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Rebuilding HomeBASE

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Table of Contents

Executive Summary

Background: The Massachusetts HomeBASE program is a rapid rehousing program designed to provide families at risk of homelessness with an alternative to the emergency shelter system. The goal of the program is to substantially reduce the homeless shelter population and save taxpayer dollars in the process. Since Massachusetts is a "right to shelter" state, any family at risk of imminent homelessness cannot be turned away from shelter. As a result, in recent years the shelter population has ballooned beyond existing capacity, and the state has been forced to rent hundreds of motel rooms every night to house the overflow population.

The HomeBASE program consists of two primary benefits: **household assistance**, which allows families to receive a one-time payment of $4000 to help them remain stably housed, and **rental assistance**, which provides families with up to 24 months of rent subsidies. The program started in August of 2011 with a $38.5 million budget, but was forced to suspend normal operations in October of 2011 as it had already exhausted its funds. This was due to unexpected increases in both participant volume and per-family costs.

Volume: The number of families who enrolled in the program exceeded expectations by 125%. This increase in volume was largely due to families transitioning from the Flex Funds program, which was another state housing program that allowed participants to automatically roll over into HomeBASE. These Flex Funds families transitioned at a much higher rate than expected, and were responsible for 85% of the increase in volume. The remaining 15% was largely due to increases in new participants. The program induced additional demand, especially from families coming from "overcrowded" or "at fault eviction" situations. These new families were also more likely to be white and employed compared to entrants to pre-HomeBASE shelter system.

Per-family Costs: The costs associated with rental assistance and household assistance were both higher than originally forecasted by about 25%. For rental assistance, the average rent payment proved to be higher than anticipated, averaging out to $810 per month compared with original forecasts of $624. Household assistance costs also rose to an average of $4,638, compared with original forecasts of $3,630 per family.

Solutions: There are several ways the state can improve the program in the future. By limiting enrollment and eligibility of Flex Funds families and other more stable populations, it may be possible to contain costs while maintaining the core components of the program. Changing the policy to divert Flex Funds and overcrowded families to household assistance instead of rental assistance would cost about $147 million on an annual basis, compared to the $158 million the state spent on shelter alone in the year prior to HomeBASE.

The state could also try to improve pre-screening by adopting a points-based eligibility system similar to the Hennepin County model. Families would be ranked based on characteristics known to increase the risk of extended or repeated homelessness spells. This would enable the state to target families most at risk of chronic homelessness and provide them with more robust services.

Finally, the state could consider restructuring HomeBASE to serve exclusively as a shelter exit strategy. Families would be required to enter shelter before receiving any rent subsidy. This would help ensure that only the families most in need of assistance would apply.

Introduction

The HomeBASE program was an ambitious attempt to improve the outcomes of families at risk of homelessness by providing them better access to safe, quality housing and support services, all at a lower cost to the state. While the theory behind the program was sound, upon actual implementation the program quickly ran over budget, running through its $39 million annual allocation in under three months. As a result of this massive cost overrun, many components of the program were suspended in November of 2011 to rework the policy for fiscal year 2013.

The state is currently considering ways to revise the HomeBASE program to better contain costs. Before adopting any substantial changes, however, it is important to understand the reasons that the HomeBASE program ran over budget at all. This will allow the state to better evaluate the full range of options available for improving the efficacy of HomeBASE.

Based on the analysis of the operation of the HomeBASE program thus far, there are several key questions that must be answered to understand the source of the ballooning costs. These questions are as follows:

- **Targeting:** Whom is the program trying to serve? Whom is the program serving in practice? To the extent that benefits are not reaching the right people, what can be done to improve the targeting of the program?
- **Expected vs. Actual:** Was the source of the cost overruns due to unexpected increases in participant volume, per-participant costs, or some mix of the two? To what extent did the program induce additional demand due to the generosity of its benefits? What do improved models using updated data suggest would be the actual annual cost of the program?

- **Total Cost of Shelter:** What is the actual cost of the shelter system as a whole? How do the costs of shelter + HomeBASE compare to the costs of a shelter system without HomeBASE? How can we reorganize the system to rein in costs without substantially cutting services to bring spending closer to state targets?

This study will proceed with a short history of the HomeBASE and shelter system, followed by a detailed analysis of each of the questions listed above. The next section will provide recommendations and compare options, and the final section will summarize and discuss areas for future research.

Background

The History of the EA system

The Emergency Assistance (EA) program, operated by the state Department of Housing and Community Development (DHCD) through its Division of Housing Stabilization (DHS), provides emergency shelter, re-housing, and supportive services to families across the Commonwealth. Due to a number of factors including the poor economy and lack of long-term affordable housing, family homelessness and demand for EA and other homelessness services are on the rise. Since Massachusetts has a "right to shelter," the state cannot turn away a family, even if there are no vacancies in the shelter system. As a result, the state rents thousands of hotel and motel rooms every night in an effort to temporarily house the overflow shelter population.

Consequently, the EA budget has continued to grow from $141MM in FY 2010 to $158MM in FY 2011 and $188MM FY 2012. In an effort to address escalating EA costs, and based on the belief that even temporary housing is better than shelter, the state has increasingly moved resources from the shelter system to providing financial assistance to help pay for short-term housing subsidies and related re-housing expenses. This led to the creation of the "Toolbox or "Shelter to Housing" program which distributed benefits to families in varying amounts based on individualized assessments of families' circumstances.

In FY 2010, DHCD dedicated approximately $12 million to its successor to the Toolbox/Shelter to Housing program, which it called the "Flexible Funds", or "Flex Funds" initiative, under which select EA-eligible families received short-term (up to 12 months) subsidies to enable them to be placed in private market housing from shelter. In FY 2010, 1,500 families were assisted through the program. Because of the perceived success of moving families out of shelter, the state expanded the Flex Funds initiative in FY 2011, allocating up to $28 million for these services. By the start of FY 2012, nearly 3500 families were receiving assistance through the Flex Funds program. It remains unclear, however, whether Flex Funds families were capable of achieving self-sufficiency after 12 months of assistance. Since they automatically rolled over into HomeBASE, we cannot be sure if the program had any long term impacts on housing stability, or if families would simply re-enter the shelter population once their subsidies expired.

In addition to the EA resources, there have been significant non-EA state and federal resources contributed to short-term subsidies and assistance. The Interagency Council on Housing and Homelessness received a one-time allotment of $8.25 million in FY 2009 as seed money to create a system of regional networks and to provide short-term rental assistance and other services to homeless and at-risk families and individuals. Furthermore, the American Recovery and Reinvestment Act of 2009 (ARRA) included funding for an initiative called Homelessness Prevention and Rapid Re-housing (HPRP). $44.6 million of these funds were distributed to Massachusetts, $18.4 million to the state and $26.2 million to localities, and are being used for homeless prevention, short-term assistance to prevent the need for shelter and temporary subsidies of no more than 18 months for both individuals and families.

The Creation of the HomeBASE program

In August of 2011, Massachusetts underwent a significant policy shift, introducing a new program called HomeBASE. The purpose of the program was to provide financial assistance to families at imminent risk of homelessness in order to stabilize their housing situations in housing rather than in shelter. Ultimately, the state hoped to reduce the overflow hotel population to zero, and eventually eliminate the need for most of the shelters across the state. The concept was based on the "Housing First" model first put forward by the Los Angeles non-profit Beyond Shelter. Their experiences in Los Angeles suggested that families respond better to interventions when stably housed, and that providing rent subsidies can actually be cheaper on a per-family basis than keeping a family in the shelter system.

The eleven Regional Agencies administering the HomeBASE program across Massachusetts provided two types of benefits, household assistance or rental assistance, along with continued stabilization services in an effort to stabilize families and put them on a path toward long-term self-sufficiency. Case managers employed by the Regional Agencies determined the type and level of HomeBASE assistance. Using a progressive engagement model, the case managers conducted a full assessment of the family to determine the response that would best serve the family's housing needs beginning with the smallest intervention and least amount of financial assistance to the greatest. Household assistance was supposed to be given to families experiencing short-term crisis situations that could benefit from targeted interventions to restore stability. Families receiving household assistance were eligible for up to $4,000 over a 12-month period for any expenses that are necessary to stabilize the family's housing situation. Eligible expenses included payments for furniture, medical bills, moving expenses, or to pay first month, last month, and security deposits for families entering into a new tenancy.

Rental Assistance was designed for families who had either demonstrated a capacity to succeed in their own housing unit in the past, or had needs greater than $4,000 in order to maintain a stable tenancy. Families receiving Rental Assistance were placed into a rental unit at 80% of the Fair Market Rent (FMR) for a 12-month lease. Each month they paid 35% of their gross income toward the monthly rent with the State making up the remainder in the form of a Housing Assistance Payment (HAP).

HomeBASE had an initial annual budget allocation of $38.5 million for FY 2012. However, after the first three months, the $38 million had been fully allocated. Back-of-the-envelope calculations suggested that if demand and cost remain unchanged, the HomeBASE program alone could cost over $200 million by the end of FY2012. As a result, in November 2011, the state halted normal operation of the program, closing the “front door” of the HomeBASE system. As the system now stands, only families who are victims of natural disasters, domestic abuse, no-fault eviction, or are living in a house with a “substantial” health or safety risk are eligible to receive rental assistance, and only after first entering shelter. Everyone else who is EA eligible can either enter shelter or elect to receive $4000 through household assistance in exchange for not entering shelter. While this will bring down costs, it is likely that the state will be under-serving some families who have an immediate housing need but do not meet the new eligibility requirements for rental assistance.

The state is now considering new ways to reformulate the program, likely by reducing benefits and limiting the eligible population. Before making any of these decisions, however, it is critical to understand the source of the cost overruns, and what solutions would be most effective for containing the budget in the future. To accomplish this task, we synthesized data from multiple sources and linked information on participants across various databases to create a clearer picture of the characteristics of the HomeBASE population and the sources of the overruns.[1] We combined these analyses with discussions with DHCD employees and practitioners in the field to determine ways in which the program could be improved in the future.

[1] See Appendix II for more detail on datasets used and methodology

Targeting:

The HomeBASE program was designed to serve a number of unique populations, from families at risk of imminent homelessness to current shelter residents. With the introduction of the rental assistance benefit, the total number of families served by the program exceeded expectations by 125% over the first three months of operation. This was largely due to unanticipated transitions from Flex Funds, but new entries into the EA system jumped by nearly 70% compared to previous shelter system entry rates. These new applicants were much more likely to come from "at-fault eviction" or "overcrowded" situations compared to earlier periods. They also appeared to be more likely to be Caucasian and employed. To improve targeting to make sure benefits reach the right people, the state could consider implementing a points system to determine benefit eligibility, or restructuring HomeBASE to serve exclusively as a shelter exit strategy to make sure only the families most in need of assistance apply for the program.

Whom is the HomeBASE program trying to serve?

The HomeBASE program was designed to serve three different categories of families:

- **Newly EA-eligible "Front Door" families**, some of whom have no other place to go, and others who have an unstable or undesirable living situation
- **Transfer Clients**, who are transitioning into HomeBASE from a variety of different state program, most importantly Flex Funds
- **Current Shelter and Hotel Residents,** who entered the system prior to the creation of HomeBASE due to a lack of housing for various reasons

The program was restricted to families, defined as married couples with a child under 21, single mothers or fathers with custody of a child under 21, or pregnant women. Parents under 21 were not eligible for HomeBASE and were referred to special shelter programs designed for young parents. All participants had to qualify for Emergency Assistance under the standard definition, which entails having an annual household income of 115% or less of the federal poverty level and a qualifying reason for imminent homelessness.

"Front Door" families enter the program for a variety of reasons. These reasons can be broadly categorized into "overcrowded," "asked to leave," "at-fault eviction," "no-fault eviction," "domestic violence," "health and safety," "natural disaster," and "other." This creates a range of need, as doubled-up families coming from an overcrowded situation might have a less immediate housing need than a family whose house burned down yesterday. The expected necessary length of stay required for these families to achieve housing stability might differ as well, making it difficult to create a "one size fits all" policy.

Participants from other state programs were also eligible to receive HomeBASE benefits. Flex Funds families, who had previously been receiving rent subsidies from the state, automatically qualified for HomeBASE without even re-checking for eligibility. Homelessness Prevention and Rapid Rehousing Program (HPRP) and Massachusetts Rental Voucher Program (MRVP) participants, who received vouchers through the state, also had the administration of their programs transferred to HomeBASE. Some families participating in these programs had received subsidies from the state for several months already, so their housing and stabilization needs might be different from newly assisted participants.

Finally, HomeBASE was intended to function as a “back door” exit strategy for families already in the shelter system. Rental assistance was to be used to help families leave shelter, with the ultimate goal of substantially reducing the shelter and hotel populations.

The program attempted to address the varying needs of these target groups with the different benefit types. Household Assistance was designed to help families stay stably housed in their current living arrangement, or help facilitate a move. The $4000 benefit was intended to keep families from having to enter shelter by allowing them to pay rent and utility arrears, compensate the primary tenant/homeowner, purchase essential furnishings, or help pay for a move. The money could even be used to help a family move out of the state.

Rental assistance, on the other hand, was designed to help families with a more immediate housing need. It was focused on helping families who would otherwise enter the shelter system due to a lack of alternative housing options. When necessary, such as in cases of domestic abuse or natural disaster, these families could also be placed in temporary accommodation placements, or “TAP” units, as a placeholder until they were able to find a qualifying apartment. Each regional office maintained several apartment units to be used as TAP housing as necessary, with shelter and hotels serving as overflow. This meant that it was possible for families to entirely bypass the shelter system on their way to receiving a HomeBASE benefit.

Whom is the program serving in practice?

When the program was being designed, models assumed that the HomeBASE would serve 500-600 people a month for the first few months, eventually settling down to 480 new participants per month. The model estimated that 20-30% of new participants would receive household assistance, while the rest would receive rental assistance. In reality, both of these assumptions proved to be faulty. In just the first month, over 900 participants came in through the front door alone, excluding hundreds more who transitioned in from Flex Funds and other state programs. These participants also were much more likely to receive Rental Assistance, as only 5-10% of clients were given the less generous Household Assistance option.

HomeBASE families also looked different compared to families that entered the old EA shelter system in previous years. The raw number of new entries due to families being "asked to leave" or "overcrowded" rose by about 75%, but so did entries for all other reasons as well. This meant that asked to leave and overcrowded families continued to account for about 50% of new entries, as they had in the past. At fault evictions, on the other hand, rose as a share of total entries, while health & safety and domestic violence entries declined as a share of total entries (see Table 1 below).

Table 1: Reasons for Front Door Entry into Shelter and HomeBASE as a Share of Total Entries, FY2011 & FY2012

	Overcrowded	Asked to Leave	Eviction - At fault	Eviction - No Fault	Health & Safety	Domestic Violence	Natural Disaster	Other	Total New Families
Jul-10	21.95%	30.64%	13.46%	1.24%	15.73%	9.11%	3.11%	4.76%	**483**
Aug-10	21.74%	27.98%	18.34%	1.89%	12.48%	11.34%	1.13%	5.10%	**529**
Sep-10	23.89%	29.59%	13.55%	1.60%	12.30%	10.34%	2.85%	5.88%	**561**
Oct-10	19.40%	26.09%	18.39%	0.33%	17.73%	8.70%	1.00%	8.36%	**299**
Nov-10	24.38%	26.19%	16.70%	2.71%	17.38%	6.09%	0.68%	5.87%	**443**
Dec-10	23.48%	25.79%	13.63%	2.31%	18.45%	10.90%	1.89%	3.56%	**477**
Jan-11	28.21%	26.07%	20.94%	1.71%	10.47%	7.05%	0.85%	4.70%	**468**
Feb-11	27.60%	25.57%	17.19%	2.94%	11.76%	8.60%	1.58%	4.75%	**442**
Mar-11	27.81%	26.10%	17.52%	1.14%	12.57%	10.10%	1.71%	3.05%	**525**
Apr-11	25.00%	25.00%	15.21%	3.13%	15.21%	10.00%	0.83%	5.63%	**480**
May-11	27.13%	26.16%	13.18%	1.55%	15.12%	10.47%	0.97%	5.43%	**516**
Jun-11	24.90%	28.16%	14.94%	0.57%	13.79%	10.73%	0.38%	6.51%	**522**
Jul-11	23.38%	28.01%	16.33%	2.97%	13.36%	10.39%	0.56%	5.01%	**539**
Aug-11	31.42%	23.01%	23.45%	2.99%	9.73%	6.08%	1.22%	2.10%	**904**
Sep-11	24.97%	25.67%	25.91%	2.11%	8.21%	10.08%	1.76%	1.29%	**853**
Oct-11	24.20%	24.20%	27.05%	1.78%	11.15%	8.66%	0.59%	2.37%	**843**

*dashed line indicates the start of HomeBASE

It is interesting to note that the only categories that increased their share were those in which families might have some control over their housing status. Overcrowded and at-fault evictions saw the largest increase in their share of new entrants, suggesting that the program induced demand from these categories. Essentially, in pre-HomeBASE periods families may have been willing to endure an overcrowded or high-rent situation, but with the introduction of HomeBASE, they were incentivized to apply for a rent subsidy.

In addition to reason for entry, we looked at the demographics of the families before and after the switch to HomeBASE. Based on Census data, Massachusetts has approximately 200,000 families under 115% of FPL who could thus qualify for EA, so it is important to know if HomeBASE was serving a similar type of population as previous periods, or attracting different participants. Using demographic data from the BEACON system, we matched up HomeBASE participants and shelter residents from previous periods to determine if there were any differences in characteristics.

Table 2 below shows the demographic characteristics of HomeBASE families who entered during the three months in which the program was in operation compared to families who entered shelter during comparable periods in previous years.

The HomeBASE families look roughly similar to the shelter families, with slightly more children contributing to a potentially larger household size. The starkest difference, however, is in the race of the head of household. HomeBASE participants are much more likely to be white compared to earlier periods. They were also much more likely to have positive (non-zero) earnings, and more likely to receive some form of welfare income. This suggests that the HomeBASE program in its first three months was serving a slightly less disadvantaged population compared to the original shelter system, attracting families in undesirable or expensive living situations, but not necessarily at imminent risk of homelessness.

Table 2: Demographics of Shelter vs HomeBASE Families

	2008	2009	2010	2011*
Married	9.79%	9.98%	9.77%	9.66%
Female Head of Household	91%	90%	91.50%	89.90%
Number of Children	1.74	1.66	1.69	1.83
Household Size	3.04	2.95	2.99	3.14
Age of Head of Household	33.8	32.4	31.2	31.4
Disabled Family Member	32.50%	29.90%	25.30%	22.50%
White Head of Household	57.50%	57.40%	56%	65%
Share with no Earned Income	98.40%	97.56%	94.17%	85.15%
Share with no Unearned Income	98.90%	97.64%	92.79%	75.83%

*indicates HomeBASE sample. Each year consists of entries during Aug-Oct

What can be done to improve the targeting of the program?

There are two broad methods by which HomeBASE could better target and reach the right populations: by improving pre-screening, or by changing the incentives. Changes to pre-screening could include the creation of a points-based eligibility system that gives higher priority to families more at risk of imminent homelessness as determined by various trends and characteristics. The incentive structure could also be modified to make sure only families most in need of assistance apply, perhaps by limiting eligibility for HomeBASE to people who have spent time in the Shelter system. Because living in shelter is unattractive relative to other housing options, it may discourage all but those most in need of assistance to apply.

Improving pre-screening can be challenging. The primary driver of HomeBASE eligibility is having income less than 115% of the federal poverty level (FPL), but not everyone who is under 115% FPL needs a housing subsidy, and some people above 115% FPL do need a subsidy. Given the generosity and nature of the program, however, anyone who was eligible to receive a rent subsidy would almost certainly accept it, whether they need it or not.

For example, under the initial modeling assumptions, it was assumed that only about 40% of families transitioning from Flex Funds or other existing subsidy programs would transition into HomeBASE, even though they were all automatically qualified. In reality, over 90% of those eligible have transitioned so far. Furthermore, many of these families have been receiving rent subsidies for upwards of a year already; to group them in with newly homeless families or families trying to exit the shelter system raises questions of equity.

There were also problems with the actual implementation of the program that could have led to problems with pre-screening. The regional offices were overwhelmed by the volume of participants, preventing caseworkers from performing their due diligence to confirm a family's eligibility and reason for homelessness. Guidelines about who should receive what type of benefit were also unclear, leading most clients to be granted the more generous rental assistance subsidy. The lack of a unified data tracking and monitoring system at the start of the program also contributed to a hectic environment in which some caseworkers were keeping track of new entrants on napkins just to keep up with the pace. Providing the regional offices with sufficient staff, full training, and an efficient, functional tracking system could allow the RAAs to better identify which clients were most in need and assign benefits accordingly.

One method to accomplish this task could be to adopt a "points" system based on homelessness risk factors. Hennepin County in Minnesota recently implemented a points system for homelessness prevention resources screening. Families are assessed for eligibility based on various characteristics such as income, credit history and number of children. These factors are weighted based on the severity of homelessness risk they create and assigned point values. A family must receive 20 points to be eligible for prevention resources, with the intention of the program being to help those who "but for this assistance would be become literally homeless."

A similar system could be implemented in Massachusetts to determine rental assistance eligibility, but would require a detailed analysis of trends and risk factors for the state's homeless and at-risk populations. This analysis could be done using data on the existing shelter population to determine the characteristics of families who were mostly likely to have multiple spells in the shelter system. By extrapolating these data, the state could create a risk profile to determine which factors were most likely to contribute to repeated or extended homeless spells.

The state could then pilot a points system at one of the regional offices. New applicants would be assessed based on their risk factors, with those most at risk of repeated or extended spells of homelessness granted rental assistance. The state could then track the outcomes of these families through both stabilization reports and monitoring to see if they return to shelter in the future. These families could be compared to similar families in other regions or from past periods to estimate the efficacy of the points system in improving the targeting of rental assistance.

Changing the incentives could help make sure only those most in need apply for benefits. As the HomeBASE system was originally structured, families with less imminent risk of homelessness could receive a subsidy without ever having to set foot in a shelter. This could incentivize a different type of family to seek assistance.

Instead, HomeBASE could be restructured to serve exclusively as a shelter exit strategy. Families could receive rental assistance through HomeBASE, but only if they first entered the shelter system. Families would be served in the order in which they had entered shelter, starting with the existing shelter population. This would enable the families most in need of assistance, and thus willing to enter shelter temporarily, to apply, while screening out families who are more stably housed. It would also help address some of the equity issues associated with serving “front door” participants before dealing with the existing shelter population.

This system would run counter to the ultimate goal of closing all shelters. If properly implemented, however, it could result in a reduction in the shelter population. It could also potentially save costs by rapidly re-housing families out of shelter, but there would have to be enough of a delay to minimize the number of families who enter shelter just to receive the subsidy.

Expected vs. Actual

Original forecasts of HomeBASE underestimated both the expected number of participants and the predicted per-family costs to provide services. Flex Funds families, who had received rent subsidies from the state under a previous homelessness alleviation initiative, transitioned into HomeBASE at a substantially higher rate than expected, and are responsible for 85% of the miscalculation in volume. The remaining 15% is largely composed of higher than expected volume at the front door. The per-family participant costs of both rental assistance and household assistance were both off by about 25%. This is due to a higher than expected average HAP and a higher than anticipated average household assistance benefit. Forecasts using these updated numbers of the actual cost of HomeBASE if the program had remain unchanged suggest the program would have cost as much as $135 million on an annualized basis. This number is higher than the original forecast of 39 million, but lower than the $200 million figures that some policy makers feared.

Was the source of the cost overruns due to unexpected increases in participant volume, per-participant costs, or some mix of the two?

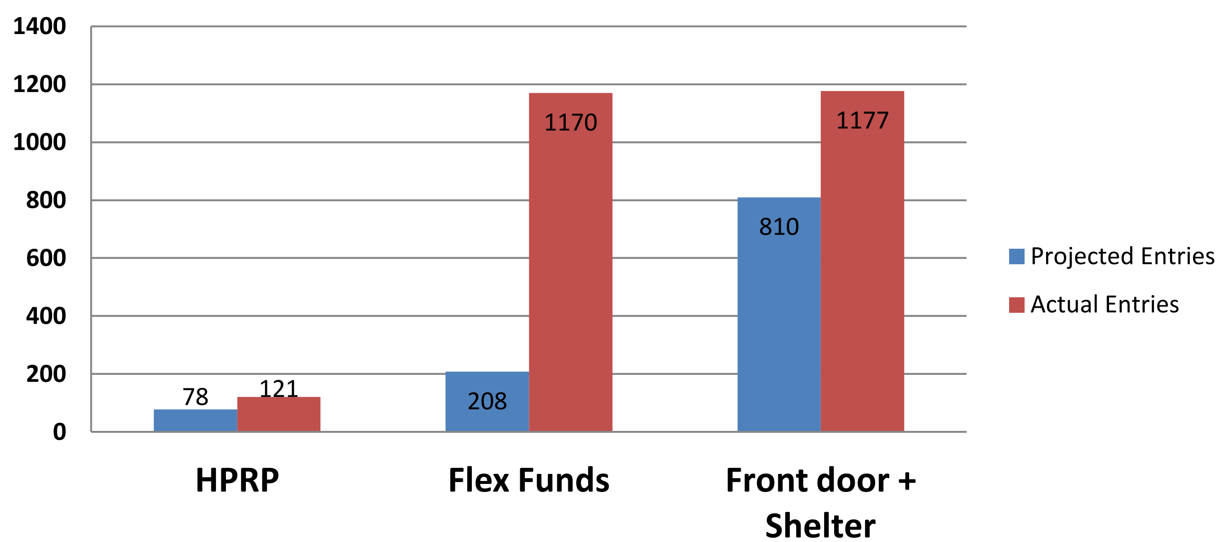
The source of the cost overruns was due to inaccurate forecasts of both participant volume and unit costs. Over the first three months, volume exceeded expectations by about 1150 families – nearly double the forecasted rate. Unit costs for both rental assistance and household assistance were off target as well, leading to total expenditures during the first three months that were about 70% higher than expected.

Table 3 below shows the breakdown of expected versus actual enrollment and costs over the three months in which HomeBASE was in full operation.

Table 3: Projected vs. Actual Enrollment & Costs, Aug-Oct 2011				
	Projected Enrollment	Actual Enrollment	Projected Per-Family Costs	Actual Per-Family Costs
Rental Assistance	1096	2468	$8,849	$11,173
Household Assistance	330	105	$3,630	$4,638
Total	1426	2573	-	-

Despite lower than expected enrollment in household assistance, total enrollment in HomeBASE was nearly double expectations. Rental assistance had both higher volume and higher costs. The higher volume was due to increases in both Flex Funds and front door participants. Figure 4 below shows the breakdown of rental assistance recipients by origin. While all the forecasts were off target, the number of families transitioning from Flex Funds was off by over 350%.

Figure 4: Projected vs Actual Rental Assistance Entries by Origin, Aug-Oct 2011



The increase in Flex Funds families was due to an inaccurate forecast of the rate at which Flex Funds families would transition and the timeline in which they would do so. The original model assumed that only 40% of Flex Funds families would transition to HomeBASE. In reality, over 90% of those eligible have transitioned, many of them doing so in the first three months of the program. Front door entries were higher than expected as well, likely due to induced demand created by the generosity of rental assistance.

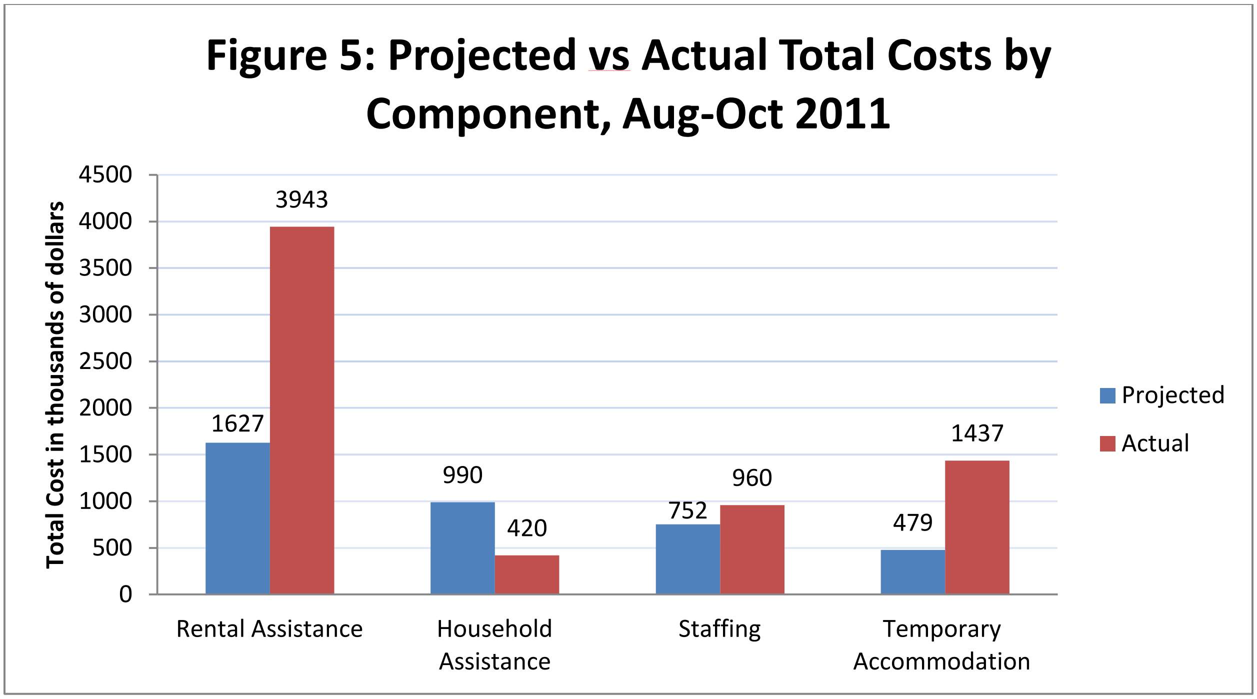
The per-family costs were higher than expected as well. While some of the costs were fixed based on contracted rates, others were more dependent on assumptions. At the start of the program, each regional office received a contract that broke out costs based on the volume of clients that agency was expected to receive. Each contract had the same unit costs, except for the HAP payment, which varied by region. For most areas, the regional offices were allowed to subsidize the rent of a unit that was priced at 80% or lower of the area fair market rent. This restriction was waived for Boston, however, and other agencies could apply for individual waivers as needed.

These results show that on paper a new HomeBASE rental assistance client cost about $907 in the first month, and about $729 in subsequent months. The first month includes one-time administrative costs of assessing clients for eligibility and conducting a housing search, as well as rent payments. Subsequent months only include the cost of rent and regular administrative & stabilization services. A similar analysis of household assistance clients shows that household assistance costs around $458 in the first month and $380 on average in successive months. Appendix Tables 1 and 2 in Appendix I break out the unit costs by item.

What is particularly interesting about these contracted rates is that even if the volume had adhered to expectations, the total cost of a year of HomeBASE would exceed $50 million. This is largely due to the fact that families entering the system would be staggered over the course of the fiscal year. This means that the $39 million budget could only be applicable in the first year of the program, when the state would not have to pay a full 12 months of benefits for all participants.

While most of the contracted unit costs appear to be correct, there were a few underestimates that led to substantial increases in unit costs. Staffing and administrative costs almost exactly met expectations, as regional offices tended not to hire additional staff, but rather burdened their existing staff with substantially higher caseloads. The average HAP payment, however, was off by a substantial margin. Original forecasts assumed the average HAP payment would be around $624 across all sites, but in reality, the average HAP was closer to $810. This was because area rents proved to be higher than expected, leading to a blanket waiver which allowed agencies to subsidize rents up to 100% of FMR. This led to a substantial increase in the per-family cost of rental assistance. Household assistance was also off due to the assumption that the average amount paid out would be only $3000, when in reality nearly all families received $4000 in assistance. As a result, rental assistance cost about $11,100 per family on average, compared to the contracted average rate of $8,926. Similarly, household assistance ended up costing about $4,640 per family, compared to the contracted rate of $3,630.

By combining the updated estimates of both cost and volume, we can determine which components were most responsible for the budget overruns. Figure 5 below shows the projected total amount paid out for each component of HomeBASE compared to the actual amount paid out over the first three months of the program. Rental assistance was the largest contributor to the cost overruns, but temporary accommodation played a role as well. This is because the higher than expected volume caused TAP units to fill up, forcing the state to place families in need of temporary accommodation in hotels or shelter.

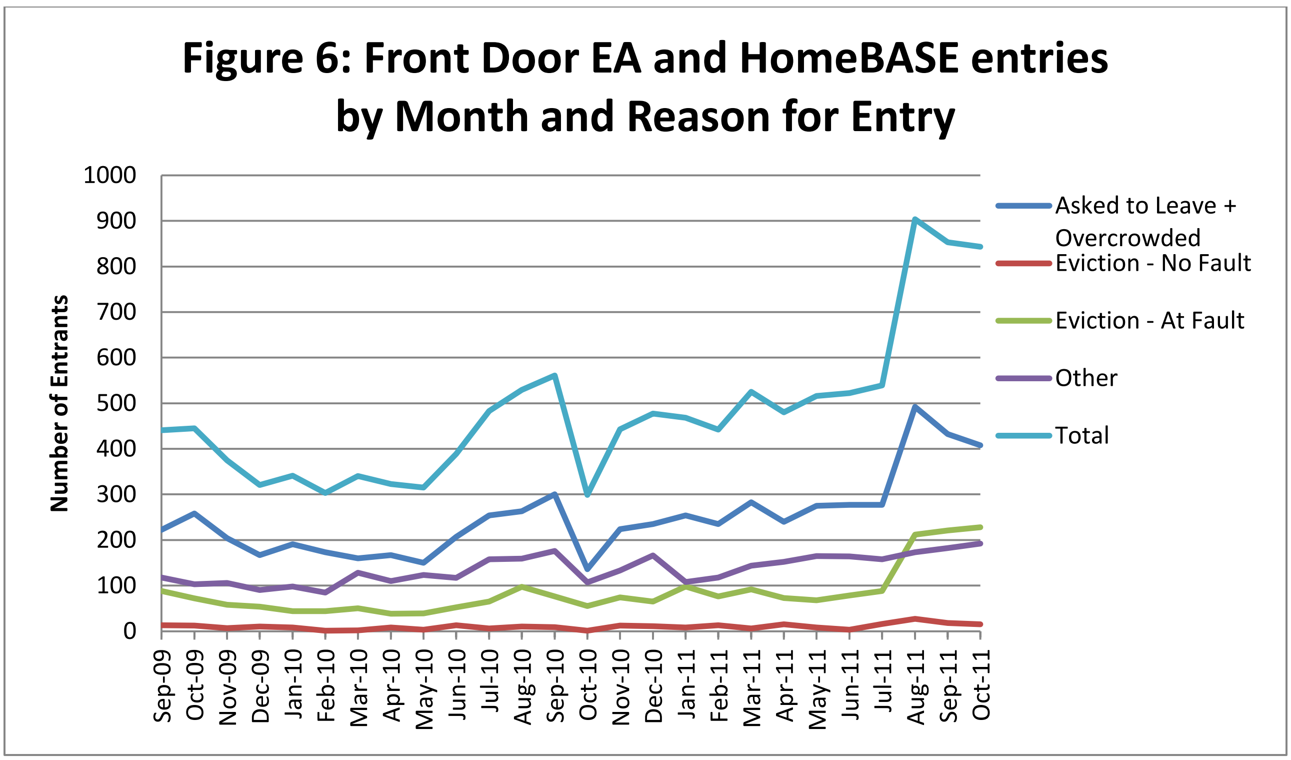


While these estimates are based on the best available data, there is still some uncertainty surrounding their accuracy. There is no consensus on the actual total enrollment in the HomeBASE program between various systems used to track families in HomeBASE during the initial three months of operation. Families were tracked in a variety of partially-overlapping case management systems, all of which provide different estimates as to total volume. We tried to reconcile these numbers as best as possible, and when in doubt used the highest number to show the "worst case" scenario. It is also difficult to assess total costs for the three months of HomeBASE operation, as the regional agencies were not made whole for their full expenditures until February. So while we know the total cost for seven months of the program, four of those months were under the revised scheme with more limited services.

In summary, the biggest source of cost overruns was due to excess volume. There were also misjudgments in per family cost of services, in particular surrounding rental assistance and the average HAP payment. The excess volume, however, led to higher total costs, which is what ultimately broke the budget. This was aggravated by a higher-than-expected demand for temporary accommodation, forcing participants to enter the shelter/hotel system temporarily until they were able to find a rental unit. In the first 3 months alone, over 600 families required temporary accommodation, and about 275 of them ended up being placed in hotels. This not only drove up costs, but ran counter to the mission of HomeBASE by adding to the shelter/hotel population.

To what extent did the program induce additional demand due to the generosity of its benefits?

As discussed in previous sections, the bulk of the increase in volume was due to higher than expected transitions from Flex Funds participants. However, front door volume rose substantially as well. Figure 6 below shows historic entries into the HomeBASE system, broken out by reason for entry.



The spike in August of 2011, the first month of HomeBASE, suggests that the program induced new participants to enroll in the program, however there does appear to be a downward trend in entries through October 2011, the last month of full HomeBASE operation. Combined with anecdotal evidence from RAA caseworkers, this suggests that part of the spike was due to pent-up demand, as people in earlier months held off entering the shelter system until August when they could receive HomeBASE. It seems unlikely that volume would return to pre-HomeBASE levels, but it is feasible that new entries could have leveled off at around 750 or 800 per month. This would represent an increase in demand relative to previous periods, suggesting that the HomeBASE program increased demand by about 50%.

What do improved models using updated data suggest would be the actual annual cost of the program?

Using updated models of participant volume and unit costs, the total cost of a full 12 months of HomeBASE could have cost anywhere from 100 million to 135 million dollars. This depends on if we take a high or low view of volume. While volume was high in the first month of the program, new entries began trending downward in September and October. Furthermore, the number of eligible families transitioning from Flex Funds and other state programs would decrease over the course of the year, helping bring caseloads to a more sustainable level.

As discussed earlier, we think that new participants could ultimately level out to about 750 new families a month. Combined with the initial spike in volume, this would give an annual new caseload of about 9600 participants. Assuming the same proportion of rental assistance (92% of cases) to household assistance (8% of cases), the annual cost of HomeBASE would be about $102 million.

Alternatively, if we assume that the volume would not trend downward, and that the first three months of the program were accurate representations of what annual entries would look like, the program becomes more expensive. Over 11,000 families would be forecast to enroll in rental assistance and another 1,500 in household assistance. This would lead to an annualized cost of nearly $135 million.

While these figures are certainly higher than expected, they are lower than the roughly $200 million price tag feared if the program continued to run through funds at the rate of the first three months. Furthermore, both these estimates measure the cost of a full 12 months of HomeBASE, regardless of the fiscal year. The first year of the program is always going to be less expensive, as some participants will not join until late in the fiscal year, only requiring a few months of payments for that fiscal year. By the next fiscal year, however, the program will reach a steady state of new entrants and exits, resulting in a more stable 12-month cost. The original $39 million budget accounted for this first year effect, while the estimates presented here assume steady state costs. This suggests that with meaningful, but not necessarily drastic, changes to incentives and eligibility criteria, the total cost of the HomeBASE program cost could be brought down to more acceptable levels.

Total Cost of Shelter

While the HomeBASE budget substantially exceeded expectations, it is important to consider the cost of the program relative to the entire EA system as a whole. When considering the reductions in the shelter and motel populations possible due to HomeBASE, it is clear that HomeBASE is capable of serving more families at a lower average cost per family served. Furthermore, many of these families are receiving a higher quality benefit in the form of rental assistance than they would have under the original shelter-only system. By changing eligibility criteria and limiting the automatic rollover of Flex Funds families, it may be possible to retain rental assistance for many families without breaking the budget. Restructuring HomeBASE to serve as a shelter exit strategy only could also reduce costs to sustainable levels.

What is the actual cost of the shelter system as a whole? How do the costs of shelter + HomeBASE compare to the costs of a shelter system without HomeBASE?

In FY 2010, the state spent over $135 million on shelter related services. Combined with the Flex Funds initiative, the state spent $150 million on services for families at risk of homelessness. In FY 2011, shelter spending dropped to $132 million, but total spending rose to over $158 million due to extensions to the Flex Funds program. In FY 2012, the year of HomeBASE, the program expected to spend only $136 million for all EA services including HomeBASE and shelter, but in reality the total cost of shelter and HomeBASE combined would have reached almost $200 million if the program had remained unchanged.

State spending on homelessness programs increased from FY 2010 to FY 2011, as did the number of families served. In FY 2011, however, spending on the EA system decreased, despite the increase in families served. This is because a larger proportion of families were placed in motels; shelter beds actually end up costing more than motel units due to the extra services such as mental health counseling provided by shelters. Appendix Table 3 in Appendix I breaks down the individual components of the FY 2010 and FY 2011 EA budgets.

With the introduction of HomeBASE, the total cost of the EA system was supposed to decline. Instead, due to the unexpected increases in per family costs and volume as discussed in the previous section, the total cost for entire EA system rose substantially. Table 7 below shows the total costs of the shelter system, both before and after the introduction of HomeBASE.

Table 7: Total Cost of Entire EA System, pre- and post-HomeBASE

	Original Shelter System (FY 2011)	**Projected Shelter System + HomeBASE (FY 2012)**
Number Served by Shelter	8,710	3,884
Number Served by Hotels	5,434	2,925
Number Served by Rental Assistance	-	11,320
Number Served by Household Assistance	-	1,540
Number Served by FlexFunds	3,488	-
Total Families Served	**17,632**	**19,669**
Average Cost per Family Served	$9005	$9928
Total Cost of Service Provision	**$158,785,000**	**$195,289,000**

Forecasts suggest that if the HomeBASE program had remained unchanged, the total cost for the entire EA system could have risen to nearly $200 million. The number of families placed in shelters and hotels, however, would have dropped markedly compared to previous years, while the total number of families served by the system would have risen by over 11%. While the average cost per family served would have risen under HomeBASE, the quality of services received would have increased as most of these families would have received rental assistance.

How can we reorganize the system to rein in costs to bring spending closer to state targets?

Using updated models of costs and volume, we can estimate the total cost the EA system under different assumptions about how the program is administered. We present four alternatives here, three of which provide different ways to reduce the cost of HomeBASE by limiting eligibility for certain populations without completely eliminating rental assistance. We also provide estimates for the cost of a fourth alternative, in which HomeBASE is used exclusively as a shelter exit strategy.

While all these estimates use the best available data, there is still some uncertainty surrounding the numbers. Since the various data sources do not always agree about the volume, we opted to use the highest estimates of volume and cost to provide a "worst case" scenario. In reality, projected volume may be lower, leading to lower total costs. As the economy recovers over the coming years, volume will likely decline further as well. On the other hand, there are currently an estimated 200,000 families in Massachusetts who could qualify for EA assistance, so it is possible volume could increase even more under some circumstances.

Option 1 looks at the cost of HomeBASE if Flex Funds families were limited to household assistance. As the program currently stands, Flex Funds families automatically transition into HomeBASE without even being reevaluated for EA eligibility. As discussed in previous sections, the surge in Flex Funds transitions was one of the biggest contributors to the cost overruns. Since these families have already received subsidies for several months, it seems reasonable that the state could phase them out of eligibility by transitioning them all over to household assistance instead of rental assistance.

Option 1: Divert Flex Funds to Household Assistance	
Number Served by Shelter	3,884
Number Served by Hotels	2,925
Number Served by Rental Assistance	7,832
Number Served by Household Assistance	5,028
Total Families Served	**19,669**
Total Cost of Service Provision	**$172,467,000**

The table above outlines the projected cost of this system. About 6800 families would continue to be served by the shelter system, including some by hotels. Another 12,000, though, would be served by HomeBASE rental assistance and household assistance benefits. While the price tag is still higher than the current shelter system, it provides a greater number of families with better quality services than the original shelter system.

Option 2 explores diverting all Flex Funds, At-Fault Evictions and Overcrowded families to household assistance. As described earlier, the At-Fault Evictions and Overcrowded families entered the program at much higher rates with the introduction of the rental assistance benefit, and it is possible many of them gave up stable living situations to do so. This system would better target resources by only providing rental assistance to families likely to end up in shelter or on the street but for the benefit.

Option 2: Divert Flex Funds, Asked to Leave and Overcrowded to Household Assistance	
Number Served by Shelter	3,884
Number Served by Hotels	2,925
Number Served by Rental Assistance	4,008
Number Served by Household Assistance	8,852
Total Families Served	**19,669**
Total Cost of Service Provision	**$147,447,129**

The table above shows the breakdown of costs for option 2. This option is expected to serve the same number of families overall as option 1, but does so at a substantially lower cost through the use of household assistance. As a result, the program could serve more families than the original shelter system at a lower total cost. It is possible, however, that this could induce some families to remain in unsustainable living situations until they do have a qualifying reason for receiving rental assistance. Families might also find ways around the restrictions by reporting different reasons for homelessness. In the first months of HomeBASE, there was already some anecdotal evidence of families asking their landlord to evict them so they could qualify for HomeBASE; this sort of behavior could increase if eligibility requirements became stricter.

Option 3 shows the effect of cutting out Flex Funds entirely from HomeBASE eligibility. In the short term, this option may appear unrealistic as it is unclear how many Flex Funds families would re-enter shelter after losing their housing subsidy. However, since there are no new Flex Funds families entering the system, in the long run this option could serve as a model of what HomeBASE could cost once all Flex Funds and other rollover families have passed through the system.

Option 3: HomeBASE without Flex Funds Transitions	
Number Served by Shelter	3,884
Number Served by Hotels	2,925
Number Served by Rental Assistance	7,832
Number Served by Household Assistance	1,540
Total Families Served	**16,181**
Total Cost of Service Provision	**$156,290,000**

The table above shows the costs for option 3. This model serves slightly fewer families that the original shelter system (which includes Flex Funds), but it does so at a lower cost and with better benefits.

Finally, **Option 4** examines the cost of the EA system if HomeBASE were used exclusively as an exit strategy for shelter. Families would be able to exit from shelter with rental assistance, but only in the order in which they entered shelter. This means that for a family to receive rental assistance, they would have to spend several months living in shelter first until the families ahead of them were placed into units. In theory, this would provide enough of a deterrent that only families most in need of assistance would be willing to sacrifice potentially stable housing for an extended stay in shelter.

Modeling the total cost of this system is more difficult. It is hard to predict volume, as families would enter at a rate somewhere between the original shelter volume and the

HomeBASE volume. It is also harder to predict participant costs, as the average length of stay in shelter would likely decrease, bringing down the average cost per shelter resident. As a result, it is possible these numbers could increase or decrease based on the actual situation at the time of implementation, but these numbers should serve as rough upper and lower bounds of total costs.

Option 4: HomeBASE as a Shelter Exit Strategy			
	600 new entrants per month	700 new entrants per month	800 new entrants per month
Total Families Served	18,740	19,940	21,140
Average Cost per Family	$8,521	$8,719	$8,895
Total Cost	$159,674,000	$173,858,000	$188,042,000

The table above shows the total families served by all facets of the system depending on different assumptions of new entries into the shelter system per month. It assumes that some families will still be diverted with household assistance, and accounts for the existing shelter population. Families would receive rental assistance at the rate at which they were placed during HomeBASE; about 220 a month. Even at high volumes, the program is still close to budget goals, and would be a substantial service upgrade from the original shelter system.

There are some drawbacks to employing this type of strategy. First, if the system were too effective at exiting families from shelter, the deterrent factor would cease to function as a screening mechanism, resulting in ballooning shelter populations. Second, this system would be less able to help families avoid homelessness through prevention services, perhaps missing an opportunity to help families before they become at severe risk. Finally, tying the program to shelter means that HomeBASE rental assistance could be considered as part of the “right to shelter” entitlement, making it more difficult to control costs or limit enrollment.

Recommendations

The recommendations in this study can be grouped into three categories:

- **Targeting strategies** to focus eligibility and ensure benefits reach the right people
- **Incentives strategies** to help make sure the right people are applying
- **Administrative strategies** to help improve the implementation of the program

We will discuss each category separately, but many of the recommendations can be combined to improve the overall performance of HomeBASE.

Targeting strategies:

The state could pursue multiple options to improve the targeting of HomeBASE. At the front door, they could consider implementing a **points based system** similar to the one used in Hennepin County. This would require the state to analyze the risk factors for extended or repeated homeless spells. They could then use this data to screen families, and give those most at risk of chronic homelessness rental assistance. DHCD could pilot this system at a regional office with relative ease.

Policymakers could also adjust the eligibility criteria of the program to better control the volume of families receiving rental assistance. By **limiting Flex Funds, Overcrowded and At-Fault Evictions**, it is possible to contain costs while still providing rental assistance to families with urgent need. Options 1, 2, and 3 in the Total Cost of Shelter section explore the costs associated with these restrictions.

Incentives strategies:

Similar to limiting eligibility, the state could consider enacting changes to HomeBASE that would alter the incentive structure of the program and help ensure that only those most in need of assistance apply. One option is to **use HomeBASE exclusively as a shelter exit strategy**. This would require families to remain in shelter for a period of time before ultimately exiting with rental assistance. The required shelter stay could help dissuade families in more stable living situations from giving up their housing to pursue a state subsidy. While estimates of cost are highly sensitive to assumptions, it is possible this system could bring down costs while improving service relative to the original shelter system.

Alternatively, the state could **eliminate temporary assistance placements** for all but those with immediate need such as natural disaster victims. The TAP units provide families with an added incentive to join HomeBASE, as they allow families to completely bypass the shelter system. They are also expensive to maintain, and could be put to better use as rental assistance units for families.

Administrative Strategies:

While structural changes are required to make HomeBASE financially viable, there are some administrative tactics that could be adopted to help save costs and improve the outcomes of the program. First, the state should **set clear guidelines on who should receive rental assistance versus household assistance**. Based on the findings from a listening tour by One Family, a common complaint from the regional offices was that there was not enough guidance on how household assistance versus rental assistance determinations should be made. Providers were left to determine for themselves who should receive what benefit; since rental assistance was a much more generous benefit, participants were more likely to pressure caseworkers for it. This was further complicated by the fact that household assistance was actually harder to administer, since it required a detailed examination of the needs of a family and how the resources could be used. For everyone involved, rental assistance was a preferred option due to both its generosity and its administrative simplicity.

The state should also **provide the regional agencies with enough staff and full training**. Many of the agencies were overwhelmed by the increase in volume, understandably leading to haphazard tracking processes and long backlogs. This made it difficult for caseworkers to confirm a family's eligibility and create a stabilization plan in a timely manner. High client to caseworker ratios also mean that families might receive less individualized attention, making it less likely that they will become self-sufficient by the end of the program.

Finally, the state should **create a more effective tracking system** to ensure that they have an accurate count at all times of total enrollment in the program. The new Efforts to Outcomes (ETO), system is still being rolled out across the agencies, and has yet to be used to effectively track volume or progress. Once fully online, the ETO system should be able to serve as a centralized tracking system, but many caseworkers still feel uncomfortable with the system as it has a steep learning curve. Trainings or adjustments to make the program more user-friendly could make the system more reliable, and allow DHCD to better oversee HomeBASE operations.

Conclusion and Next Steps for Research

HomeBASE ran over budget due to underestimations of both unit costs and participant volumes. The average HAP payment under rental assistance was almost 30% higher than expected, substantially increasing the actual cost of rental assistance. The HomeBASE program also appeared to induce demand, as there was a dramatic spike in entries compared to previous periods. These new recipients also appeared to be slightly different than previous EA clients, as they were more likely to be white and have a source of earned income. The biggest source of the overrun in volume, however, was due to Flex Fund families, who transitioned at a much higher rate than expected.

We used updated forecasts of costs and volume to estimate the total cost of the shelter system under different assumptions about the population served. We found that limiting the access of Flex Funds families to rental assistance can substantially reduce the cost of a shelter + HomeBASE system, and in some cases even save money relative to the pre-HomeBASE EA system. We also explored the merits of using HomeBASE exclusively as an exit strategy from shelter, and found that it may be possible to generate savings through such a system.

This research focused primarily on the quantitative elements of the HomeBASE program and analysis of expected versus actual volume and cost estimates. While this is helpful to inform policy design and budgeting going forward, there are other aspects of the HomeBASE program that could be explored to gain a broader understanding of the program and opportunities for improvement.

One key opportunity is to look further into the stabilization services provided by the regional agencies. The Stabilization Plan for HomeBASE set forth five categories to measure progress toward self-sufficiency: financial literacy, education, job skills, housing search/resume, and children's well being. These categories were intended to be incorporated into a stabilization plan that would guide the monthly case management meetings required by the program. Due to a number of factors including large case ratios, higher than expected volume, and insufficient data systems, there is little known about the effectiveness of the stabilization services. It would be beneficial to examine prior stabilization services from other State programs to determine their effectiveness in achieving self-sufficiency and incorporating that research into future programs. This will help ensure that HomeBASE is not only cost effective, but also helps families move toward permanent, stable housing.

Appendix I

Table 1: Contracted Costs for a Rental Assistance Customer

Item:	Amount:
Admin Fee	$45 per family per month
HAP Payment	$624 per family per month (on average across sites)
Temporary Accommodation (if necessary)	$1977 per unit per month
Front Door Assessment	$31 per new HB family
HB Assessment	$40 per new HB family
Housing Search	$109 per family
RA Stabilization plan	$47.75 per family per month
Staffing Overhead	$13 per family per month
Total Cost for RA	**$907** per family for first month, about **$729** for subsequent months, yielding annualized cost of **$8,926**

Table 2: Contracted Costs for a Household Assistance Customer, based on HAP, Inc. Contract

Item:	Amount:
Admin Fee	$11.25 per family per month (on average)
Household Assistance Benefit	$250 per family per month (on average)
Front Door Assessment	$31 per new HB family
HomeBASE Assessment	$40 per new HB family
Stabilization plan	$36 per family per month
Staffing Overhead	$8.50 per family per month
Total Cost for RA	**$374** per family for first month, about **$296** for subsequent months, yielding annualized cost of **$3,630**

Table 3: Prior EA Budgets, FY2010 and FY2011

	FY 2010	FY 2011
Motels/Hotels	$28,863	$29,109
Emergency Assistance/ Temporary Shelter	86,003	83,362
Housing Stabilization	14,736	8,066
Diversion/ Rapid Rehousing	0	4,996
Substance Abuse Services	2,882	2,382
Other DPH/DHCD Services	3,646	4,141
EA Family System Costs	**$136,130**	**$132,056**
Flex Funds	13,985	20,014
Flex Funds Extensions	-	6,709
Total Flex Funds	$13,985	$26,723
Total EA Spending	**$150,115**	**$158,779**

Appendix II: Data Sources and Methodology

There were three primary data sources used in this evaluation:

- **Daily Tally Spreadsheet:** At the start of HomeBASE, each agency reported to DHCD daily the number of new applicants who came into their office, along with the reason for entry and the type of benefit received. These data were aggregated into a spreadsheet that was updated weekly to provide a count of "front door" entries into the system. This spreadsheet continues to be updated and was used for actual front door volume estimates.
- **Beacon:** The Beacon system contains information on shelter residents, including past placements and demographics such as race, number of children, income, etc. This system was phased out and replaced by ETO after October of 2011, but it contains comparable data for both shelter participants and HomeBASE participants. This database was used to compare the demographics of shelter and HomeBASE participants.
- **Tracker:** This database tracks all payments made on behalf of a client. This data was used to calculate the actual average HAP payments and to reconcile volume numbers.

One of the primary challenges of this study was that the various data systems often had conflicting numbers. In some cases, such as with Tracker, this could be due to the fact that a payment might not have been made yet, so a participant would not appear in that system, but there were other cases where it seemed that numbers should be closer. When numbers were substantially different, we tried to uncover the reason for the discrepancy and choose the number that seemed most accurate; if this was not possible, we chose the number that would produce the "worst case" scenario for whatever analysis we were conducting.

To calculate expected volumes in the Total Cost of Shelter section, we used the highest estimates for front door volume during the first three months of the program. This data came from the Daily Tracking Spreadsheet, which suggested that 1958 families entered rental assistance and 385 families entered household assistance in the first three months of HomeBASE. We multiplied this volume by 4 to obtain an annualized new entry volume. To account for Flex Funds, we assumed that 100% of the 3488 Flex Fund families eligible for transition would enter the HomeBASE program. To model expected shelter numbers, we looked at the average daily flow in and out of shelter during the three months in which HomeBASE was in operation. We used this to determine how many families were likely to spend some time in the shelter system.

To calculate unit costs for service provision, we used updated numbers based on the contracted rates. In particular, we updated the average HAP payment for rental assistance to create a more accurate unit cost. To calculate total cost for 12 months of HomeBASE, we then multiplied each category's expected volume by its expected unit cost and summed the totals.

One limitation to this strategy is that it assumes shelter costs are completely variable. In reality, this may not be true; since the number of shelter beds remains roughly fixed, regardless of how many people pass through the system, it is possible that the costs of shelter might not be able to be reduced by serving one fewer marginal family.

If we assume shelter costs are at least partially fixed, and that about $80 million will be required to pay for shelter capacity regardless of volume, then the estimates of total cost rise substantially. Option 1 in the Total Cost of Shelter section would cost closer to $215 million instead of the $172 million projected.

There are two reasons why this may not be a major concern. First, the state recontracts with shelters on a monthly basis currently, so it is possible they could reduce the number of beds to account for real demand, making shelter costs more variable. Second, the model assumes every person served by shelter costs about $12,000 on average if costs are fully variable. Since some families pass through shelter very quickly, it is likely this is a vast overestimation for many families. It seems likely alternative contracts could be created to pay some fixed amount per family served by shelter, as opposed to contracting out a specific number of shelter beds. This would convert shelter costs into fully volume-dependent costs.