Governor’s Budget Would Add to City’s Rising Share of Homeless Shelter Costs

New York City may be forced to shoulder an even greater share of homeless shelter costs if changes proposed in Governor Cuomo’s 2019-2020 State Executive Budget are implemented. Language in the Governor’s budget would require the city to pay 10 percent of certain homeless shelter costs that have historically been paid entirely with federal public assistance funds. (Shelter costs are shared by the city, state, and federal governments, although the shares differ depending on the type of shelter.) IBO estimates the Governor’s proposed funding change would put the city on the hook for an additional $59 million beginning in 2020 (all years refer to city fiscal years). Such a shift would further exacerbate a recent trend of the city picking up more and more of the city’s growing shelter costs, while the shares paid by the federal and state governments decline.

Separate from the Governor’s proposed budget’s cost shift onto the city, IBO estimates that city funds budgeted for operating shelters will continue to increase. The Mayor’s “Turning the Tide on Homelessness” plan centers on opening 90 new shelters, phasing out expensive commercial hotel and cluster site shelters, and improving physical conditions in existing shelters. The shelter census remains high, however, and while some progress has been made to reduce cluster sites and hotel contracts, the city continues to rely on these facilities. Additionally, the city’s Preliminary Capital Commitment Plan contains reductions in funds planned for shelter renovations and construction in the near term, as funds for shelter projects are moved into the plan’s later years.

**Governor Would Increase City’s Share of Shelter Costs.** Governor Cuomo’s 2019-2020 budget would require New York City to cover 10 percent of Family Assistance costs. Family Assistance is a public assistance program that is currently paid in full from the federal Temporary Assistance for Needy Families (TANF) block grant. While primarily a cash assistance program, the program also plays a major role in paying for homeless shelters in New York City, particularly shelters serving families with children. The city uses the housing allowance awarded as part of an eligible family’s Family Assistance grant to cover the cost of their homeless shelter stay. The Governor’s proposal would only impact New York City—elsewhere in the state, Family Assistance would continue to be fully federally funded. (See IBO’s brief on the impact of the Governor’s proposed change on the city’s cash assistance program).

IBO estimates that Family Assistance will provide $593 million in funding in 2020 for the Department of Homeless Services (DHS), more than a quarter of the agency’s total operating budget next year. Thus, the Governor’s proposal would require the city to pay $59 million in additional shelter costs, reducing the federal contribution by the same amount. The change would allow the state to redirect the federal TANF funds towards programs that have previously been state-funded—child care subsidies, the Summer Youth Employment Program, and the Advantage After School program—thereby generating equivalent savings in state funds.

The state enacted similar language in 2016 requiring New York City to pay a 10 percent share of another TANF-funded cash assistance program, Emergency Assistance for Families. The city had been using emergency assistance funds to help cover shelter costs as the number of homeless families increased. With the introduction of the 10-percent cost-sharing language, along with a state rule change on the use of these funds, emergency assistance dollars are now primarily used to fund the city’s eviction prevention efforts.
The New York State Senate and Assembly released their own budget bills last week. The Assembly would reduce the Governor’s proposal to 5 percent while the Senate rejects the cost shift completely.

**Homeless Services Under-funded.** Even before the Governor’s proposed language to reduce federal subsidies, the city was facing increased costs for the Department of Homeless Services (DHS). The Mayor’s Office of Management and Budget (OMB) did not include additional funding for operating homeless shelters in the Preliminary Budget, and although the DHS budget remains at a record high of $2.1 billion, IBO projects that current funding levels will not be sufficient. For 2019, IBO estimates an additional $175 million in city funds will be needed to cover shelter costs, bringing city funding for DHS up to $1.4 billion.

Of the additional $175 million in city funds that IBO estimates are necessary, $141 million would cover single adult and adult family shelter costs based on current shelter census projections. The remaining $34 million is due to a commensurate reduction in federal funding. IBO expects less federal funding in general—apart from the Governor’s cost-sharing proposed change—in line with a recent trend of fewer shelter stays being reimbursed through federal Family Assistance funds. With the average length of stay in family shelter remaining high, it may be that a growing number of shelter families are exhausting their five-year eligibility under the Family Assistance program. In 2013, federal Family Assistance funds covered 61 percent of family shelter costs, a rate that declined to 49 percent in 2018. Accounting for these and other smaller adjustments in state and federal revenue, IBO’s estimate of the increase in the total DHS budget in 2019 is $150 million more than the Mayor’s estimate.

Assuming that the city’s share of shelter costs remains constant, IBO estimates an additional $238 million in city funds will be necessary in 2020 compared with what is currently budgeted for that year: $198 million primarily for additional single adult shelter costs and $40 million to offset the expected decline in federal funding used to pay for family shelters. With some other small adjustments in state and federal revenue again, for 2020, IBO estimates the overall annual increase to the DHS budget at $214 million compared with the Mayor’s estimate. If the Governor’s budget change is implemented, IBO’s estimate for the increase in city funds for shelter over what the Mayor has budgeted would reach $297 million in 2020.
Part of what is driving up costs is that the shelter population remains high—the average number of households in shelter has grown by 39 percent from January 2014 through January 2019, largely driven by increases in the number of single adults. Compounding a higher shelter census are increases in the daily cost to provide shelter; average shelter per diem rates for single adults, adult families, and families with children have increased from 2014 through 2018 by 50 percent, 60 percent, and 87 percent, respectively. The average daily rate increase can be attributed to newer shelters having a higher cost than older facilities; the use of commercial hotel rooms; and costs associated with building improvements, security, and mental health services.

### Schedule Shifts for Homeless Shelter Capital Projects.

In an effort to address the increasing shelter population and associated costs, the Mayor’s homelessness plan centers on opening 90 new shelters and improving physical conditions in existing shelters. Faced with challenges in getting these projects underway, the de Blasio Administration has shifted the timing of projects in the capital plan to what it considers a more realistic schedule. While total capital funding from 2019 through 2024 remains the same as when the budget was adopted for this year ($518 million), $98 million in funds have been moved from the first three years of the capital commitment plan to the following three years. Funds for the renovation of existing shelters and shelter construction planned from 2019 through 2021 now total $280 million, compared with $378 million in the city’s Adopted Capital Commitment Plan released in October.

As the city continues to grapple with the problem of homelessness and the rising costs associated with sheltering additional households, the DHS budget continues to balloon. Efforts to create purpose-built facilities to replace temporary commercial hotel and apartment rentals have been stymied by delays and local neighborhood opposition, hindering this approach to rein in costs and provide more appropriate living conditions. Should the Governor’s proposed budget language be enacted, the city will absorb an even larger share of shelter costs. Such a rule change, however, may be the impetus for the city to identify more immediately feasible ways to reduce costs as it would bear even more of the cost burden.

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**Capital Funds for Single Adult and Family Homeless Shelters Pushed Out to Future Years**

**Dollars in millions**

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**SOURCE:** IBO analysis of Mayor’s Office of Management and Budget data

**NOTE:** Totals may not sum due to rounding.

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Prepared by Sarah Stefanski