

# Legal Assistance Resource Center

## ❖ of Connecticut, Inc. ❖

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### S.B. 1013 -- Security Deposit Guarantee Program

Human Services Committee public hearing -- March 15, 2011

Testimony of Raphael L. Podolsky

Recommended Committee action: REMOVE SECTION 27  
UNLESS REVISED

The Security Deposit Guarantee Program (SDGP) is a part of the safety net that is critical to the state's effort to move people out of homeless shelters and into ordinary apartments and to prevent people facing eviction from becoming homeless. The failure to address these situations exacerbates costs elsewhere in the system. The SDGP was especially valuable when the recession hit, as more and more families struggled to pay their rent in the face of layoffs and cutbacks. More than 4,000 guarantees per year were issued in FY 2008 and FY 2009. Because the SDGP is structured as a guarantee program, every dollar appropriated can generate approximately \$3 in guarantees. Money is paid out only if the landlord makes a claim after the tenant vacates. The program's allocation, however, was insufficient to cover all payouts, and the state responded by freezing new admissions. As a result, this program has been closed since April, 2010. It is expected to reopen in the new budget year. Section 27 of S.B. 1013 tightens the program in several ways.

We **strongly oppose** two of those changes and urge that they be removed from the bill or modified. We also urge the Committee to add one amendment which will make it possible for a tenant to transfer a guarantee to a new apartment if it can be established that no claims will be made against the guarantee. We are not opposing other changes in Section 27, even two of those other changes will make it more difficult for tenants to obtain a security deposit guarantee.

- Lookback period (l. 1261-1262, 1284-1285): Existing law requires that any application for a guarantee be reduced by the amount of claims paid against a prior guarantee if the applicant reapplies within 18 months of the payout (which will likely be 24 or more months after the application, since payouts come later). This reduction effectively makes the family ineligible for 18 months after a claim is paid. Section 27 extends the 18-month lookback period to five years. That is a very long time, when you realize that the program serves only very low-income families in crisis who are either already homeless or on the verge of homelessness. As a result, it will significantly interfere with the ability of the state to address needs that are very severe. It will also add costs elsewhere in the system, since it will make it harder to relocate households from homeless shelters and throw more people into homelessness if they are evicted. If the lookback period is increased, it should not be increased to more than 24 months.

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- Lifetime ban (l. 1267-1268): The existing statute allows DSS to deny reapplication to the program if claims against a guarantee have been paid twice during the preceding five years. Section 27 allows DSS to deny reapplication forever. As with the increased lookback period, this will create homelessness for persons in greatest crisis and will shift costs to other parts of the safety net system.
- Enhancement for households against whom no claim has been made: We urge the Committee to make the following two additions to the bill:
  - Tenants who move to a new apartment with a landlord waiver of claims against the guarantee: Under existing practice, a tenant cannot transfer a guarantee to a new apartment, even if the existing landlord waives filing a claim against the guarantee. That is because DSS insists that it must wait 30 days to see if the landlord files a claim and also that the tenant is not homeless. But the tenant may be unable to move to a new apartment because the tenant lacks the money for a security deposit. Moves may be forced by a third party (e.g., the landlord refuses to comply with Section 8 repair orders) or by the landlord (e.g., a bank wants to empty the building after foreclosure, or the landlord wants to move in a relative or simply doesn't like the tenant). They may also reflect the tenant's need for a different location (e.g., to leave a dangerous neighborhood). Forcing the tenant to become imminently homeless in order to qualify makes no sense to us, and allowing a transfer or issuance of a new guarantee does not add to program costs. Indeed, if anything, it rewards tenants who do not default.
    - *In line 1281 after the period insert the following new sentence: "Notwithstanding the provisions of subsection (a) of this section, a person who has previously received a grant for a security deposit or a security deposit guarantee shall be eligible to transfer such persons' grant or guarantee to another dwelling unit or to receive another grant or guarantee if the landlord at the time the tenant vacates, or the landlord's agent, provides a written waiver stating that no claim will be made against the grant or the guarantee."*
  - Technical clarification that a tenant who applies for a new guarantee is not prejudiced in the application if there was no payout on a prior guarantee: This eliminates an ambiguity in the wording of the existing statute.
    - *In line 1263 after the phrase "Commissioner of Social Services" insert: "unless no claim has been paid on such guarantee within the time period allowed for the filing of claims against the guarantee"*.
- Cost impact: Changing the lookback period does not save costs. The SDGP is oversubscribed (that is why applications were closed a year ago). Absent a cutting of the SDGP budget, disqualifying this particular category of applicant will only lead to their replacement with other applicants. The Governor's budget, which cuts the program budget by about one-third, is thus a real cut and will not serve the same number of people. It will serve significantly fewer households, and the cutback, if not restored, will have a significant impact on the availability of security deposit guarantees.