

Rising Homelessness Pushes Homeless Services Budget Higher

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Even as the Mayor proposed spending cuts of \$766 million last week to an array of city programs and services, the budget for the Department of Homeless Services (DHS) is slated to grow by nearly \$34 million. Rising homelessness is propelling additional expenditures on shelters and related support services. Since July 2000, the number of single adults in New York City homeless shelters has risen 12 percent, and the number of homeless families receiving shelter has grown almost 26 percent.

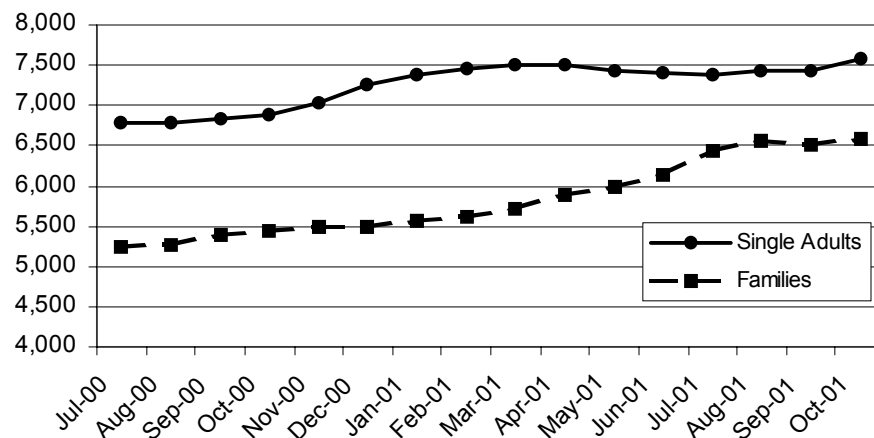
Adult shelter use typically varies with the seasons, but in the summer of 2001 the customary dip in the population was much less than usual. In October 2001, an average of 7,572 single adults resided in the shelter system each night. There were 6,596 families in city shelters, including 9,512 adults and 12,414 children.

The city is legally obligated by the state courts to provide shelter to homeless individuals and families. And as the economy weakens, it is very likely that the number of homeless individuals and families will continue to increase. Since federal and state aid for shelter costs remains limited, city spending could very well continue to rise along with the number of homeless.

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Adult and Family Shelter Counts are Growing

Adults/families per night



SOURCES: IBO; DHS.

NOTE: Figures for adult shelters are monthly averages; figures for family shelters are as of the end of October.

Spending for homelessness driven by shelter needs. In the 1980s, the city entered into a number of consent decrees that established a “right to shelter” for homeless single adults; this right was later extended to families. DHS is responsible for complying with these decrees by providing emergency shelter for anyone who requests it, and who is without other housing options. In 2001, DHS spent \$476 million; this year’s budget (fiscal year 2002) is currently \$531 million—up \$34 million from the amount adopted in June.

The vast majority of DHS spending is used to provide emergency shelter and transitional services. In 2001, DHS spent about \$182 million for adult shelter and services, and \$232 million for family shelter and services. These totals include some limited funding for permanent housing for formerly homeless single adults and families. The agency directed its remaining funds towards outreach and for purposes such as the department’s agencywide administrative needs.

DHS had \$44.6 million in agency wide expenditures in 2001, including almost \$16 million for facility repair and maintenance, and \$9.5 million for a variety of expenses including rent, temporary staffing, and communications systems.

The majority of both adult and family shelter beds are provided through contracts with nonprofit organizations. In 2001, DHS spent more than \$178 million on shelter contracts with nonprofit providers, and about \$32 million for DHS-operated shelters. In addition, DHS spent about \$63 million on contracts to provide the services necessary for shelter operation, including food, security, and utilities, and \$29 million to provide social services to shelter clients. Other DHS expenses included outreach, short-term hotel placements for families, and some permanent housing activities.

As the DHS caseload has increased, the department has been forced to rely on more costly measures to meet its legal obligations. For example, DHS spending on hotels for

families with children increased 42.8 percent last year, from \$28.7 million in 2000 to \$40.9 million in 2001.

Sources of funds. Well over half the DHS budget is derived from state and federal aid for shelter and services. In 2001, about 44 percent of DHS’s budget was city funded. State funds comprised one-third of the agency’s budget, and federal funds the remaining 23 percent.

Adult shelters are, in principle, 50 percent city funded and 50 percent state funded. The state’s contribution, however, is capped at \$72 million (reduced from \$82 million in the mid-1990s). When the cap is reached—as it was in 2001—the city’s share increases. Last year, the city paid 59 percent of adult shelter costs, while state funds accounted for 41 percent. Unless the state opts to raise the cap, DHS will be responsible for an increasing share of adult homeless shelter costs as the shelter census rises.

Funding for family shelter is calculated on a case-by-case basis, and as a result, is somewhat more complex. For families that are eligible for Temporary Assistance for Needy Families (TANF), the federal government will pay 50 percent of shelter costs. The state and city divide the remaining costs evenly. If the family is not TANF-eligible, but is eligible for the state Safety Net Assistance Program, then the state and city share the shelter costs evenly. If the family is neither TANF- nor Safety Net-eligible, then the city bears the full shelter cost.

The 1996 federal welfare reform act required states to impose lifetime limits of no more than five years on the receipt of welfare benefits. In New York State, the first families hit their TANF time limits this month. Homeless families that reach their TANF time limit are no longer eligible for federal assistance, so federal dollars cannot be used to help pay for their shelter costs. The state intends to use the additional TANF funds for the shelter costs of families that are still eligible for federal assistance. Overall, then, the federal share for DHS family shelters will likely remain roughly the same.

In addition to TANF dollars, DHS federal funds include aid from the Emergency Shelter Grant (ESG) program. In calendar year 2000 (spanning portions of fiscal years 2000 and 2001), New York City received \$7.9 million in ESG funds, most of which were spent through DHS. In that year, the city committed \$6.3 million in ESG funds for social services to the homeless, including job readiness and employment services, as well as

Shelter Facts	Families	Single Adults
2001 expenditures	\$232 million	\$182 million
Average sheltered per night	5,563	7,187
Shelter days per year	2,030,495	2,623,255
Dollars per shelter day	\$114	\$69
Average days in shelter	312	NA
Dollars per family	\$35,648	NA
SOURCES: IBO, Mayor’s Management Report for Fiscal Year 2001.		
NOTE: This table does not include overhead or administrative costs.		

substance abuse and mental health counselors. Ten percent of the ESG funds—roughly \$750,000—was spent on homeless prevention activities, and the final 10 percent was used for operating costs at emergency shelters, including the purchase of food.

Savings and cuts offset by funds for shelters. The budget cuts proposed by the Giuliani Administration last week include spending reductions and savings that totaled \$8.1 million: \$6.0 million in city funds, and \$2.1 million in state and federal funds that the department will no longer receive because of the reduced city contribution. There are almost no DHS programs that are entirely city funded; when DHS cuts the city portion of a program's funding, the state or federal contribution is reduced proportionally.

Adult shelter contracts would effectively be cut by 2 percent across the board in 2002, totaling about \$1.8 million. Family contracts would be cut by \$1.3 million, including city, state, and federal funds. Medical services for both adults and families would be consolidated, accounting for \$2.3 million in savings. Dropping plans to create a single intake center for adults would save \$1 million in 2002. The Family Rental Assistance Program, which was started late last year to provide up to 24 months of rental subsidies to employed homeless families, would be eliminated. The Family Rental Assistance

Program served only eight families in fiscal year 2001. The Adult Rental Assistance Program, which provides similar benefits for employed homeless adults, is facing a reduction for 2002 by \$320,000. Administrative changes account for the remaining cuts.

Despite these proposed cuts, the city intends to boost the 2002 DHS budget in other ways, for a net increase of \$33.8 million. The increase includes \$10 million to compensate for the reduction of the state's shelter payments for adults. The remaining \$23.8 million includes \$13.5 million in city funds and \$9.2 million in federal funds to add capacity in the family shelter system. The increase in funding for family capacity rises to \$36.2 million in 2003. A variety of other small changes round out the difference.

Over the next year, the adult and family homeless populations will likely continue to rise as a result of the weakened economy. At the same time, both the city and state will be faced with budget gaps. Regardless of declining budget resources, New York must provide emergency shelter. This may mean a continuing increase in spending on homelessness even though many other services may face additional cutbacks.

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