assumptions. As VSHSL strategies and programs are deployed and funded, implementers should remain flexible and responsive to changes in the overall environment. The proposed VSHSL Ballot Measure Ordinance requires the Implementation Plan to specify a process for the Executive to communicate substantive changes to the funding allocations estimated in the Implementation Plan or other reallocations of unspent levy proceeds.

The purpose of initial VSHSL cost modeling was to validate a proposed levy rate and to ensure that specified levy priorities would be feasible within the projected levy revenue. Should the King County Council pass the VSHSL Ballot Measure Ordinance, DCHS will continue to refine the model in preparation for the required VSHSL Implementation Plan. The modeling described within this memo is for planning purposes only.

Section 2. Cost Modeling Overview

The proposed 2024-2029 VSHSL would provide funding for regional health and human services to King County residents by renewing the existing six-year VSHSL that is due to expire at the end of 2023. The proposal is for a six-year, levy lid lift with a first year (2024) rate of \$0.10 cents per \$1,000 of assessed value, estimated to cost \$17 more per month based on estimated 2024 median home values. This would be the same initial levy rate as the 2018-2023 VSHSL, which was \$0.10 per \$1,000 of assessed value in 2018. As with the current levy, the proposed VSHSL continues a 3.5 percent levy limit factor to increase proposed levy proceeds in years 2 through 6, plus new construction.

The revenue estimates and cost modeling associated with the Executive's proposal were based on the King County adopted economic forecast from August 2022.² Based on that forecast, the 2024-2029 levy model assumed:

- **approximately \$581 million in revenues during the six-year levy period if approved by voters;**
- **a projected \$17 million beginning fund balance in 2024,**
- **maintaining a 60-day rainy day reserve, and**
- **applying a 5% year-on-year inflation rate on overall expenditures for 2024-2029, based on the 2023 projected spending.**

Updated Forecast Note

² August 2022 King County Economic and Revenue Forecast. [\[LINK\]](#)

The King County Forecast Council approved a March 2023 forecast economic and revenue forecast on March 9, 2023. Based on this new forecasting, King County Council legislative staff now estimate the renewal levy would generate approximately **\$564.7 million in revenues** over the six-year period, or about \$16.8 million less than the projected revenue outlook using the August 2022 forecast. **This forecast anticipates generating approximately \$200 million more in revenue than the existing levy.** The analysis laid out in this memo are estimates included in the Executive’s proposal and primarily use the August 2022 forecast.

Shifting Allocations to Fund Regional Impact Initiatives

As first recommended by the VSHSL Assessment Report, the proposed VSHSL maintains a proportional split across the levy populations and creates a new fund within the levy to address regional human service priorities that span populations. The Executive’s proposed ordinance specifies 30 percent respectively for veterans, military servicemembers and their respective families; seniors and their caregivers; and resilient communities. The remaining ten percent is allocated to a new category titled Regional Impact Initiatives which includes funding for technical assistance and capacity building (TACB) and levy provider training and translation services. This differs from the prior split which provided 33 percent of levy revenues to each of the respective populations, and the remaining one percent to TACB. Figure 1 compares the 2018-2023 VSHSL revenues to the total, estimated allocated expenditures between 2024 and 2029 if the proposed ballot measure is approved by voters.

Figure 1. Comparing Estimated VSHSL Allocations by Category between the 2018-2023 VSHSL and the Proposed 2024-2029 VSHSL

	2018-2023 VSHSL Allocated Expenditures	Proposed 2024-2029 VSHSL Estimated Expenditures
Veterans, military servicemembers and their respective families	\$116.4 million	\$174.2 million
Seniors and their caregivers	\$114.6 million	\$174.2 million
Resilient communities	\$113.2 million	\$174.2 million
Technical assistance and capacity building (TA/CB)	\$3.6 million	Included below
Regional Impact Initiatives (which would include maintaining at least 1% to TA/CB)	-	\$58 million
Total	\$348 million	\$580.6 million

The VSHSL Assessment Report describes the rationale for this proposed shift in funding.³ The proposed Regional Impact Initiatives would provide a source of funding within the VSHSL that could be used for program-specific areas and supports for levy providers that are not client-based, such as the nonprofit wage survey work, workforce grants, levy provider training and language supports. The Assessment Report notes challenges deploying or quickly reallocating the 2018-2023 levy proceeds in response to swiftly changing community needs.

Our modeling for Regional Impact Initiatives includes substantial funding in the areas below. This is not intended to be an exhaustive list:

³ VSHSL Assessment Report, page 100-101. [\[LINK\]](#)

- Non-profit workforce Stabilization, \$26 million
- Gun violence prevention, \$6.9 million
- Housing Stability, \$10 million
- Technical assistance & capacity building, \$6.7 million
- Trainings, and translation/interpretation services, \$1 million

Removing the Cap on Planning and Administration

The Executive’s proposed ordinance does not specify a cap on planning and administration. Instead, administrative expenses would be delineated in the implementation plan and biennial budgets. The current modeling allows up to 10% of each population allocation and the Regional Impact Initiative to be used for these purposes (\$8.3 million a year). Removing the legislative cap would allow the VSHSL to bear the true cost of the work to administer contracts with a wide array of community partners, including managing procurement, contract monitoring, evaluation, and compliance. The cost model sets aside \$50M over the life of the levy for planning and administration.

The Adult Services Division (ASD) contract managers are responsible for the writing and monitoring of contracts, in addition to many other tasks. We have assessed that the average number of contracts a case manager should hold in order to meaningfully engage with partners is 15-20 contracts. This allows for effective contract monitoring and the ability for us to meaningfully engage with our partners to ensure community needs are being met. Currently within ASD, the average number of contracts held is 32 per contract manager. Flexibility benefits not only VSHSL work but the broader work within King County as the ASD team stewards most of the Council-directed contracts as well. Currently, ASD holds 453 contracts (excluding 41 ARPA contracts).

Section 3. Maintaining the Scale of VSHSL Outcomes: Accounting for Inflation and the Rising Cost of Services

DCHS is committed to addressing historical funding practices that have inconsistently accounted for rising costs year over year. Funding that lags rising costs reduces program performance. For example, during VSHSL community engagement, human services providers described limited capacity, a need for phone line support, and insufficient staff available. Results from the VSHSL-funded nonprofit wage survey illustrate the underinvestment in human services and lack of sustainable wages in nonprofit sector. In response, [the VSHSL Assessment Report recommended “increasing VSHSL resources to maintain service capacity and better address community needs in the face of growing costs, labor shortages, and rising inflation”](#).⁴

The proposed VSHSL renewal cost modeling prioritizes funding true costs in the region as inflation and cost of living increases. This is a critical step to securing timely and quality implementation of programs. Despite these increases, due to historic underfunding of these services and the effects of inflation, new or deeper funding to VSHSL strategies is unlikely to translate into a proportional increase in services.

Executive staff analyzed what a status quo levy rate would be for 2024 if revenue from the current VSHSL had kept pace with population growth plus actual inflation.

⁴ VSHSL Assessment Report, page 100. [\[LINK\]](#)

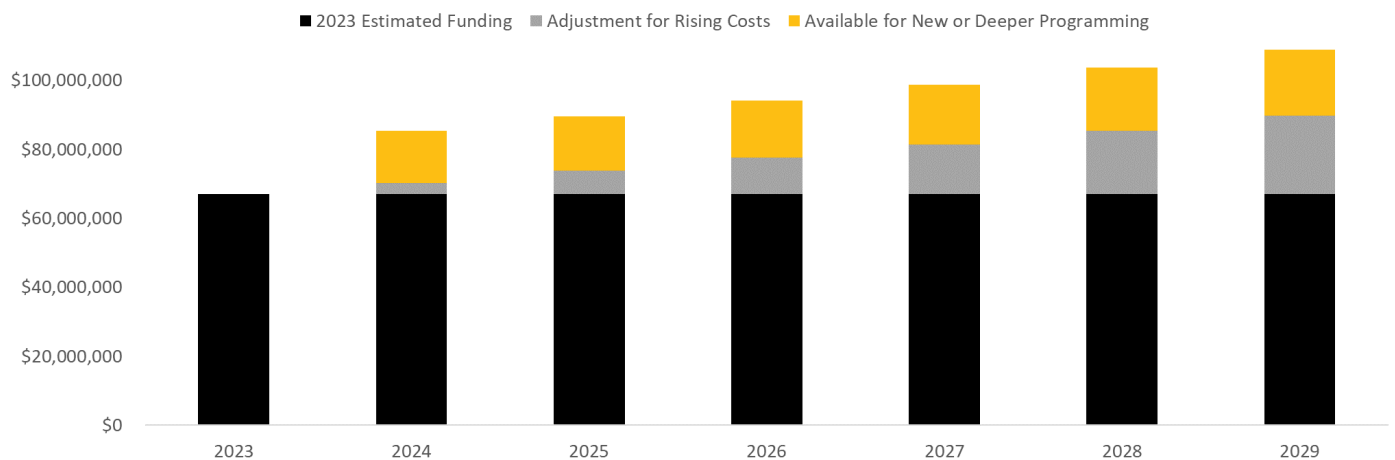
Had the current VSHSL grown at a proportional rate of population growth plus and inflation since its first year rate of 10 cents and incorporated updated new construction and assessed value (AV) amounts, staff estimate that the effective levy rate for 2024 would be 9.5 cents.

Staff also modeled levy expenditures with a 5% year-on-year adjustment to the 2023 estimated funding levels for VSHSL levy strategies for 2024 to 2029 to ensure funding could be available for new or deeper investments in addition to adjustments for rising costs. Actual strategy funding and annual adjustments would depend on the (to-be-developed and adopted) Implementation Plan and refined by actual contract agreements.

More than eighty percent (\$488M) of the proposed 2024-2029 VSHSL proceeds in this modeling scenario are attributable to continuing existing funding levels and adjusting for inflation.

Figure 2 illustrates the continuation of 2023 estimated funding levels, the 5% annual adjustment to account for rising costs, and the available funding for new or deepened investments. Under this analysis, of the approximately \$581 million estimated total proceeds to be generated by the proposed 2024-2029 VSHSL, **approximately \$488 million would continue existing 2023 strategies** adjusting the annual funding levels for rising costs and \$94 million would remain for new or deeper investments in levy strategies. Out of this funding, up to \$50 million would fund administration expenses, including contracting, and compliance.

Figure 2. Applying a 5 Percent Year-on-Year Adjustment to 2023 Estimated Funding Levels under a 10 Cent Renewal (based on August 2022 Forecast)



Section 4. Cost Modeling for Supporting Veterans

Veterans strengthen our region, and King County is building the nation’s strongest local veterans program to support them. The levy sustains and expands innovative partnerships and programming, comprehensive case management, and behavioral health counseling for veterans and their families and caregivers. Modeled costs include the following continued and expanded investments:

- Continued operation of two King County Veterans Program sites at Northgate and Tukwila, including an estimated adjustment for updated labor agreements: \$37 million
 - King County Veterans Program social services staff are King County’s contribution to the Collaborative Case Management (CCM) program partnership. [The VSHSL Assessment](#)

Report recommends expanding the CCM program to continue addressing veteran homelessness in King County.⁵

- Creation and operation of permanent housing for veterans: \$33 million
- Continuation of housing navigators to assist veterans with their search for affordable housing: \$4.5 million
- Providing mental health counseling to veterans, servicemembers and their families: \$4.4 million

Section 5. Cost Modeling for Expanding Access for Seniors

The VSHSL model recognizes the continuing, essential role of senior centers in our community and assumes continued expansion of accessibility and sustainability for the long term. The levy model would reinforce senior services that made a difference in the pandemic, strengthen and sustain senior center programming to provide social connection, and invest in green energy improvements like heat pumps, solar panels, and air filtration that help senior centers reduce their carbon footprint, cut utility bills, and provide refuge in extreme weather.

The model assumes doubling of funding available for senior centers to \$41.4 million. This funding would provide foundational operating and capital improvements to senior centers across King County as well as finance innovative programming and capital improvements as an evolution of the Senior Hub model.

Section 6. Cost Modeling for Strengthening Communities and Building Resiliency

- The pandemic has reminded us that human services workers are essential. When many parts of the economy shut down, the need for human services programs like domestic violence advocacy, rent assistance, and shelter increased. The region's vibrancy requires an effective and sustainable human services workforce that can prevent crises and help solve them in real time. Modeled investments to stabilize the non-profit workforce: \$60 million
 - The VSHSL Assessment Report recommends responding to findings from the VSHSL-funded King County Non-Profit Wage Survey with a new strategy that can improve wages and benefits for nonprofit workers.⁶
- Modeled doubling investments for gender-based violence services: \$30 million
 - This funding will sustain or increase funding for prevention efforts and responses to survivors of gender-based violence, as first recommended by the VSHSL Assessment Report.⁷
- Modeled the dedication of King County staff to strengthen resident and resource connections: \$22 million
 - The VSHSL Assessment Report recommends funding dedicated system integration staff within King County government to ensure that VSHSL services, and the broader network of human services, are integrated and working together as a complete system that is responsive to communities seeking access or support in navigating resources.⁸
 - This is a reframing and expanding of funding from several previous VSHSL strategies and responsive to overwhelming feedback from community and partners on the need to

⁵ VSHSL Assessment Report, page 94. [\[LINK\]](#)

⁶ VSHSL Assessment Report, page 97. [\[LINK\]](#)

⁷ VSHSL Assessment Report, pages 93 and 105. [\[LINK\]](#)

⁸ VSHSL Assessment Report, pages 94-95. [\[LINK\]](#)

have dedicated staff and tools focused on connecting people and programs to resources.

Section 7. Housing Stability Investments

The Executive's proposal for a renewed VSHSL requests authority to fund Housing Stability with at least 25% of all resources rather than 25% of each population's resources. Under the current model, Housing Stability investments would total at least 25% of total VSHSL resources with between 20% and 30% of each population's funding and 20% Regional Impact Initiatives funding contributing to the overall 25%. Within the Housing Stability result area we have modeled \$60M for Veterans, \$40M for Seniors and Resilient Communities and \$10M for Regional Impact. Modeling invests the majority of Housing Stability resources in the following outcomes:

Housing Capital

- The model increases the amount of VSHSL funds dedicated to housing capital from \$30M to \$38M across two strategies:
 - Deploying housing capital through the long standing DCHS Housing Finance Program, leveraging other funding to create new affordable housing countywide.
 - Acquiring a property for exclusive use as a veterans' facility, with the County funding 100% of capital costs.
- This amount of funding is estimated to create approximately 200 new affordable housing units over the life of the renewed levy, compared with 400 affordable units under the current levy.
- An estimated, additional \$27M would be needed to again leverage construction of 400 new units of affordable housing under the renewed levy.*
- This calculation assumes:
 - 15% annual inflation rate for total development costs applied to the 2022 total average cost per affordable housing unit of \$465k. (Note: Costs have increased 33% since 2020, when the cost was \$350k)
 - VSHSL funds 16% of the costs of each leveraged unit, with 84% of the cost from other sources including federal low-income housing tax credits
 - The acquisition of a veterans building assumes costs at \$20M for approximately 70 units

Operations & Other Services

- The current renewal model assumes \$35.8M in Operations, Rental Assistance & Services (ORS), anticipated to support 1,063 existing and new units of permanent supportive housing.
- Despite investing \$10M more than the current levy, the Levy is anticipated to support 45% fewer units than the current Levy, which is now supporting 1,923 homes.
- An estimated, additional \$31.5M would be needed to continue supporting 1,923 homes with the renewed levy.*
- This model assumes a 6.5% annual inflation rate for operating costs, including the need to increase provider staff wages over time to secure necessary staff recruitment and retention.
- In order to prioritize funding for housing capital and operations, even at the reduced rate discussed in this memo, the department's current modeling would require flat-funding or eliminating other housing stability investments, and will require Implementation Plan-stage choices about whether or not to fund strategies like shelter. **This constitutes an important policy choice for Councilmembers.**

**Note: Under the current proposal, an additional cent would grow funding as follows (based on March 2023 forecast):*

	Veterans	Seniors	Resilient Communities	Regional Impact Initiatives
30-30-30-10	\$16,900,000	\$16,900,000	\$16,900,000	\$5,600,000