

February 2017

## Homeless Shelter Costs Continue to Be Underbudgeted in Future Years

The Mayor's preliminary budget includes additional funding in each year of the financial plan for the Department of Homeless Services (DHS) to cover the rising cost of providing temporary shelter for homeless families and individuals. When the budget for this fiscal year was passed, funding levels for the DHS shelter budget were based upon the census of the homeless population through April 2016. As a result, funding levels were not adjusted to reflect the shelter population at the time the budget was adopted or for future growth. Substantial additional funds were needed this year to cover current shelter costs.

While the total funding for DHS now included in the preliminary budget should be adequate to fund this year's shelter costs, IBO estimates that next year's shelter budget is underfunded by \$190 million. This underfunding continues a long-standing pattern of the city increasing shelter funding to meet expenses in the current year as it progresses, while leaving future years chronically underbudgeted.

The homeless shelter populations for all three types of shelter—families with children, adult families, and single adults—are at record highs in 2017. The shelter population has continued to grow during the de Blasio Administration despite its support of numerous rental assistance programs, increased anti-eviction measures, and legal services for low-income tenants, as well as a commitment by the city to create 15,000 supportive housing units over 15 years. Although no new programs to combat the increase in the homeless population were announced with the preliminary budget, the Mayor and the City Council subsequently announced a major new commitment expanding legal services for tenants facing eviction, to be phased in over the next five years. Additionally, the Mayor has hinted at other new policies to be introduced with the executive

budget in the spring. Barring a major shift in the de Blasio Administration's approach to tackling homelessness and considering the current level of the shelter population, IBO estimates additional funds will be needed to meet DHS expenses in the years beyond 2018 as well.

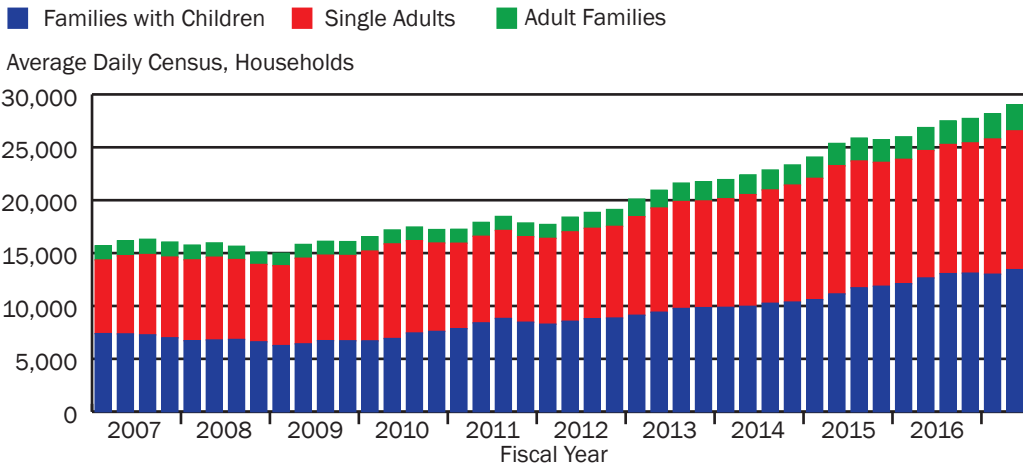
**Shelter Census and DHS Budget in 2017 Reach Record Highs.** Shelter costs are driven by the shelter population, which has been trending upwards in recent years. The average monthly shelter household census for January 2017 was 7 percent higher than a year ago. Growth in the homeless population is occurring in all types of homeless households. Both the number of single adults and families with children in shelter has increased by 6 percent since last January, rising to an average monthly shelter census of 13,657 single adults and 13,013 families with children. The number of adult families (two or more related adults with no minor children) saw the largest increase over the past year, rising by 13 percent to an average monthly census of 2,520.

The city has a legal mandate to provide shelter for the homeless. The recent increase in the homeless population has continued to overwhelm the city's existing homeless infrastructure. In order to provide shelter as the population increased, the city has relied more heavily upon alternative means of temporary housing, such as commercial hotels, which tend to be more expensive than traditional shelter-based housing and are a more difficult setting in which to provide support services. The increased use of these more expensive commercial hotels has also contributed to an increase in shelter costs.

DHS's 2017 budget totals a record \$1.7 billion, 20 percent more than the \$1.4 billion the agency spent in 2016. The agency's budget is \$172 million (\$100 million in city



### Households in Homeless Shelters at All-Time High in 2017



SOURCE: IBO analysis of Department of Homeless Services data

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funds) greater than the budget presented in the November 2016 Financial Plan. The budget for shelter capacity, which includes intake, administration and operation of family and adult shelters, is now \$1.4 billion. Over 80 percent of the additional funding (\$140 million total, \$71 million city funds) was allocated to cover current shelter capacity costs. Of the balance, \$20 million was added in the preliminary budget for increased security, \$4 million to improve intake processing by increasing staff, and approximately \$8 million for a variety of smaller programs.

The addition of \$140 million in the preliminary budget to cover current capacity costs, termed a “shelter re-estimate” in budget documents, is on top of the \$115 million (\$52 million in city funds) added to the DHS budget as part of a shelter re-estimate in the November financial plan. These re-estimates have been necessary because DHS shelter costs are typically underbudgeted when the budget is adopted. It has been the city’s practice to add funds as needed over the course of the current year to meet actual expenses. Taken together, the additional funding just for current shelter capacity costs since adopting this year’s budget—a total of about \$256 million—represents the largest mid-year increase in funding to date. IBO estimates that the funding added for the current year in the November and January financial plans will be sufficient to cover shelter expenses.

As noted above, mid-year re-estimates of current year shelter costs have become a routine practice. In 2016 the city added \$170 million after adopting the budget to account for the actual costs of providing shelter while in 2015 the city added \$92 million. The smallest increase over the last several years was in 2012 when the city

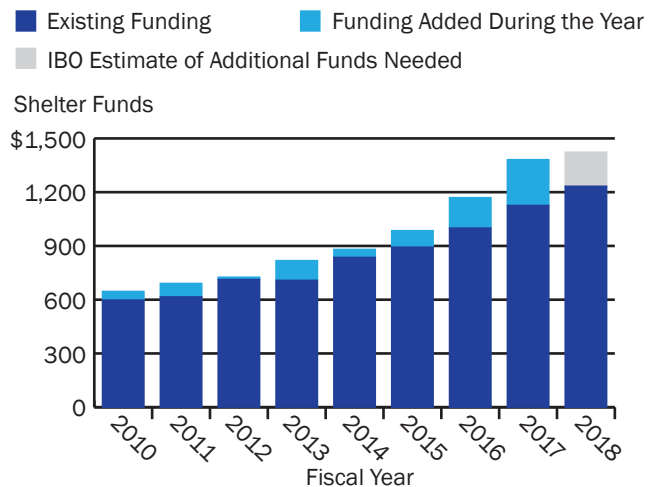
added \$13 million after the budget was adopted for the additional shelter costs.

### Funding for Future Years Fall Short of Current Costs.

Although DHS expects to spend a total of \$1.7 billion in 2017, the current financial plan includes just \$1.4 billion for 2018, with slight decreases in subsequent years through 2021. The decrease in the agency’s budget between 2017 and 2018 exists despite the addition of \$283 million (\$150 million in city funds), for the agency’s 2018 plan and each of the succeeding years of the January financial plan. The drop in DHS’s budget from 2017 to 2018 reflects the difference between the current shelter costs and the extent

### City Continues Trend of Underbudgeting Shelter Costs in Future Years

Dollars in millions



SOURCE: IBO analysis of Office of Management and Budget data  
NOTE: Total funding for fiscal years 2010-2016 reflect actual spending, while total funding for 2017 and 2018 reflect the amounts in the preliminary budget.

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to which these costs have been baselined in DHS's budget for future years. While the preliminary budget includes a substantial amount of additional funding from 2018 through 2021, current allocations for these years remain below the funding for 2017. As a result IBO estimates that the amount currently budgeted in 2018 and subsequent years of the financial plan will not be enough to cover shelter costs.

The rental assistance programs and anti-eviction efforts introduced by the city in 2015 and 2016 were intended to staunch the growth of the shelter population. These efforts have yet to have a discernable effect on the shelter census. The city did increase funding in the preliminary capital commitment plan for Our Space, a loan program to build new affordable housing for the formerly homeless. The Mayor has also recently announced a major commitment to expanding legal services for tenants facing eviction. It is unlikely these changes will have a substantial effect on the shelter population in the near term, however, given the phase in of the legal services program over the next five years and lead time generally needed to construct new affordable housing. Thus, barring any major changes to current initiatives or

the implementation of new programs aimed at prevention of homelessness or provision of permanent housing, the shelter population in 2018 is likely to remain above the levels for which DHS is currently budgeted.

IBO estimates that, given current trends in the shelter population and shelter pricing, an additional \$190 million (\$165 million in city funds) will be needed to adequately cover shelter expenses over the course of 2018, with the majority of the new funds needed for single adult shelters. These additional funds would increase the 2018 budget for shelter costs to \$1.4 billion, compared with the \$1.2 billion the city currently has budgeted. This estimate takes into account the impact of 550 scattered site supportive housing units set aside for homeless adult families and single adults that were awarded contracts this past December. Barring any substantial changes to the rental housing market or the city's approach to serving homeless households, continued increases in the cost of sheltering the city's homeless population is likely to be the norm over the next few years.

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