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H.B. 6380 -- Security Deposit Guarantee Program

Department of Social Services budget

Appropriations Committee public hearing -- March 4, 2011

Testimony of Raphael L. Podolsky

The Security Deposit Guarantee Program (SDGP) is a part of the state's safety net that is critical to the state's effort to prevent people facing eviction from becoming homeless and to move people out of homeless shelters and into ordinary apartments. The failure to take these actions exacerbates costs elsewhere in the system. The Security Deposit Guarantee Program was especially valuable when the recession hit, as more and more families struggled to pay their rent. More than 4,000 guarantees per year were issued In FY 2008 and FY 2009. Because SDGP is structured as a guarantee program, every dollar appropriated can generate approximately $3 in guarantees. Money is paid out only upon proof of a claim by the landlord. The appropriation for this program does not appear as a separate line item in the budget but is instead included in the Housing/Homeless line of the DSS budget. According to DSS, $1.38 million was originally allocated to the program for FY 2011 but was subsequently increased to $1.555 million. The program, however, was closed in April 2010 and has not issued new guarantees since then, exacerbating the crisis for many low-income renters.

Although it is not entirely clear, it appears that the Governor's budget proposes to reduce the allocation for the program by $457,000 in 2012 and by $499,000 in 2013. See p. 359-360 of the budget. It proposes to accomplish this by a set of changes in program eligibility and rules, some of which are acceptable but at least one of which should be rejected. In particular, it proposes to increase from 18 months to 5 years the time period in which a low-income family cannot return to the program for a second guarantee. We hope that this particular change in the program will not be accepted by the General Assembly.

With or without this change, however, we think it is serious mistake to reduce the program funding allocation below its FY 2011 level. A one-third reduction in funding for the program will result in an approximate one-third reduction in the number of guarantees that can be issued. Issuance of new guarantees was discontinued a year ago precisely because the need, and thus the demand, has risen so far beyond budgeted expectations that the program was closed in order to catch up with claims as they were made. This very fact is a compelling argument why now is not the time to reduce funding for this safety net program.

We urge the Appropriations Committee to maintain funding at no less than the FY 2011 level.