

March 2022

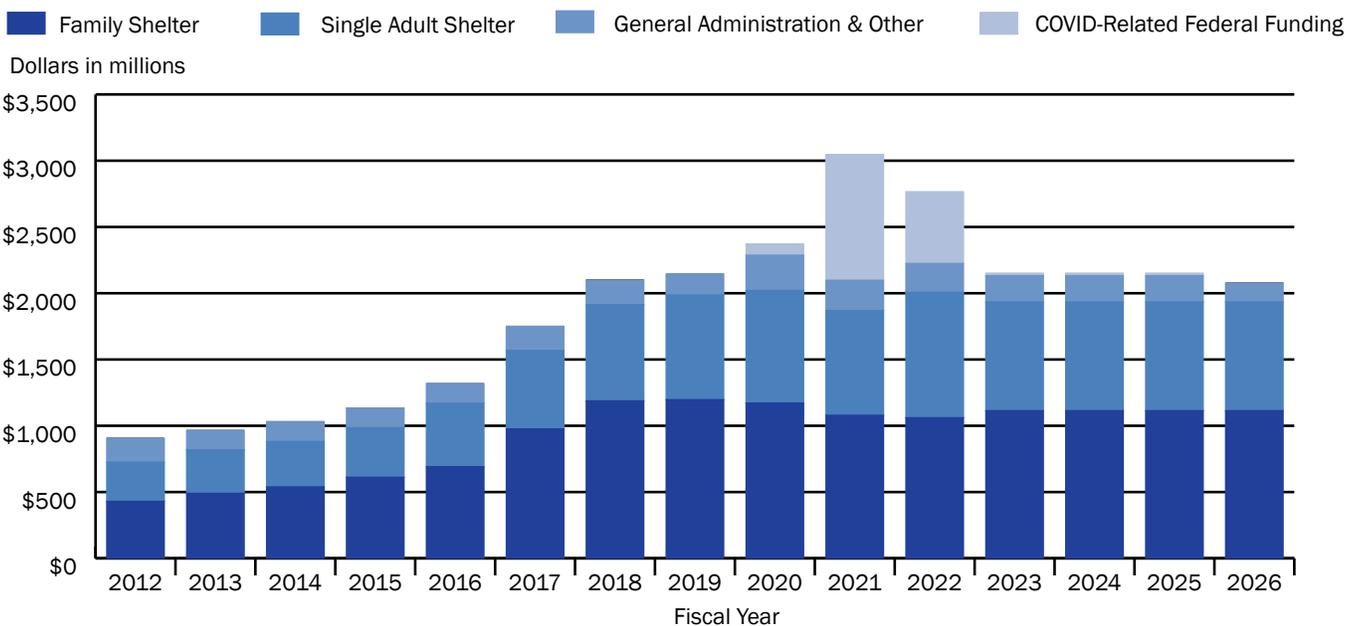
Adams Increases Funds for Homeless Shelters, But More Needed for Shelters & Other Programs

While the Adams Administration added \$99 million to previously budgeted amounts to cover homeless shelter costs this fiscal year, and \$83 million for next year in the Preliminary Budget, the Independent Budget Office (IBO) estimates that even more shelter funding will be necessary in 2023 and beyond. (All years refer to fiscal years.) In addition to shelter funding, IBO estimates that the city will require more funding than currently planned for its homeless outreach and housing voucher programs. These additions come as the moratorium on evictions ends in the city and as recent expansions to the homeless outreach and housing voucher programs go into effect. In total, IBO estimates the additional funding needed for homeless shelters, outreach, and housing vouchers will total about

\$200 million in 2023 and about \$260 million annually beginning in 2024.

Homelessness in New York City has been a longstanding issue and Mayor Adams entered office at a time when homelessness, quality of life, and public safety are intermingled as pressing policy topics. In 2021, spending by the Department of Homeless Services (DHS) topped \$3.0 billion, triple the agency’s spending a decade ago when the number of households in shelter was about two-thirds what it was in 2021.¹ In 2022, DHS’s budget is somewhat smaller at \$2.8 billion, falling to \$2.1 billion in 2023. The difference from the record-high spending in 2021 compared with budgeted amounts for 2022 and 2023 is largely driven by a drop in federal Covid-19-related funds.

Homeless Services Budget Lower Next Year Than Previous Spending Levels



SOURCE: IBO analysis of Office of Management and Budget data

NOTES: Fiscal years 2012 through 2021 reflect actual costs while 2022 through 2026 reflect budgeted amounts. Family shelter includes families with children and adult families.

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In 2021, DHS spent \$949 million in federal Covid-related funding, and a total of \$542 million of such funding is budgeted this year. This funding comes largely through two sources. The Federal Emergency Management Agency (FEMA) reimbursed the city for hotel stays, which allowed for quarantine or physical distancing that was not possible in the city’s typical dormitory-style shelters for single adults. (The city’s homeless shelters are largely divided into two separate systems, one that serves families with children in apartment-style shelters and one that serves single adults in dormitories or shared rooms.) In addition to FEMA, federal American Rescue Plan Act (ARPA) funding has been budgeted for increased street outreach. While the city effectively eliminated the use of hotel stays for single adults at the end of last calendar year, IBO does expect at least some of the street outreach services will remain past the expiration of federal funding.

Preliminary Budget Adds Shelter Funding, But More Needed. In January 2022, the state lifted a moratorium on evictions that it placed at the start of the pandemic in June 2020. Evictions have historically been a leading reason why families with children enter shelter—and the moratorium on evictions has had what appears to be a notable impact on the city’s family shelter population. The shelter census for families with children was already falling pre-pandemic, and while the eviction moratorium was in effect, the shelter census fell from around 10,800 households to 8,400 households—a 22 percent reduction. With the end of the moratorium, it is possible that the number of families with children in shelter may rise again. However, the simultaneous expansions of other efforts to prevent homelessness, including the citywide rollout of the city’s [right to counsel](#) in housing court and the expansion of the city’s housing voucher program (described in more detail below), may help mitigate the impact of the end of the eviction moratorium on the family shelter census.

While the family shelter population fell during the pandemic, the population of the city’s single adult shelters grew and was mainly the cause of the increase in DHS spending during the pandemic. With physical distancing concerns in the standard dormitory-style single adult shelters, the city turned to the use of double occupancy hotel rooms, which, as previously mentioned, were reimbursed by FEMA. Private hotel rooms may have been more attractive to homeless residents than the usual shelters, and with the federal government picking up the tab, the impact on the city budget was minimal. After peaking at 18,500 individuals in January 2021, in recent months the census has settled at around 16,600

individuals, roughly in line with the single adult shelter population pre-pandemic. At the same time, costs for single adult shelters have risen, to an average of \$138 per person per day in 2021, 10 percent higher than three years ago. Further efforts by the Adams Administration to move unsheltered individuals off the streets and subways (these programs are discussed below) will also likely put pressure on the single adult shelter census. The Preliminary Budget added \$132 million annually into the five-year plan—\$660 million in total—in response to current and projected census trends for single adult shelters.

While increasing single adult shelter funding in the budget, the Adams Administration elsewhere counted shelter savings of \$33 million in 2023 and \$49 million in subsequent years towards its Program to Eliminate the Gap (PEG) savings plan—a total of \$231 million across the plan. The reduction in expenses stems from DHS ending the use of hotels as shelter spaces for families with children, which is separate from the FEMA-funded hotel stays for single adults.² This results in a net increase in shelter spending of \$429 million across the plan. Although the Administration added funds to DHS in the Preliminary Budget, IBO estimates that single adult shelter costs will still be \$61 million higher than the city currently has budgeted for 2023, and \$126 million higher beginning in 2024.

Subway Action Plan Calls for More Homeless Outreach Services, While Next Year’s Budget Reduces Spending. In the wake of several high-profile crimes allegedly committed by homeless individuals on the subways, Mayor Adams recently released [The Subway Safety Plan](#) outlining his proposal to make subways safer. The crux of the Adams Administration’s plan calls for increased outreach and the removal of homeless individuals from the subway. The Mayor’s plan calls for multi-agency coordination of outreach teams, similar to the [HOME-STAT](#) street outreach program started under the de Blasio Administration in 2015.

Spending on homeless outreach, drop-in services, and reception services last year totaled \$135 million, which

Outreach Funding Drops Nearly \$100 Million in Next Year’s Budget			
<i>By Fiscal Year, dollars in millions</i>			
	2021	2022	2023
City	\$118	\$120	\$109
Federal	12	105	20
Intra-City	5	6	7
Total	\$135	\$231	\$135
SOURCE: Preliminary Fiscal Year 2023 Financial Plan New York City Independent Budget Office			

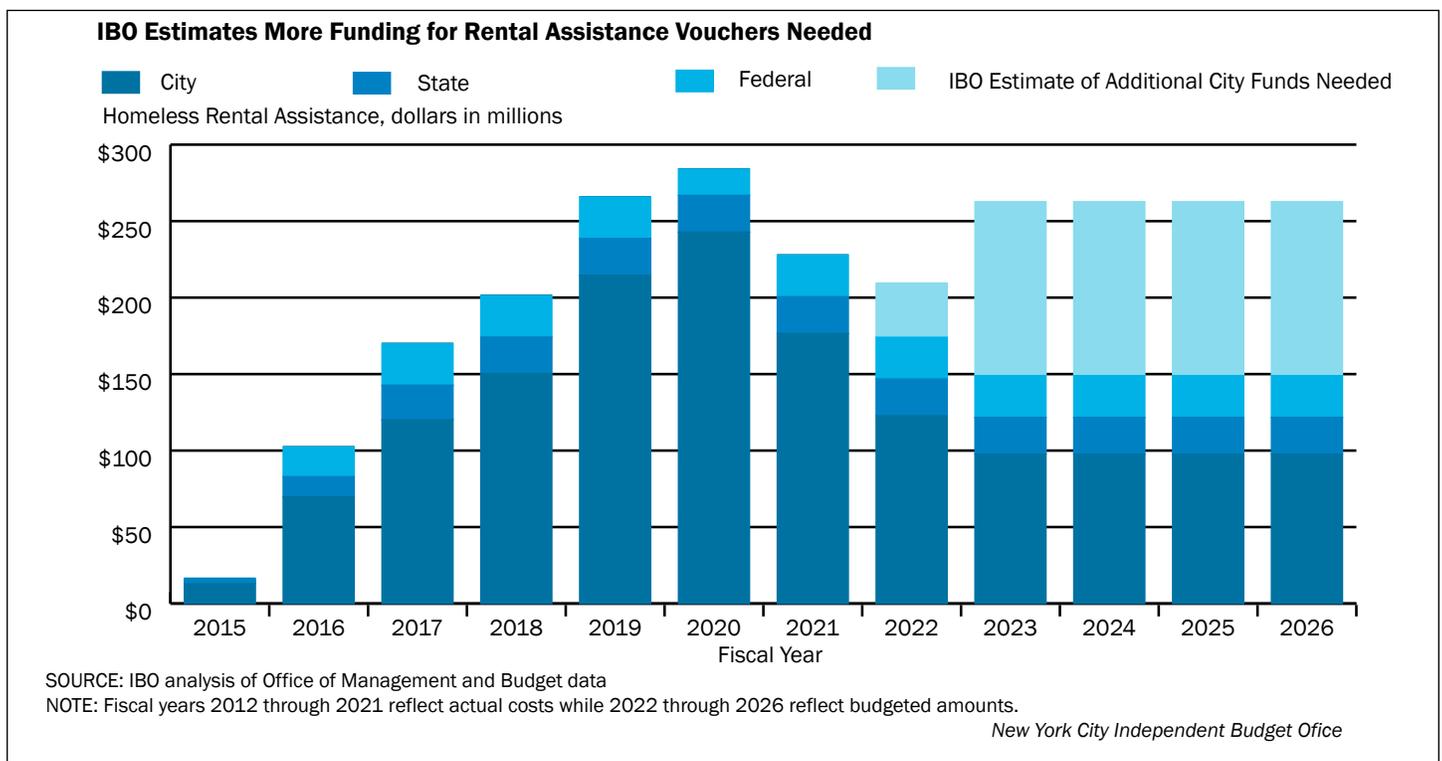
was followed by a huge influx of funding in 2022—with this year budgeted at \$231 million. Much of this jump in 2022 funding is due to the use of \$102 million in federal ARPA funds. ARPA funds are set at \$19 million for next year and the out years in the budget, creating a noticeable drop in the funding for outreach services. IBO expects outreach services to be a continuing priority for the city even after ARPA funds expire. Therefore, we estimate that outreach expenses will cost the city at least \$26 million more than currently budgeted in 2023 and \$17 million more annually beginning in 2024.

Increased Costs for Rental Vouchers Expected as Eviction Moratorium Ends and Program Changes Implemented.

Federally-funded public housing, and federal Section 8 rental assistance vouchers have long been touted as the most successful tools available to help move families out of homeless shelters and to keep them in permanent housing. Due to the relative scarcity of these federal subsidies, over the years the city has tried—with varied levels of success—to establish its own, locally-funded housing voucher programs. Historically, the city’s programs have been criticized for providing subsidies that were too low for actual use in a city with very high housing costs and for putting time-limits on the vouchers (generally two to five years), which advocates argued were too short and resulted in households experiencing homelessness again when the voucher period ran out.

In response to these criticisms, in May 2021, the City Council voted to increase the dollar value of the current iteration of the city’s housing voucher program, known as City Fighting Homelessness and Eviction Prevention Supplement (CityFHEPS) to match the federal Section 8 subsidy levels and also to remove the five-year time limit for voucher recipients. This rule change went into effect in September 2021.

The cost of the CityFHEPs program has fluctuated in recent years. In 2019, when the program was created as an amalgamation of the city’s six previous Living in Communities (LINC) voucher programs, as well as other various rental assistance programs (each which served different populations), total rental assistance spending was \$266 million, \$215 million of which were city funds. (The city can use some state and federal dollars to help cover the cost of its rental assistance programs). The cost of CityFHEPs grew to \$284 million in 2020 (\$243 million in city funds), before falling in 2021 after the moratorium on evictions went into effect. In 2021, total cost of the program was \$228 million (\$177 million in city funds), a 20 percent reduction from the previous year. (While IBO has repeatedly asked the Human Resources Administration, which administers the program, for information on the number of vouchers being used and monthly voucher amounts, it has not responded to our requests.) The Preliminary Budget anticipates that spending on CityFHEPS will continue to fall, totaling \$174 million (\$123 million in city funds) for 2022.



Beginning in 2023, only \$149 million (\$98 million in city funds) has been budgeted for CityFHEPS vouchers.

IBO expects that the combination of the end of the eviction moratorium and the September 2021 rule change that made the vouchers both more generous and longer-lasting will increase the cost of the program above the current budgeted amounts. IBO estimates that the costs for the rental subsidy program in 2022 will be \$210 million, \$35 million more than is in the Preliminary Budget (all additional funds are assumed to be city funds). In 2023

and the out-years, IBO estimates that total program spending will grow to at least \$263 million annually—\$114 million more than is currently budgeted for each year (again, all city funds). With the city largely bearing the cost of this program (relative to the state and federal governments), maintaining something like the current level of rental assistance available through CityFHEPS is contingent on housing vouchers remaining a priority for the Mayor and the City Council.³

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Endnotes

¹Spending on the city's rental assistance vouchers, while a key component of the city's homelessness policy is not included in this total as it is administered by the city's Human Resources Administration, HRA.

²These hotels were contracted to serve as shelter sites, and are separate from the hotel rooms rented to allow for Covid isolation during the pandemic.

³Historically, high costs for vouchers have put rental vouchers for homeless households at risk for budget cuts. Former Mayor Bloomberg ended a voucher program known as [Advantage](#) in 2012, stating that a state budget action eliminating funding for the state's share of the program made it too costly for the city to bear alone. In 2011, the last full year of Advantage, the city paid \$114 million of the total \$210 million cost.