New York City Independent Budget Office

Focus On:
The Executive Budget

May 2016

Detailing the Changes:

New Initiatives, Funding, and Program Shifts For the City's Homeless Services

The Mayor's executive budget for 2017 funds many of the recommendations made during the de Blasio Administration's 90-day review of its homeless services, including the redistribution of programs between the Department of Homeless Services (DHS) and the Human Resources Administration (HRA). It also increases the city's homeless shelter operations budget for next year in line with recent record-high shelter census levels.

In March, the de Blasio Administration announced the results of an internal review of the city's programs and operations related to preventing and addressing homelessness. The review came at a time when the shelter census, along with the cost of providing shelter, continued to grow despite new eviction prevention and rental assistance programs designed to help households move into and stay in permanent housing. Since the current budget was adopted last June, the Mayor added $170 million ($121 million in city funds) to cover the cost of shelter operations this year. The executive budget similarly increases funding for shelter operations next year by adding $194 million ($160 million in city funds) to meet shelter costs, for a total of $1.1 billion budgeted for adult and family shelter operations in 2017 (all years refer to fiscal years).

Following recommendations made during the review, the Mayor also added $79 million ($66 million in city funds) to pay for new initiatives next year, growing to $133 million ($104 million in city funds) in 2018. These increases are spread across both the DHS and HRA budgets, and include funds to expand street outreach, increase shelter reimbursement rates, and convert cluster site shelters—which have generated considerable controversy—back into permanent housing. Funds were also added to the DHS expense budget to fund shelter security staff for next year at a similar level as this year. Additional funding was also put in the DHS capital budget to pay for shelter repairs and improvements over the next five years.

Along with proposing new initiatives, the 90-day review recommended a restructuring of the DHS and HRA agencies so that DHS will focus solely on homeless intake and shelter management, while HRA will oversee all prevention and rental assistance programs, as well as house the administrative functions for both agencies. While the restructuring of homeless prevention, shelter, and exit strategies is intended to streamline services for clients and reduce duplicative efforts—leading to potential savings for the city—the consolidation of administrative functions may undermine DHS's ability to function independently and focus on its immediate needs, with budget, contract, and legal offices all now to be housed within HRA. Furthermore, it is still unclear to what extent many of the new initiatives, which are highlighted below, will impact the city's homeless shelter population.

Funding Added for HOME-STAT. The Mayor announced a new program known as HOME-STAT (Homeless Outreach & Mobile Engagement Street Action Teams) in December, to fund additional staff to canvas city streets to identify homeless who are not in shelters. With $7 million in city funds added for HOME-STAT in 2016 and $22 million (also all city funds) beginning in 2017, the Mayor reported in April that this new initiative is now fully operational. The executive budget provides funds for 68 DHS staff street canvassers and to increase contracts with service providers to perform street outreach. The goal of HOME-STAT is to have an accurate snapshot of the street homeless population and to engage with unsheltered homeless to move them into shelter. HOME-STAT, however,

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is limited to canvassing Manhattan between Canal Street and 145th Street, and a few identified “hot spots” in the rest of the city. As such, the information and services associated with HOME-STAT will only cover a portion of the city’s street homelessness.

Increase in Shelter Reimbursement Rates. DHS is raising some of its family shelter reimbursement rates to better reflect the cost of providing quality shelter. Currently the city pays a wide range of per diem rates to family shelter providers, with variation in reimbursement rates a function of the type of shelter, location, and operating costs. As part of the 90-day review, the rates paid to some providers were determined to be too low to sufficiently cover expenses and upkeep of the shelter facilities. For 2017, an additional $27 million ($15 million in city funds) has been added to increase shelter reimbursement rates for providers where further funds were determined necessary, with the total growing to $75 million in 2018 and beyond ($46 million in city funds). No cuts to shelter rates are planned, however, even for those shelters at the high end of the per diem rates, avoiding a move that would likely be difficult for the city to negotiate given the current shortage of shelter capacity.

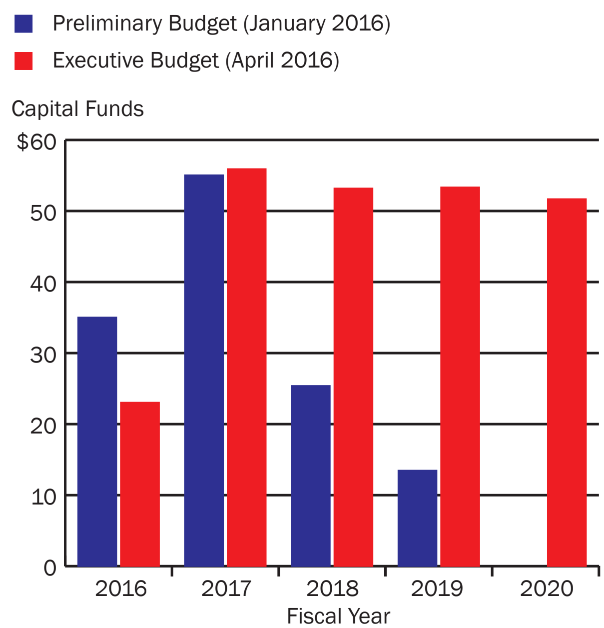
Phasing Out Cluster Sites. In January, the Mayor announced a three-year plan to phase out cluster site shelters—a key component of the 90-day review recommendations. Cluster site shelters are privately owned rental units that the city rents as temporary housing for the homeless. The use of cluster sites has been criticized for the sites’ high costs, poor conditions, lack of adequate social services for homeless residents, and for taking what otherwise could be affordable rental units off the market. To address some of these concerns, the executive budget added $5 million for DHS to hire approximately 40 staff beginning in 2017 to provide oversight for compliance with family shelter contracts in cluster sites and hotels—in particular, ensuring the provision of case management services and addressing building maintenance issues.

In the long term, the city is looking to convert cluster site units currently being used to house the homeless back to permanent rental housing, using the Living in Communities (LINC) and other rental assistance vouchers for the homeless to help pay for the permanent housing. The disparity between the family shelter reimbursement rate, which averages over $3,000 per month, compared with the rent cap for a LINC voucher—either $1,268 or $1,515 per month depending on household size—raises questions about whether landlords will participate in the program. In an effort to facilitate the transition of cluster sites into LINC voucher-funded permanent apartments, $8 million (all city funds) was added to HRA’s 2017 budget, growing to $15 million in 2018 and thereafter, to assist with rent collection and building management. Such assistance may be an incentive to landlords who might otherwise be reluctant to rent through the LINC voucher programs. Apartments paid for through LINC must pass an inspection using Section 8 Housing Quality Standards, which include some tougher regulations that owners may not want to meet, leaving some cluster site units deemed in too poor condition to be rented through LINC.

Improving Shelter Conditions. The 90-day review report highlighted the need for continuing efforts to address security and to correct dangerous code violations in shelters. In the executive budget, the city added $45 million a year for 2017 through 2020 to fund the hiring of 300 additional DHS peace officers and to augment existing contracts with private security firms. This brings up shelter security spending for next year and future years to match 2016 funding levels. An ongoing review of shelter security practices between DHS and the police department may lead to further changes and additional needs that would be funded in future budgets.

As part of an effort that began last May, the city has been addressing shelter repairs and identifying code violations

Funding for Shelter Capital Improvements Increases
Dollars in millions



SOURCE: IBO analysis of Mayor’s Office of Management and Budget data
NOTES: Funding does not include interfund agreements or funds set aside for contingencies. Capital plan amounts for 2020 were not released in the preliminary budget.
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through the "Shelter Repair Squad," a joint effort between DHS, the Department of Housing Preservation and Development, the Department of Buildings, and the fire department. Social Services Commissioner Steven Banks acknowledged in his testimony to City Council on the 90-day review results that while the de Blasio Administration has been able to reduce the number of open code violations, the most egregious violations required capital repairs that had not been adequately budgeted.

In response, the DHS capital commitment plan for fiscal years 2016 through 2019 was increased by $57 million in the executive budget (this figure excludes agency equipment and technology purchases). Funding levels for shelter capital improvements were reduced by $12 million in 2016, as previously budgeted projects were dropped or rescheduled for future years. New funding for capital improvements was added for 2017 and beyond: an increase of $870,000 for 2017, $28 million for 2018, and $40 million for 2019. A total of $52 million was budgeted for 2020, which had not been included in the preliminary capital commitment plan released in January.

While the executive budget added funds for capital improvements in the latest capital plan, most of the funding for new projects is not budgeted until 2018, indicating that many of these capital repairs will only just be beginning one year from now. Additionally, the capital repairs targeted in the executive budget address code violations in traditional shelter buildings and will not address open code violations in cluster site locations, although a March 2015 report by the Department of Investigation found those types of shelters to have the largest number of building and fire code violations.

New Spending Partially Offset by Anticipated Savings. Part of the goal for the 90-day review was to streamline client services and improve the efficacy of homelessness prevention, shelter, and exit strategies, which in turn would result in savings to the city. As part of the restructuring recommended through the review process,

Funding Shifted from the Department of Homeless Services to the Human Resources Administration With Anticipated Savings
Dollars in millions

	Annual, 2017-2020		
	City	**State/Federal**	**Total**
Department of Homeless Services	$(87)	$(33)	$(121)
Human Resources Administration	49	44	94
Net Difference	**$(38)**	**$11**	**$(27)**

SOURCE: IBO analysis of Mayor's Office of Management and Budget data
NOTE: Totals may not sum due to rounding.
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the homelessness prevention and exit programs are being moved from DHS to HRA, including the HomeBase eviction prevention program and LINC aftercare services. The other part of restructuring effort involves combining administrative functions, such as the budget, legal, and contract offices, from the two agencies with the merged units housed within HRA; savings would be realized through employee attrition rather than layoffs. The 90-day review process recommended a "restructuring" of the DHS and HRA agency functions, and did not call for a full merger of DHS back into HRA, which would have required a City Council-approved revision of the City Charter. Prior to 1993, homeless services were all part of HRA.

With these restructuring moves, the executive budget decreases the DHS budget by roughly $12 million (all city funds) in 2016 and $121 million ($87 million in city funds and $33 million in state and federal funds) annually for 2017 through 2020. Part of the decrease in DHS funds is money simply being moved into the HRA budget, but the city also anticipates leveraging further state and federal dollars. As such, the funding for HRA is increased by a total of $94 million ($49 million in city funds and $44 million in state and federal funds) for each year, 2017 through 2020. The restructuring, therefore, results in total savings of $27 million, with $38 million in city savings offset by an $11 million increase in funding from state and federal sources.

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