Human Resources Administration
Department of Homeless Services

Department of Social Services

Testimony of Steven Banks, Commissioner
Department of Social Services

Before the New York City Council General Welfare and Contracts Committees
Oversight: Model Budget

June 21, 2018

Good morning Chairpersons Levin and Brannan, and members of the General Welfare and Contracts Committees. My name is Steven Banks and I am the Commissioner of the New York City Department of Social Services (DSS). In this capacity, I oversee the Human Resources Administration (HRA) and the Department of Homeless Services (DHS). Joining me today is DSS Chief Program Planning and Financial Management Officer Ellen Levine.

Thank you for inviting me to appear before you today to discuss one of the critical reforms adopted following the comprehensive 90-day review of the delivery of homeless services: rate rationalization for homeless shelter services in order to ensure that shelter providers are resourced to be true partners with us in making reforms to improve homeless services. As we developed the funding parameters for the specific components of the services that our partners provide, a model evolved: hence the term "Model Budget."

DHS has invested more than a quarter of a billion dollars annually in our not-for-profit shelter providers to address decades of disinvestment and to modernize the outdated rates they had been paid for too long. This has been done to ensure they are able to deliver the high-quality services homeless New Yorkers deserve as they get back on their feet.

The challenge of homelessness did not occur overnight and it won't be solved overnight. Following a 90-day review of homeless services in 2016, we developed, and are currently implementing, comprehensive reforms to transform the City's approach to providing homeless services and shelter.

The review was guided by these goals: providing quality services to vulnerable clients, efficient use of City resources, and achieving cost effectiveness by avoiding duplication. The review resulted in 46 reforms that built on the initiatives that the Administration had already started to undertake in order to prevent and alleviate homelessness. This included reinstating comprehensive rental assistance programs, allocating historic funding for civil legal services for tenants, and a bold commitment to the preservation and creation of what is now 300,000 units of affordable housing.

With the exponential increase in the shelter population, including a 115 percent increase from 1994 to 2014, it had become increasingly difficult for DHS to adequately oversee and monitor providers, ensure safe, clean, and secure conditions, and provide necessary services to clients. As such, we began our work to enhance shelter services immediately, which has resulted in the following:

- A shelter repair scorecard to track improvements in shelter conditions that is posted on the Mayor's Office of Operations website each month;
- An enhanced shelter repair program that has remediated 12,000 violations in shelters and reduced shelter violations by 84 percent — with many of the remaining conditions requiring capital repairs that are being funded — through nearly 34,000 inspections in 2016 and 2017, and another 5,333 inspections through April of this fiscal year;
- Enhanced social services programs within shelters, including restoring HRA domestic violence services at DHS shelters that had been eliminated in 2010; and
- Augmented shelter security with the New York City Police Department (NYPD) now overseeing shelter security, including implementation of 200 hours of enhanced training developed by the NYPD for all new and in-service DHS Peace Officers, and the creation of a new DHS Peace Officers tactical training facility at the Bedford Atlantic Men's Assessment Shelter.

Our *Turning the Tide on Homelessness* plan, announced last year, puts people and communities first. The plan has four core pillars: preventing homelessness in the first place whenever we can; bringing people in from the streets 24/7; rehousing people who become homeless; and transforming the haphazard approach to providing shelter and services that has been used over the past nearly four decades.

Specifically with respect to shelters, through *Turning the Tide,* we will shrink the footprint of the DHS shelter system by 45 percent by ending the use of decades-old stopgap measures at 360 shelter locations, like cluster shelter sites that began to be used in the Giuliani Administration and commercial hotel rooms that have been used on and off since the 1960s. Instead, we plan to open an ultimately smaller number of 90 new, high-quality, borough-based shelters to help families and individuals stay connected to the anchors of life—such as schools, jobs, health care, families and houses of worship—as they get back on their feet. The process of opening these shelters will involve community engagement and we have committed to notifying communities no less than 30 days prior to the siting of any shelter.

While we have much work to do to address the decades-old challenge of homelessness, through implementation of the four pillars of our plan, we are moving in the right direction as evidenced by these results so far:

- The DHS shelter census for 2017 remained roughly flat compared to 2016 – this is the first time in more than a decade that the DHS census has remained level.
- We've gotten out of 100 shelter locations bringing our shelter footprint from the 647 buildings we reported in the Turning the Tide plan a year ago to our current use of 547 buildings – a 16 percent reduction in one year.
    - Including reducing the use of clusters by nearly 50 percent, by ending the use of nearly 1,700 cluster units in this 18-year program.
    - And siting 20 new borough-based shelters, with 13 already operating.

- Evictions by Marshals have dropped by 27 percent and more than 70,000 New Yorkers have been able to stay in their homes – while we expanded tenant legal services and rent arrears payments.
- We have helped 1,815 people come in from the streets and get access to transitional programs or permanent housing. Today, these 1,815 individuals remain off the streets.
- We have created and are implementing rental assistance programs and restoring Section 8 and New York City Housing Authority priorities which though March 2018, which have helped 87,300 children and adults move out of, or avert entry into, shelter.

It is the fourth pillar of our plan that will be the focus of my testimony today: transforming the haphazard approach to providing shelter and services that has built up over nearly four decades as New York City's response to the Right to Shelter court orders.

In order to address underinvestment in maintenance, security, and services, the City's 90-Day Review reforms include a commitment to rationalizing shelter provider rates for contracted sites. Beginning in April of 2016, following the adoption of the recommendations from the 90-Day Review, DHS worked with various stakeholders, including representatives from the shelter provider community and oversight agencies, to develop a set of parameters and guidelines – this became the "model". In 2017, an audit by the State Comptroller's Office included a note commending DHS for developing the model budget tool.

The model budget exercise uses a set of templates to assist in evaluating all aspects of the provision of shelter (maintenance, staffing, client services, etc.), that are specific to shelter capacity and shelter type to determine a facility's appropriate annual budget. Aligned with our move away from the previous one-size-fits all approach, the model accounts for different populations: Families with Children, Adult Families, and Single Adult Shelter; various Single Adult shelter types including Mental Health, Substance Use, Employment, Assessment, and General Population; and the relative size of a shelter – providing staffing and funding for services based on each of these elements, crosschecked with the site's specific capacity and line item costs, which produces an overall per diem and annual budget. The models reflect ongoing priorities identified by the Department and the State Office of Temporary and Disability Assistance (OTDA) regarding shelter repairs, and are reflective of State requirements contained within the New York Codes, Rules and Regulations (NYCRR) Part 900 and Part 491, as well as City regulations and statutes, as appropriate.

The model covers both personnel costs (PS) and "other than personnel" costs (OTPS). The model uses the site's capacity to produce an overall site per diem (the daily rate per household or individual) that is translated to an annual budget. The per-diem is built from various components of the model, which standardizes rates to provide consistent and sustained support for quality services. These rates are calibrated for shelter size and include maintenance, client supplies, food, transportation, and shelter administration. Another component of the model is the establishment of staff-to-client ratios for direct service staff (e.g. caseworkers, supervisors, housing specialists, social workers, peer specialists, recreation staff and residential aides) across all contracted shelter providers along with the funding, so that providers can meet and maintain these ratios for their individual shelter capacity.

Indeed, the models are flexible enough that, with proper justification, providers are able to adjust specific line items ensuring the budget meets all necessary requirements and appropriately reflects the unique operation of that particular shelter. That said, a site's budget cannot go above the total model per diem and generally may not exceed the bottom line within a category.

While other components of the shelter budget are not subject to the same parameters because they are unique to each site, they are part of the model in the sense that they are part of each provider's budget and are based on impartial, documented standards.

The key shelter costs unique to each site include rent, utilities, insurance, and security. Appropriate rent values are determined by analyzing a number of factors including, but not limited to: the Housing and Urban Development (HUD) small-market Fair Market Rent (FMR), comparable sales in the neighborhood, comparable price per square foot in the neighborhood, current published unit rental rates in the neighborhood, current use of the building, rehabilitation costs, average per-diem for comparable shelter (capacity and population), and capacity needs. Rates for utilities and insurance are based on documented actual costs. Security levels are determined in consultation with the NYPD and take into account factors such as access control, vertical shifts, and lines of sight.

Another component of the model budget is a new, unprecedented way of addressing approved one-time new needs. An example of this would be a one-time cost to replace a boiler that could not be accommodated within the regular maintenance and repair budget. The new contracts establish a separate budget line for each site that allows providers to access DHS's system-wide repair fund after the new need approval process without requiring an additional contract amendment.

In the current exercise with our shelter providers to make the contract adjustments for the model, funding for rent, utilities, insurance, and security is included in individual providers' contract amendments to the extent that funding is required to bring them to the standard or required levels. The FY18 - FY 20 cost-of-living (COLA) and minimum wage adjustments and the increase in the citywide not-for-profit indirect cost rate are also included in these amendments.

Beginning with funding added in the FY 17 Executive Budget Plan, we have dedicated unprecedented resources to reform the rates as well as develop the structure to provide standard and equitable funding to not-for-profit social service providers to deliver the services our homeless clients rely on as they get back on their feet. This includes deploying social workers in family shelters as part of the First Lady's NYC Thrive initiative, as well as increasing funding for providers for shelter maintenance and repairs. This $236 million investment in our not-for-profit sector will result in better facilities and services for our clients, and is in addition to the $163 million we spend annually for health and mental health services across the system.

In July 2017, DHS began using a template for the model budget to phase in the rate reform for existing shelter providers through a process that includes individual negotiations with providers, a budget amendment process, and individual budget approval by OTDA. The model budget has been used for providers proposing new shelter sites as well.

DHS developed "quartiles" to manage the workload, with providers with budgets furthest below the model in the first quartile. All contracts within an individual provider's portfolio are being negotiated and processed at the same time to avoid duplicative work for the providers. There are 46 providers and 139 sites that are in the model budget and amendment process now. This does not include new sites or contracts that previously were adjusted for the model because they were in a contract negotiation phase at the time the model process began. These contracts are already within the model.

Once providers have submitted a budget proposal using the standard template, the DHS Shelter Program Budget Office compares the proposed budgets to the model and then negotiates along with DHS program staff using this tool. This is a process that is completed in close consultation and partnership with each provider. The process then continues with recommendations for the budget changes going to the DSS Finance Office and the NYC Office of Management and Budget (OMB) for approval. After the approvals are in place, the contract moves into the amendment phase, which includes legal and procedural checks, culminating in registration with the Comptroller's office.

Before today's hearing, we sampled the contracts that have been approved and we want to give you a sense of "where the money goes". Out of our sample, 18 percent of the new funding is for direct care services including case workers, housing specialists and counseling; 14 percent is for maintenance; 11 percent for indirect cost increases; and 30 percent for security. On average, the sites in the lowest quartile that have approved budgets are receiving nearly $1 million in annual increases, not including the FY 18 COLA.

We've also worked closely with our not-for-profit partners to update performance evaluation so that, together, we can raise the bar for the supports that we provide to homeless New Yorkers at all of our shelter locations citywide. We look forward to continuing that collaboration as we proceed with the implementation of our new performance management approach. The new shelter performance approach includes an important management evaluation process to help both the agency and our providers measure some of the most critical indicators that tell us if our investments are paying off. We could not necessarily expect previously under-resourced providers to immediately meet the standards but the model budget is intended to make sure that our investments and our expectations are aligned. Similar to the model budget process, we held meetings with representatives of not-for-profit agencies, incorporated their feedback, and we are now excited to be rolling out a new approach that will help our providers manage towards our common goals..

We have heard positive feedback from many of our providers. They tell us that they want to have access to information to manage and improve their services. The challenge of homelessness didn't occur overnight and it won't be solved overnight, but our City's comprehensive strategies are taking hold and we are committed to continually finding ways to do better for the New Yorkers we serve.

After the work that we did to develop this shelter provider budget model for what are arguably the most complicated contracts that we manage between the two agencies (DHS and HRA) and DSS, we turned our attention to Adult Protective Services (APS). APS has contracts for protective services and for community guardian programs and funding was added in the FY 18 Adopted Budget for HRA to improve staff retention and provide parity with other similar service programs, such as the case management program at the Department for the Aging.

For adult protective and community guardian programs serving New York City's most vulnerable adults, including clients facing abuse, neglect, or exploitation, unstable staff retention has had an impact on implementing and monitoring essential services. Some of these services are emergency, health-related, or life-saving. When staff members leave a position, caseloads increase for other workers, until vacancies can be filled, creating a cycle of overtaxed workers looking for relief, as well as potential gaps in services or coverage. The funding increase is intended to address these issues and thus improve client functioning as the relationship between case manager and client may be an important factor in maintaining clients in the community, reducing risk of institutional care and/or related outcomes such as length of stay as well as emergency room visits.

HRA and the APS contractors negotiated the individual amendment values over the course of FY18; all budgets have been finalized and approved, including indirect rate adjustments, and are in the process of being amended and submitted to the Comptroller for registration.

At the core of these budget reforms for our DHS and HRA providers we are maximizing a client-centered and cost-effective prevention-first focus to avert homelessness whenever possible and to transform the City's approach to services. While we still have much work to do, we are continuing to make progress in addressing the cumulative impact of years of underinvestment.

Thank you again for this opportunity to testify and I welcome your questions.

The model budget enhancements included the following:

- funding to reduce the supervisor to case planner ratio to 1:4 across all programs;
- funding to hire case or parent aides at a salary of up to $36,000;
- funding to hire one designated quality assurance staff person at a salary of up to $58,000; and
- funding for salary increases.

V. ISSUES & CONCERNS

While it seems that ACS's multi-staged model budget process has improved processing times for payments to many of its contractors, the same does not appear to be true for several other agencies participating in model budgeting. Contractors from across the human services sector continue to lament the late payments and lack of engagement with them in the model budgeting process.[30] Contractors complain about ongoing operational deficits from delayed or non-existent payments from city agencies,[31] with agencies in some cases submitting over 90% of their contract payments late.[32]

Additionally, where these agencies have engaged human services contractors in model budgeting to date, there has been poor direction from agency staff as to how to respond to model budgeting template feedback forms.[33] Human Services providers complain that without guidance on what templates need to be changed and what options are available, the process of developing the model budget can drag on indefinitely.[34] In the meantime these providers are faced with boilerplate language from prior contracts when it comes time to renew, and model budgets get

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[30] Human Services Council, "NYC Comptroller Affirms HSC's Long Held Position" (June 22, 2017) https://humanservicescouncil.wordpress.com/2017/06/22/nyc-comptroller-affirms-hscs-long-held-position
[31] *Id.*
[32] Human Services Council, "Following Stringer Report, De Blasio Calls On Agencies to Fix Contract Backlog" (May 31, 2018) https://humanservicescouncil.org/wp-content/uploads/NewsArticles/Following-Stringer-report-De-Blasio-calls-on-agencies-to-fix-contract-backlog-5-31-18-Politico.pdf
[33] *Id.*
[34] *Id.*

delayed even longer.[35] While this may not present an insurmountable problem on its own, the agencies have begun including any COLA increases along with the proposed model budget increases, which means that as long as the model budget is delayed, the COLAs for contractor staff and operations will be further delayed from reaching those providers.[36]

When taken together, these issues highlight many of the ongoing logistical problems impacting the solvency of Human Services providers, and how the model budget process may be creating additional problems for the organizations providing these critical social services.

VI. CONCLUSION

At today's hearing, the Committees seek to explore the reasons for the City's inability to meet its contractual obligations to Human Services providers, how the City plans to resolve a myriad of issues that providers face while struggling to manage their budgets, and to learn from best practices demonstrated in ACS's model budgeting process in order to set a standard across all City model budget contracts. The Committees look forward to discussing these issues with the Administration and human services advocates, and hope to glean some solutions to improving the experience of contractors in the human services sector.

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[35] *Id.*
[36] *Id.*

Shelter Model Budget Overview

Steven Banks, Commissioner

June 21, 2018

NYC Department of Social Services
Human Resources Administration
Department of Homeless Services

The Shelter Model Budget Tool is Unique to Shelter Type & Size

Shelter Types
Families With Children
Adult Families
Single Adult – General Population
Single Adult – Mental Health
Single Adult – Substance Use
Single Adult – Employment
Single Adult – Assessment

Shelter Size
0-49 Units
50-99 Units
100-149 Units
150+ Units

The Shelter Model Budget Tool Allocates Funding by Category

- The shelter per diem/daily rate (which rolls up into the annual budget) is divided into multiple categories.
- Categories include staff costs, like administrative and direct care, and other costs, like client supplies and maintenance.
- Rates for specific categories are calculated in one of three ways:
  - Staff/case ratios
  - Shelter size
  - Case-by-case assessment

The Shelter Model Budget Tool Allocates Funding by Category

Rates for specific categories are calculated in one of three ways:

Staff/ case ratios
Direct Care Staff: social workers, peer specialists, CASACs, employment specialists
Social Service Staff: case managers, housing specialists
Operations Staff: residential aides, shift supervisors
Recreation staff

Shelter size
Administrative staff
Client Supplies
Maintenance
Transportation

Case-by-case assessment and/or documentation
Kitchen/food
Professional costs (ex. Medical and IT contracts)
Security: based on individual assessment by NYPD
Rent, utilities & insurance (based on documentation)

Implementing the Shelter Model Budget

- DHS is using the Model Budget to amend contracts for existing contracted shelters and to negotiate budgets for new contracted shelters.
- To determine new rates for existing contracted shelters, the following process is used:
  1. DHS sends the provider the appropriate model budget template(s) for their specific shelter(s) type and size
  2. DHS and the provider negotiate to align the provider's shelter budget(s) with the model parameters: **this requires multiple meetings and communications**
  3. Once negotiations are complete and the amendment value has been approved by OMB, **the amendments are processed and submitted to the Comptroller for registration**

Sample Template
Families with Children Shelter: Capacity 216

Shelter Capacity: 216	Initial Budget	Model Budget	Revised Budget w/ Rate Reform	Variance (Initial vs. Revised
Total Per Diem	**$ 108.66**		**$ 128.35**	**$ 19.69**
Services Per Diem	**$ 51.58**		**$ 71.27**	**$ 19.69**
PS Costs (Staff)	**Per Diem**	**Per Diem**	**Per Diem**	**Per Diem**
Administration	$ 4.72	$ 4.28	$ 6.40	$ 1.69
Social Service/Direct Care	$ 10.26	$ 17.94	$ 16.31	$ 6.05
Recreation	$ 2.42	$ 1.14	$ 2.80	$ 0.38
Fringe	*$ 8.93*	*n/a*	*$ 12.23*	*$ 3.30*
Subtotal PS Costs	**$ 26.33**		**$ 37.75**	**$ 11.42**
OTPS	**Per Diem**		**Per Diem**	**Per Diem**
Utilities	$ 8.09	case-by-case	$ 8.09	$ -
Insurance	$ 1.56	case-by-case	$ 1.56	$ -
Client Supplies/Furniture	$ 2.30	$ 4.00	$ 2.30	$ -
Office Equipment	$ 0.39	$ 1.00	$ 1.13	$ 0.74
Professional Costs	$ 0.30	case-by-case	$ 0.26	$ (0.04)
Maintenance/Repairs	$ 7.38	$ 23.11	$ 13.16	$ 5.78
Transportation	$ 0.17	$ 1.00	$ 0.27	$ 0.09
Security (staff+contracts)	$ 11.18	case-by-case	$ 12.72	**$ 1.54**
Subtotal OTPS	$ 20.19		$ 26.77	**$ 6.58**
Indirect	*$ 5.06*	*n/a*	*$ 6.76*	**$ 1.69**
Total Budget	**$ 51.58**		**$ 71.27**	**$ 19.69**
Rent	$ 57.08		$ 57.08	$ -

SUMMARY				
Total Budget	$ 4,000,000		$ 5,600,000	$ 1,600,000
Rent	$ 4,500,000		$ 4,500,000	$ -

Administration for Children's Services

The New York City Council,
Committee on General Welfare
Committee on Contracts
June 21, 2018

"Oversight – Model Budget for Human Services Contractors"

Testimony by
New York City Administration for Children's Services
David A. Hansell, Commissioner

Good afternoon Chair Levin, Chair Brannan, and members of the Committees on General Welfare and Contracts. I am David Hansell, Commissioner of the New York City Administration for Children's Services. With me are Dr. Jacqueline Martin, Deputy Commissioner for the Division of Prevention Services (DPS), and Kailey Burger, Assistant Commissioner for Community Based Strategies. Thank you for the opportunity to speak with you about ACS's model budget process for our contracted prevention services providers. Generous investments in prevention services by the de Blasio Administration and by the City Council have allowed ACS to develop a quality model budget to ensure providers can implement the best possible service models to support families and that they are appropriately compensated for doing so, and I look forward to updating you on our collaborative process.

Before I discuss our model budget process, I would first like to address two matters that have been at the forefront of our thoughts recently, and of the utmost concern for ACS.

First: The tragic death of 5-month-old Raymond Porfil, Jr. in the Bronx earlier this month pains all of us greatly. Our responsibility at ACS is to do everything in our power to protect children—there is no mandate more important. While I am not able to discuss the specifics of this case, I can tell you that we are conducting an in-depth investigation, looking at all aspects of what happened. As part of our continuing reform effort, we look at all of our work critically in order to constantly strengthen both our protective and preventive work. I look forward to discussing with the Council soon any new initiatives that stem from our review of this case. My mandate as Commissioner is to ensure that we are continuing our aggressive reform efforts in order to protect children and support families in New York City, and I am grateful for the Council's partnership in that mission.

Second: Yesterday I accompanied Mayor de Blasio to a center in East Harlem that provides services to children who have been separated from their parents at the border and brought to New York. We met with the leadership and staff of the center, and we observed some of the children who were there. We've all been horrified by the Federal government's separation policy, and were stunned to learn yesterday how many of the children are here in NYC. These are federal programs that are not under ACS's jurisdiction, but we are concerned about the safety and wellbeing of all children in New York City. The staff at Cayuga described the depth of trauma, mental health, and other issues these children are experiencing. We committed to Cayuga staff that we will provide any support they need to ensure kids are getting what they need.

The impact of the Executive Order is still unclear and there is no definitive indication that these kids will be reunited with their parents, so our concern remains. We've requested access to the other two programs in NYC, and we are working closely with the Mayor's Office of Immigrant Affairs and coordinating with our sister agencies—Department of Health and Mental Hygiene, Department of Education, Health + Hospitals—to ensure that all of this City's resources are brought to bear for the children and families torn apart by this disastrous policy.

I'll now turn to discussing our prevention services work and the model budget we developed over the last year.

ACS Prevention Services

The goal of prevention services is to support NYC families in building skills to manage crises, maintain safety and stability within the home, and strengthen their ability to thrive within the community. A May 2017 assessment by Casey Family Programs, a nationally recognized child welfare organization, found that New York City leads the nation in providing evidence-based and promising practice prevention programs to support families, and cites New York City as "a national leader in investing in the continuum of preventive services and supports."

ACS has steadily increased the availability of prevention programs that are shown to reduce rates of maltreatment and improve overall child and family wellbeing. Over 20,000 families per year receive in-home support, parent coaching, trauma therapy, and other supportive services to help them cope with mental health, domestic violence, substance abuse issues, parenting challenges, and other stresses that can make parenting difficult. Our vision is for every NYC child to have the support of a strong family and a healthy community to help them succeed, and for our system of prevention programs to help provide those supports for families experiencing serious challenges.

ACS could not achieve any of this without the work of our 54 contracted non-profit provider partners– the people who do the work every day. The providers we work with are some of the best in the country, and they deliver high quality services directly to families every day. In creating a model budget, our goal was to engage in a truly collaborative and effective process to ensure our providers have the resources they need to deliver the quality services our NYC families and children deserve.

Historic Investments in Prevention Services

Most of ACS's contracts with prevention agencies have been in place since 2009, with minimal budget increases. By early 2017, many providers were facing critical staff shortages because of inadequate salaries, which reduced capacity and contributed to a service backlog. When I became Commissioner in March of last year, I quickly realized that while our preventive models and providers were outstanding, we needed to take action to shore up the infrastructure of our programs. Recognizing the fiscal challenges facing nonprofits delivering child welfare services, Mayor de Blasio and the Council allocated over $50 million in the FY2017-18 City budget to enhance funding for prevention services contracts to ensure they align with the costs of delivering quality services. ACS acted immediately to provide this additional funding to our prevention agencies in two phases. First, we identified specific areas in which we believed that our preventive providers needed additional resources to meet core programmatic requirements. These included support for additional family conference facilitators, a key component of our model, and enhanced training opportunities, which enabled us to establish baseline training requirements for all of our preventive agency case-handling staff. We also added a Cost of Living Adjustment (COLA) wage increase for provider agency staff.

Secondly, in the City budget for FY 2017-18, ACS received $26 million in increased funding to develop a quality model budget for prevention providers. In summer 2017 ACS began a model contract review process, in close collaboration with a steering committee comprising many of our prevention providers, to assess where additional resources were needed to support high-quality service delivery.

Model Budget Process

ACS worked with providers to identify needs that could be addressed within the constraints of our existing contracts and procurement rules, while pursuing better outcomes for children and families. We commenced this collaborative process with a three-month listening tour in which leadership in the Division of Prevention Services met with providers to learn about their ideas, challenges, and needs to help ensure that the process would result in meaningful solutions for our provider agencies. We then partnered with the Council of Family and Child Caring Agencies (COFCCA), NYC Opportunity, and the NYC Office of Management and Budget, to convene a steering committee with representation from a cross-section of prevention services providers to collectively develop budget enhancements and a process that would meet the needs of our diverse network of providers, and which would also reflect and articulate ACS's own needs. DPS conducted six focus groups, consisting of more than 90 prevention staff of all levels across eight provider agencies, and completed extensive research and data analysis to help inform the resulting enhancements.

The work of the steering committee revealed the most prominent challenges with which our prevention providers were struggling, including staff turnover, high caseloads, service utilization, and a waitlist for service referrals. To target these challenges directly, ACS and the model budget steering committee developed a package of four focused budget enhancements:

1. Stronger Supervision: To provide better management and oversight for provider agency staff, the model budget includes funding to reduce the supervisor-to-case planner staff ratio to 1:4 across all prevention programs, with the goal of decreasing turnover of frontline staff and supervisors, and increasing service utilization over time.
2. Casework Support: The model budget now mandates providers to employ case aides or parent aides, and provides funding for this added position. Case aides and parent aides will provide workload relief by assisting case planners, which will in turn help to reduce staff turnover and increase service utilization.
3. Quality Improvement: We firmly believe that all families should have access to quality services, and we are committed to helping our providers improve and

maintain the high standard of services that have positioned New York City as a national model. To further this work, the model budget includes funding for each provider to hire a designated Quality Assurance (QA)/Quality Improvement (QI) staff person to manage the QA/QI work across the provider's prevention portfolio. This measure will help to improve case practice and supports collaborative quality improvement.

4. Recruitment and Retention: Lastly, the model budget includes funding for much needed salary increases for case planners and supervisors. A more competitive pay scale will help to recruit qualified staff and will encourage experienced staff to remain, thereby improving overall case practice quality. Providers are given three options for implementing the allocated funds: 1) increasing existing base salaries, 2) implementing incremental salary increases to help promote longevity, or 3) instituting wage differentials to help recruit staff with specialized skills or licensure.

ACS announced the model budget components in January of this year. Since then we have been working in close coordination with our providers to amend contracts and implement the enhancements, and we are currently in the final stages of contract amendments. Although it is still too early in the process to discuss outcomes, we are heartened by the positive feedback we have received from our providers so far and look forward to the results yet to come. I must give enormous acknowledgement to the two colleagues with me at the table today, who oversaw the process and established an extraordinary level of partnership with our providers, while simultaneously remaining relentless in keeping the process moving forward. I am also proud of the unprecedented levels of collaboration with providers, COFCCA, and across the divisions of ACS. I would like to thank our non-profit and City agency partners for making this possible. This model budget process is proof that by working together and listening – we can achieve great results.

Closing

Thank you again for the opportunity to discuss ACS's model budget process. We appreciate the Council's advocacy on behalf of our prevention service provider community, and for the role the Council has played in making our model budget a reality. ACS endeavors to maintain our transparent relationship with the City Council and we will continue to seek your guidance and support as we move ahead with our implementation efforts. Thank you again for your time. We are happy to take any questions.

Catholic Charities
Community Services

Providing Help. Creating Hope.

Testimony
New York City Council
Committee on General Welfare and Committee on Contracts
Thursday, June 21, 2018

Submitted by Beatriz Diaz Taveras

Good afternoon Chairman Brannan and Chairman Levin, and good afternoon to the members of the New York City Council's General Welfare and Contracts Committees. I am Beatriz Diaz Taveras, Executive Director of Catholic Charities Community Services, Archdiocese of New York. I am pleased to speak about the work of the federation of Catholic Charities agencies as a contracting agency, provider of social services, and the current challenges we face.

The Catholic Charities of the Archdiocese of New York seeks to uphold the dignity of each person as made in the image of God by serving the basic needs of the poor, troubled, frail and oppressed of all religions. We collaborate with parishes, as well as non-Catholic and Catholic partners, to build a compassionate and just society. Through a network of administered, sponsored, and affiliated agencies, Catholic Charities delivers, coordinates, and advocates for quality human services and programs touching almost every human need.

The Catholic Charities Federation of 90 organizations, from large - over $100 Million to small - under $1 Million, administers about 1,000 City human services contracts with all the major NYC agencies. These contracts are valued at just under $200 Million. The services provided touch more than 150,000 New Yorkers in need.

I would like to address the area of contracting process: procurement, awarding, negotiating, registering, vouchering, and payment.

HHS Accelerator in its first phase has helped to reduce the paperwork burden and consequent delays in the procurement process. But it is essential for all city agencies to use it, most especially the Department of Education (DOE). Additionally, not all contracts flow through Accelerator, such as discretionary contracts. The specific challenges that discretionary grants face cannot be overlooked. The use of Passport as an online platform for Vendex has been a very fine and productive step forward.

For my agency, lags in contract registration are of serious concern. Currently, Catholic Charities Community Services (CCCS) is awaiting the registration of 24 contracts with $2.8 Million in outstanding claims. During the last 6 months, we have already filed over 200 reports to NYC agencies and are waiting to file an additional 140 once the contracts are registered.

We strongly encourage greater uniformity and transparency in the procurement process, and increased capacity by City agencies to track contracts as they move through the registration process. Continuing to allocate the resources and attention necessary to getting to the next phases of Accelerator as soon as possible, is an important necessary focus.

The second area is the adequacy of funding for the delivery of services being contracted for.

Catholic Charities has joined with FPWA and UJA-Federation and other human services providers to create the Human Services Advancement Strategy Group (HSASG), a group of nine membership organizations representing 2,000 human service provider organizations, to work with NYC to secure the programmatic, financial, and operational resources needed to fully cover costs and meet the contractual obligations of provider organizations holding City Health and Human Service (HHS) contracts.

With your help, our sector secured about a 3-4% additional funding of $190 Million in the last budget to help nonprofit provider organizations cover the cost of delivering essential services to New Yorkers in need. A portion of this is needed to deal with raises in salaries as mandated by the increased minimum wage. We thank the City Council and the Mayor for this important investment. But more needs to be done.

While fiscal year 2018 saw an important investment in human services provider organizations that hold City contracts, the fact is that government contracts only cover between 85% and 90% of the real costs of operating these programs, or a deficit in funding of approximately $500 Million on a base of approximately $4.7 Billion.

We continue to face increases in the cost of rents, utilities, telephones, meals for clients, even office supplies. And more importantly, the challenges that the poor and vulnerable in this city face are even more complex, requiring additional time and resources to assist these families and individuals to live their lives with dignity and the basic necessities.

The areas of investment in human service nonprofit operations that need special attention include: real indirect costs, fringe benefits, occupancy, and insurance costs. We continue to advocate for funding parameters that permit up to a 15% indirect rate for all human services contracts, a 10% increase in occupancy and casualty and liability insurance. We are also asking for up to a 37% fringe rate in all human service contracts that coincidently, mirrors the fringe rate used by the City for its own employees.

Thank you again for providing me with this opportunity to testify, and for your partnership on all issues impacting our community.

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New York City Council FY2019 Oversight Hearing:
Model Budgets for Human Services Contractors

New York City Council Committee on Contracts
Honorable Justin Brannan, Chair

Testimony of United Neighborhood Houses
Presented by Kevin Douglas, Co-Director of Policy & Advocacy
June 21st, 2018

United Neighborhood Houses of New York (UNH) is the association of New York City's 39 settlement houses and community centers that collectively benefit over 750,000 New Yorkers annually – from pre-natal care through older adult services – with programs at over 650 sites throughout the city. Our network's older adult services alone reach 70,000 individuals each year, via programs including senior centers, Naturally Occurring Retirement Communities (NORCs), home delivered meals, case management, social adult day care, caregiver supports, friendly visiting, behavioral health, transportation, and homecare.

We appreciate that in the FY2018 budget the Administration baselined a number of investments in older adult services, including $10m to be used by the Department for the Aging (DFTA) to engage in a "model budget" process for its portfolio of senior centers. After many years of DFTA's programs being under-supported by City administrations, these investments represented a meaningful commitment to strengthening our system to provide community based services to older adults. We thank the City Council and Commissioner Corrado for making last year truly the "Year of the Senior" with these investments. However, while providers running senior centers appreciate the modest contract enhancements, there were and remain several challenges with the implementation of senior center model budget. This testimony will explore the primary challenges, including an overall lack of funding, limited transparency and provider engagement, and insufficient flexibility and a piecemeal approach. In addition, this testimony highlights underlying issues with New York City's human services contracting processes at large that also impact on DFTA's senior centers.

Underfunded Process

The term "senior center model budget" implies a budget informed by an understanding and consideration of the elements necessary for operating a quality senior center, as well as reasonable, if not favorable, resources devoted to each component. With a contracted system of nearly 250 senior centers, it was evident that the City's allocation of just $10m to address all aspects of senior center budgets would be insufficient. Again, while this baselined funding was a necessary first step towards acknowledging operating deficiencies, it did not allow DFTA the flexibility to truly address all aspects of senior center operations. The City has committed an additional $10m investment for the senior center model budget process by FY2021, but it is unclear why these additional dollars, so desperately needed now, will potentially not be released for another two years (July 2020). UNH had urged the Administration to allocate the additional $10m in the senior center budget baseline for FY2019, but it was ultimately not included in the Adopted Budget. UNH continues to urge the Administration to make these funds available as soon as possible.

Lack of Transparency, Limited Provider Engagement
For much of FY2018, providers and the umbrella associations like UNH, remained in the dark about DFTA's plans for the creation of the senior center model budget- from their overall approach and philosophy, to their planned mechanisms for input, to their anticipated timeline for action. In fact, it was not until April of this year—10 months into the fiscal year—before DFTA formally communicated to providers how much funding they were eligible for and how they could apply the funds to their budgets. This compares unfavorably to the process undertaken by the Administration for Children Services (ACS). For ACS's preventive services model budget process, roughly 10 focus groups were convened with contracted providers over the course of the year, as well as series of meetings with advocates and policy organizations to receive feedback and modify their plans.

When DFTA finally did release the guidelines for model budget contract amendments, it was not clear—and remains unclear, why each provider received their allocated amount of funding. While in recent months DFTA has described a process whereby providers were grouped into five categories based on average daily participation, with each category of providers assigned target staffing and programing levels, those levels (or rationale) have never been made public. This lack of transparency with their contracted providers and representative groups led to additional problems in the process, including deep dissatisfaction with how DFTA chose to target model budget funds with limited flexibility for providers.

Insufficiency Flexibility, Piecemeal Approach
DFTA determined that the elements of senior center contracts eligible to receive model budget funding would be limited to programming and personnel. This excluded many key senior center expenses, including the cost of purchasing, preparing, and serving congregate meals, occupancy costs, and OTPS budget lines. Further, within the category of personnel, DFTA specifically excluded kitchen staff essential to the preparation and serving of meals to senior center participants. Many providers expressed significant dissatisfaction with the exclusion of these costs, and most notably, the exclusion of kitchen staff from consideration.

It was only after a meeting of advocates with OMB that the City clarified that kitchen staff *could* be included in model budget contract amendments, but this news came after more than half of senior center providers had already submitted their proposed model budget funding to DFTA. In addition, the accompanying language announcing the policy change suggested the bar for securing approval for kitchen staff would be so high that it would perhaps not worth pursuing.

Here is DFTA's clarifying language offered on June 8th:

> *The model budget includes funding for direct staff and programming. Other items outside of these categories, such as food and food related staff, were not included in the model budget. That said, we understand that flexibility is important to providers, and as such, DFTA is accepting and evaluating requests from providers to use their model budget funding for items outside of the designated categories. In these cases, DFTA is expecting that the provider submit a compelling case for why they are making the request. From our perspective, this means there's a specific circumstance in which the request makes sense and is justifiable. Generally, an across-the-board salary increase for food staff is not considered a compelling reason to repurpose model budget funds. In contrast, an example of a compelling case might be a provider who is funded for a certain number of food staff but whose program has significantly grown so more food staff are necessary. Another example might be a provider who has done a significant shift in the way their food service operates, resulting in a need for changes to their staffing structure.*

Essentially DFTA stated that rectifying existing kitchen staff salary deficiencies or remedying understaffed food programs would not be an eligible use of model budget personnel dollars (and would in fact represent a "repurposing,"), with only new/expanded programming elements eligible for consideration. To this point OMB stated the purpose of the senior center model budget was not to address staff salaries, and that those were being addressed through the City's human services COLAs (2% per year for three years—FY2018, FY2019, FY2020). It is unknown to us at this point whether any senior center provider has been able to take advantage of the new/clarified kitchen staff allowance.

The exclusion of food costs from the model budget process was similarly frustrating for providers, particularly since the City has publicly acknowledged on several occasions that the system (both for home delivered and congregate meals) is significantly underfunded and does not reimburse providers the true cost of preparing and serving meals. The City's explanation for this decision is that the congregate meal element of senior centers would be addressed through a separate process at a later date (presumably at the same time as the redesign of the senior center system, contracts for which will not take effect until July of 2021—three years from now).

In short, the City's laudable decision to conduct a senior center model budget process was undermined by delays, lack of communication and discounting many elements of a senior center budget. As a result, what emerged through the process was not a *model budget* for senior centers, but instead targeted contract enhancements for senior centers. These enhancements were certainly welcomed and appreciated by providers, but collectively fell far short of what the phrase "model budget" suggests.

Overall Human Services Contracting Issues
While the senior center model budget process both represented an important first step to infuse additional funding into the senior center portfolio, the City's overall framework for human services contracting contains major flaws that impacted on DFTA's ability to truly create a model budget. These deficiencies are centered around funding (inadequate indirect, fringe, occupancy, and insurance dollars/rates), and process (delays in contract registration leading to cash flow challenges).

As part of the Human Services Strategy Advancement Group (HSASG), UNH recognized and appreciated the historic work of the City Council and Administration in the FY2018 budget to begin to address these issues with the establishment of model budget processes in several City agencies, a commitment to bring indirect rates on contracts to 10% by FY2022, and a 2% COLA per year from FY2018 to FY2020. However, we also understood that these commitments only represented the first step of a necessary course correction in the City's practices for contracting with nonprofit providers to deliver critical human services. For FY2019 we encouraged the City to build on the work of FY2018 by investing an additional $200m to increase the allowable indirect and fringe rates on contracts to 15% and 37%, respectively, which track closer to the true costs incurred by providers. In addition, the investment would have allowed for a 10% increase in both occupancy costs and insurance (casualty + liability) costs. Unfortunately, the FY2019 budget did not contain any of these additional commitments or funding.

UNH applauds the Administration for its significant investments in human services contracts and for committing to model budget processes across several City agencies. We however believe that the total value of investment in the DFTA senior center model budget process did not allow for a true vision of a model budget. Even so, we had wished that DFTA would have worked more closely with providers to understand their greatest needs and design ways to maximize the available funding. Moving forward, UNH strongly encourages the Administration to fast-track the additional $10m in model budget funding and for DFTA to work more collaboratively with providers to establish a plan to flexibility enhance senior center budgets. Finally, UNH also urges the City to ensure DFTA has the staffing capacity to manage on a timely basis, the significant volume of work associated with hundreds of contract amendments.

Thank you for the opportunity to testify and I would be happy to take any questions now or via email (kdouglas@unhny.org).

FPWA

Fulfilling the promise of opportunity

TESTIMONY
of
FPWA

Before the
New York City Council Committee on Aging

Senior Center Model Budgets Oversight Hearing

June 21, 2018

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Introduction

My name is Emily Miles and I am the Chief Program and Policy Officer at FPWA, an anti-poverty policy and advocacy nonprofit with a membership network of about 170 human services and faith-based organizations. Thank you, Chairpersons Bannon and Levin, and the members of the General Welfare and Contracts Committees for the opportunity to testify here today.

FPWA is an anti-poverty policy and advocacy organization committed to economic opportunity and upward mobility. A prominent New York presence for nearly 100 years, FPWA has long served New York City's social service system, providing support grants to help low-income groups meet basic needs while advocating for fair public policies on behalf of people in need and the agencies that serve them. FPWA's member network of 170 human-service and faith-based organizations reaches some 1.5 million people a year.

Background and Need

In the FY18 budget, the de Blasio administration invested $300 million in the human services sector through investments in a cost of living adjustment (COLA), increasing indirect rates, and the creation of a model budget process. These model budgets were to initially focus on four program areas, including preventive services, senior centers, services for runaway and homeless youth, and adult protective services.

Over the past year, the model budget process has been underway, and while progress has been made in several of the targeted programs, one of the areas that has been slow to progress is the senior center model budget. FPWA is still concerned about delays in the process, a lack of transparency, and a model budget that still leaves many centers with large funding gaps, especially for meals and operational costs. However, we are pleased that the administration has heard our concerns, recognizes the challenges human services organizations are facing, and is planning to meet with advocates and providers to work toward solutions.

Senior Center Model Budget Process

Despite a lack of resources, most senior centers do much more than offer the proverbial game of bingo. Senior centers across the five boroughs play a significant role in prolonging the health, well-being, and independence of older New Yorkers by providing opportunities for socialization, nutritious meals, recreation, learning, and access to public benefits.

Mayor de Blasio acknowledged the importance of these community resources last year by committing to the creation of a model budget for senior centers and providing an initial infusion of $10 million to start the process. We thank the administration for taking this critical first step towards making senior centers fully solvent, thereby enabling them to meet the ever-increasing and ever-diversifying needs and interests of older New Yorkers. We're also grateful for the unwavering support of the City Council, especially Chairperson Chin and the members of the Aging Committee, who steadfastly lift up the voices of older New Yorkers.

The result of many months of hard work by DFTA, OMB, and the administration was a model budget that would provide an additional $10 million, distributed across 223 centers, by FY21. The focus of this budget was direct staff and programs. While this funding is an important investment, we are concerned about delays in the process, a lack of transparency, and a model budget that ultimately still leaves most centers with large funding gaps, especially for meals and operational costs. However, we are pleased that the administration has heard our concerns and is planning to meet with advocates to discuss the following issues.

1. **Model Budget Development Process**

The process for developing a model budget for senior centers could have been improved in two important ways: by increasing transparency and being finalized in time to be implemented in FY18, the year for which the initial funding was allocated.

While there is clearly much expertise amongst DFTA staff regarding senior center operations, key stakeholders were not involved in developing this model budget: the providers that operate these centers. As DFTA and OMB created a methodology and considered the goals of the model budget, providers were not consulted or invited to give feedback. Even after the finalized budget was presented and providers were contacted to begin its implementation, DFTA has not provided the details of their methodology. For example, while formulas were developed for different categories of centers, we have not been given the details of those formulas or categories despite multiple requests. We understand that this is in sharp contrast with the model budget process at the Administration for Children's Services (ACS). ACS engaged providers extensively, conducting about ten focus groups to hear firsthand from front line staff and incorporated input from the provider community into their final recommendations. We believe that had providers been a part of the DFTA process, the problems with the budget outlined below could have been avoided.

The timing of this process has also been slow. While the initial $10 million for the model budget was for FY18, it wasn't finalized until the end of February 2018 and providers were not engaged until late March. Today, with the close of FY18 just days away, many senior center contracts have not yet been amended and registered. While we recognize the very hard work of DFTA fiscal staff, and appreciate the flexibility they've shown in the process, we are very concerned about these delays. Implementing this new funding is no small feat, and **we urge the administration to ensure adequate capacity at DFTA to process these amendments promptly**.

Finally, the model budget is currently set to be fully implemented by FY21. However, this prolongs the time that some centers must function without the funding that DFTA has determined is needed for baseline operations. Moreover, it puts those centers at a disadvantage when it comes time for them to compete in the next RFP, set to be released in 2020. Given the chronic underfunding of senior centers, this funding should be implemented immediately. **Therefore, FPWA urges the administration to expedite the implementation of the model budget by allocating the additional $10 million in FY19.**

2. An Incomplete Model Budget

In creating the model budget, DFTA's goals were to right-size contracts in order to provide adequate funding for baseline operations and promote fairness in funding for senior centers.

However, the $20 million allocated for the model budget does not cover the full costs of the services they provide. This is because the funding is focused on "direct staff," and programming. While DFTA identified five major categories of senior center expenditures three of them were dismissed for correction through this process: meals, occupancy, and OTPS.

Senior centers play an important role in reducing food insecurity among older adults—more than half of those who eat at centers report that those meals equate to 50% or more of their daily food intake. This is why meals are a fundamental service that the centers provide. Moreover, they are *required* to provide them. Meal reimbursement rates have not been increased in years, and our rates are 20% below the national average. In addition to rising costs of food, halal, kosher, vegan, gluten-free, low-sodium, and other nutritionally and culturally appropriate meals cost more to provide. A model budget that excludes expenditures for meals is quite simply incomplete.

Even the funding for "direct staff" is incomplete as it does not include kitchen or meal staff. Not only does this mean that senior centers must continue to supplement their budgets to pay their full staffing costs, but it also creates salary parity issues across their staff.

Additionally, in a city where the cost of doing business rises each year, no funding is being provided to help cover the costs of keeping the centers warm in the winter, cool in the summer, and safe and clean all year round. While we understand that these costs can vary widely depending on the facility, they are clearly critical to operating a senior center and should be accounted for in a model budget in some way.

Finally, 38 sites were wholly excluded from the model budget process: centers that were formerly funded by discretionary dollars but have since been baselined (11), former NYCHA centers (4), "social clubs" (17), and other social service programs (6). Centers that were formerly discretionary sites and are now baselined in the DFTA portfolio are subject to the same requirements and standards as those that received funding through the RFP process. While we understand that the "social clubs" and sites that simply offer a few social service programs are not full-fledged senior centers and have very different budgets, they should be evaluated as well in order to determine whether they are also funded at adequate levels.

Therefore, FPWA urges DFTA, OMB, and the administration to reconsider this model budget to include all core expenses. This means additional funding to address the insufficient reimbursement rates for meals, adequate staffing beyond program staff, and including centers that were excluded from this process.

Human Services Sector Investments

As a member of the Human Services Advancement Strategy Group (HSASG), a group of nine membership organizations representing 2,000 human service providers across the city, FPWA supports the following investments to ensure the solvency of nonprofit providers who support older New Yorkers every day:

1. Increased funding in the areas of indirect expenses, fringe benefits, insurance, and occupancy costs—areas that are critical to the fiscal, administrative, and operational integrity of the sector;
2. Trend factor/cost escalation formulas in all new procurements for the duration of the contract; and,
3. The deployment of a team to City agencies tasked with addressing the cycle of delays and cleaning up the backlog in registration and pending amendments for FY18 investments. In the longer term, there should be a tracking system, centralized at MOCS, to better track registration, City agencies should be required to give regular updates to the Deputy Mayors about contract registration, and MOCS should be given the authority to make process changes at City agencies to streamline the process.

The issue of inadequate funding of fringe rates in City contracts is one that deeply impacts our membership. A number of City contracts, particularly at the Department for Homeless Services (DHS), cap fringe rates at arbitrary levels, sometimes as low as 26-28%. These capped fringe rates are a double bind for providers. First, the capped fringe rates are far lower than the standard. The federal government uses a 37% fringe rate, which aligns more closely with actual costs and allows contracted nonprofits to provide quality and affordable benefits to their employees. Capping fringe below this level forces providers to either fill the gap with other funding sources or run a deficit.

Additionally, the wages for human services staff are deflated as a result of the City underpaying contracted staff. Many contracted employees earn much less than City employees with the same qualifications and position. Since fringe is a percentage of an employee's salary, contracted employees are not only receiving less money than their City employed counterparts, their organizations are also allocated fewer resources to fund that employee's benefits. It is nearly impossible for these human services providers to compete with the City in the salary offered for these critical human services positions and to adequately provide benefits at the current allowable fringe rate. This compounds the already pervasive problem of employee turnover, which is as high as 30% in some parts of our sector, as contracted employees find themselves forced to leave nonprofit positions in order to take similar ones with the City that provide fair compensation and benefits to themselves and their families.

FPWA recommends moving to a 37% fringe rate, which would align the City with the federal standard and allow nonprofits better meet the needs of their workforce.

Conclusion

We thank the Contract and General Welfare Committees for the opportunity to testify. We look forward to working closely with you to ensure that all human services organizations receive the support and funding required to meet the needs of our communities.

The Fortune Society
BUILDING PEOPLE, NOT PRISONS

TESTIMONY OF
THE FORTUNE SOCIETY

Committee on Contracts & Committee on General Welfare

RE: <u>Oversight: Model Budget for Human Services Contractors</u>

June 21, 2018

Presented by:
Rob DeLeon
Associate Vice President of Programs

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Good morning. My name is Rob DeLeon and I'm the Associate Vice President of Programs at the Fortune Society (Fortune), one of the nation's leading non-profit organizations serving and advocating for formerly incarcerated individuals. I am here to testify on behalf of Fortune and as a member of the Human Services Council (HSC). For over 50 years, since our founding in 1967, Fortune has provided comprehensive wrap-around reentry services to people with criminal records as well as alternatives to incarceration. We do this through a holistic, one-stop model of service provision that currently features, among other services: education, employment services, housing, licensed substance abuse and mental health treatment, health services, family services, alternatives to incarceration (ATI), discharge planning, case management, benefits enrollment, wellness care navigation, food and nutrition, an extensive referral network, and lifetime aftercare.

Fortune has grown from a small grassroots organization into a non-profit with over 300 employees and a budget of nearly $35 million annually. We are recognized in New York and across the United States by researchers and policy makers as a pioneer in assisting former prisoners reintegrate into society.

In just the past few years, we went from serving approximately 3,000 people per year to now serving over 7,000 people per year. This is clearly a reflection of the increasing need for services among those released from incarceration, and the daunting challenges of surviving in this increasingly complex, competitive, and expensive City.

We have never seen the non-profit community in New York City under this much pressure to achieve results, with such tightening restrictions on government funding, and with the needs of the populations we serve escalating, along with the demands placed upon us to meet those needs. As charitable organizations, we are mission-driven. Fortune exemplifies this mission-driven focus, as we have evolved holistically to meet the needs of the men and women coming through our doors. This commitment to comprehensively addressing the complex needs of people with criminal justice histories and to serving anyone who walks through our doors, regardless of the nature of their criminal record or whether they fit into the ever-narrowing eligibility rules on government contracts, is CORE to Fortune's identity and mission. It is why we have become so effective at what we do and become recognized as one of the nation's preeminent reentry service providers.

Approximately 85% of our total annual revenue comes from 80+ public and private contracts. **This past year, we have experienced some of the *worst delays* in payments on major City government contracts we've ever seen – which has had devastating impacts on our cash flow and has forced us to utilize our line of credit more heavily**. The interest expense we pay to the bank as a result of drawing on our line of credit increased 100% from $50,000 in FY18 to $100,000 in FY19. And, in just the last few months, we are paying an average of $20,000 in interest per month. We came dangerously close to reaching our maximum limit on our line of credit with the bank. If that happened, we would not be able to cover payroll for our staff.

Here are a few examples of some of the worst delays on City government contracts we've experienced:

- **NYC Department of Corrections (DOC) Individualized Corrections Achievement Network (I-CAN) contract:** This is a $4,977,756 contract (term: 1/28/18 – 1/27/19) to provide discharge planning and reentry services to individuals incarcerated on Rikers Island. The contract was executed on 5/8/18. Fortune had to front $1,866,659 in cash to cover expenses for over 4 months. We finally received our first payment last week.

- **City Council / NYC Mayor's Office of Criminal Justice (MOCJ) ATI Initiative contract:** This is a $393,850 contract (term: 7/1/17 – 6/30/18) that supports ATI and reentry services for clients coming through our Centralized Admissions. We actually have 2 years of still unexecuted contracts for the ATI Initiative. While we are greatly appreciative of the City Council's support for the ATI Initiative and its growth over the years, this delay is devastating to our cash flow. Fortune had to front $787,700 in cash to cover expenses going back from 7/1/16 until now, since we cannot get paid until we have an executed contract. Fortune signed both contracts on 1/23/18, but we have not received the executed contract from NYC MOCJ.

- **NYC MOCJ Jails to Jobs contract:** This is a new $2,047,894 contract (term: 1/1/18 – 12/31/18) to provide transitional work to people preparing for release from Rikers Island. The contract was executed and registered on 4/23/18. The first payment was made on 5/11/18. So, compared to the other 2 contracts described above, this one moved faster. However, Fortune still had to front $256,875 in cash to cover the costs of the program from January – May 2018.

- **NYC DOHMH / PHS Transitional Care for People with HIV in City jails contract:** This is a $1,436,644 contract (term: 3/1/18 – 2/28/19) to provide discharge planning and connections to health care for people living with HIV/AIDS upon release from Rikers Island. The contract is still not executed – in fact, we haven't even received the contract yet! Fortune had to front $419,021 in cash to cover the costs of the program from March 2018 through now. Once we finally receive the contract, it will then have to be reviewed, signed, registered, and then executed – which typically takes months. So, we anticipate at least several more months before we can even try to get paid on this contract, and possibly longer. That means we will have to continue fronting more cash to cover the costs of the program and draw more on our line of credit when we don't have enough cash in the bank to cover it.

TOTAL cash fronted by Fortune in 2018 = $3,330,255 as a result of delayed City contracts alone.

Key to our success has always been maximizing the impact of these government grants by leveraging funding from multiple sources to pay our staff and cover our other OTPS and indirect costs. However, in recent years, this has become increasingly difficult and near impossible in many cases, because there are so many restrictions on the use of government funds. In many cases, we must report staff "time and effort" on contracts, meaning that staff covered under those contracts can only serve clients who fit the eligibility criteria for that particular program. It also significantly increases the amount of time that staff must spend on reporting and administrative tasks, reducing their capacity to serve clients.

We're also continuing to see City contracts that restrict client eligibility very narrowly, such as by zip code, age, or specific criminal justice status (e.g. on Probation or recently released). This forces us to become more siloed in our approach, and it also limits our ability to maximize our impact and meet the needs of clients walking through the door. The reality is that the populations we serve are very transient – many are "couch surfing" and might be staying with family or friends in Brooklyn one month, and the next month living in the Bronx. We as an organization should not be restricted in receiving funding to serve them, simply because they do not yet have a stable address or because their place of residence is outside the specific zip codes allowable under the contract.

While we have always worked as hard as we can to effectively manage and maximize our limited resources, City contracts are making it more and more difficult for us to do that. In addition to the challenges outlined above, there is also increased scrutiny on our vendor selection process, where we are now required to solicit at least 3 bids for numerous types of vendor services. **For all of these reasons, it is now more important than ever for nonprofits to be given *increased* flexibility in the use of City funding, rather than face more restrictions and demands with less resources.**

It is also important to note that while the rest of the country is finally waking up to the crisis of mass incarceration – Fortune has been at the forefront in providing serves to thousands of people coming home from prison and jail each year for over 50 years. We also generate substantial government savings through our Alternatives to Incarceration (ATI) program in millions of dollars annually in reduced costs of jail time. We are proud to serve on the NYC Task Force on Behavioral Health & the Criminal Justice System and the NYS Council on Community Re-Entry and Reintegration, and very grateful that both the State and City government have recognized the urgent need to expand reentry programs and services and reduce the numbers of people who enter the criminal justice system. However, the current City contracting process imposes many unnecessary barriers to our success in meeting the complex needs of formerly incarcerated individuals and their families.

The **HSC Report, "New York Nonprofits in the Aftermath of FEGS: A Call to Action"** captures many of the problems faced by nonprofits in New York City in excellent detail.[1] The report emphasizes the fact that government contracts rarely cover operating costs and provide payments late and unpredictably, resulting in cash flow obstacles and chronic underfunding. This is exactly what we're seeing and it's the reason why we need more flexible funding, so we can meet the increasing demands of the people we serve in the most effective and efficient way possible, while continuing to innovate and improve on the work we do.

The nonprofit world in New York City is at great risk right now. We've seen what happened with FEGS, but what we see now is an increasing pattern of government agencies only paying part of the cost of services, expecting us to raise the rest, having very tight restrictions about how we use the funds, increasing the amount of documentation that we need to do, and not being willing to pay infrastructure costs. All this while government agencies often look for more data and more financial reporting. We're seeing a critical period for the social services infrastructure.

I ask the City Council to do whatever you can to push for needed changes to the City contracting process. If not, I am afraid we will see more nonprofits unable to keep their doors open and fewer services available overall to New Yorkers in need, while the crises of poverty, homelessness, and reentry continue to increase.

Thank you for this opportunity to testify today.

Respectfully Submitted,

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[1] http://www.humanservicescouncil.org/Commission/HSCCommissionReport.pdf

Testimony to New York City Council Committee on General Welfare and Committee on Contracts
Provided by Phipps Neighborhoods on June 21st, 2018

Good afternoon Council members. Thank you for the opportunity to testify today. My name is Elizabeth Clay Roy, and I am the Chief of Staff at Phipps Neighborhoods.

Phipps Neighborhoods is a human services provider which serves 11,000 community members per year, primarily in the South Bronx. Our organization helps children, youth and families overcome poverty through high-quality education and career programs, and access to community resources.

Eighty percent (80%) of our $23M budget is comprised of City and State contracts. We have contracts through seven city agencies.

- DOE
- DYCD
- DHS
- DFTA
- DMH
- HRA
- DOP

I'd like to illustrate the severity of the delays in the contract payment process we have experienced for quite some time, specifically in the last fiscal year, and the impact to our organization.

As of this week, we are owed payments from public entities totaling **$3.29M**. These are for services that we have already provided to the community.

The following are just a few examples of the outstanding payments owed to Phipps Neighborhoods:

- Beacon programs at Wings Academy and IS 192: The Department of Youth and Community Development owes us **$655K**
- Multiple Contracts at the Richard R Green Community Schools campus: The Department of Education owes us **$635K**
- Universal Pre-K at Lebanon West Farms: The Department of Education owes us **$240K**

These are not short-term late payments. When we aggregated all contract payments that are over **120 days late**, Phipps Neighborhoods is owed over **$1.6M**.

In fact, many of these payments are tied to contracts that have not even been registered yet. We have **11 unregistered contracts** with the city for services that have already been provided. This includes 4 contracts for services provided during the 2016-2017 school year. We provided the services because we care deeply about the success of Bronx students. None of them get a second shot at sixth grade. But providing services in hopes of getting paid two years later is not a sustainable approach.

Contributing to the delayed payments are multiple vendor review systems. After completing extensive disclosures through the Mayor's Office of Contract Services, and being clear to proceed, payments are then held up until redundant review systems at the agency-level are complete.

Like many human service organizations, these delayed payments have adverse impacts. We have been placed in the difficult position of providing services in spite of late payments which causes budgetary strain since turning away clients and shuttering programs is an not an option we want to consider.

We've had to rely on bridge loans and reserves as a stopgap for cash flow issues that have arisen due to chronically delayed payments. This allows us to pay our hard-working and dedicated staff, and run programming that provides crucial services to our community members.

Like most nonprofits we have been faced with difficult choices. We frequently delay payments to our vendors, many of which are small and medium sized NYC businesses that rely on payments from organizations like ours. Delayed payments impact our relationship with these vendors, and have reduced the range and quality of enrichment offerings we can make to students, young adults and seniors.

As an organization we have a commitment to excellence, holding ourselves to the highest standards in every aspect of our work:

- Of the 4th grade students in Phipps after school programs, 51% saw an increase in their Math test score proficiency and 67% had an increase in ELA test score proficiency.
- Our career readiness programs have a job or education enrollment placement rate of 70% and an employment retention rate of 87%.
- Phipps Neighborhoods shelters have a solid record of successfully placing families in permanent homes and have been recognized by DHS as a Top 10 shelter for strong performance.

The city relies on nonprofits like Phipps Neighborhoods to serve as a critical access point for families in need and springboard for economic mobility. In order to continue to do this work effectively, the chronic delays in the city's contract payments must be reformed and outstanding payments to nonprofits be expedited to alleviate continued budgetary strain.

I want to thank the Committee on General Welfare and Committee on Contracts for holding this hearing and allowing me the opportunity to offer this testimony on the contract payment issues impacting human services providers.

Solutions for Today and Tomorrow
HSU

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Testimony of Catherine Trapani, Executive Director, Homeless Services United, Inc.
Before the NYC Council Committees on General Welfare and Contracts
June 21, 2018

Background

My name is Catherine Trapani, and I am the Executive Director of Homeless Services United (HSU). I would like to express my gratitude to the New York City Council's Committees on General Welfare and Contracts, particularly Chairs Levin and Brannan for calling this hearing today and providing me with the opportunity to testify.

HSU is a coalition of approximately 50 non-profit agencies serving homeless and at-risk adults and families in New York City. HSU provides advocacy, information, and training to member agencies to expand their capacity to deliver high-quality services.

When the right to shelter was first upheld in the City of New York, the City worked to establish a system to provide shelter and care to every person who needed it. By the mid-1990s, the City grew to realize that government couldn't rise to this challenge on their own and began to privatize the shelter system, contracting with nonprofit providers who were mission driven and who has the requisite skills to design effective programs that could properly support the growing homeless population in our City. As the system grew, a competitive application process was created where nonprofits proposed programs that conformed to City and State regulations while explaining their unique approach to combat homelessness. These applications were vetted and subject to hearings and responsibility determinations prior to awards being made based on the approach outlined by the provider and nonprofits were allowed to execute programs. These multiyear contracts were entered into, but there was no plan in place to support programs in the long term. An optimistic reading of the history might suggest that many assumed the first Tier II shelters for families would be transitioned into permanent housing within a few years and there would not be a need to manage and maintain a large shelter system in the long term. Sadly, this was not the case. Contracts did need to be renewed, and extended and more and more capacity has been necessary. Failure to plan for this capacity in advance led to a haphazard system functioning in an emergency/crisis mode with little thought given to how to preserve shelter. Rates for the provision of shelter services have remained stagnant since the system was created over 30 years ago.

A less optimistic view of our history might also note that some of this failure to plan for the preservation of shelter by raising rates of creating a capacity plan was by design: by allowing existing shelters to deteriorate and failing to mindfully plan for new, quality shelter capacity when it was needed, the City actively discouraged families and individuals to enter shelters in a bid to reduce the number of people utilizing shelter without actually having to address their housing needs. Provider requests for additional funds (known as "new needs" requests) to address maintenance and other critical needs went unanswered, attempts to purchase City owned properties and raise capital funding to make necessary improvements were rebuffed and the system and the clients it served continued to suffer.

However one chooses to read the historical record, one thing is clear, the shelter system evolved from one that was designed to entrust nonprofit service providers to meet a critical service need of the most vulnerable New Yorkers to one that was starved for resources and haphazardly expanded to meet an ever growing need. Andrea Elliot's *Invisible Child* series published in the *New York Times* at the end of the Bloomberg administration painstakingly documented the human costs of this disinvestment. During Mayor de Blasio's first years in office, audits and other reports followed documenting poor shelter conditions and other deficiencies. The administration identified key reforms, first in the 90-Day Review of homeless services and later in the Turning the Tide plan to tackle these issues but, from the perspective of HSU member service providers, the biggest obstacle in delivering on those reforms and initiatives was clear: **you cannot deliver quality services if there isn't sufficient funding flowing in the system to support those services.**

It has become routine for contracts to be so short funded that providers run out of many half or two thirds the way into the fiscal year. The stressful work environments and challenging working conditions resulted in staff turnover, ironically resulting in accruals providers have come to rely upon to plug funding gaps. Many providers require numerous modifications to use such accruals to plug such budget holes. Amendments have also become commonplace; the City will add funds on an emergency basis to cover costs that cannot be otherwise met. These practices have resulted in an unusually high number of contract actions and have contributed to chronic delays in contract registration and payments that have resulted in serious cash flow problems. Most providers run deficits, many rely on emergency loans and lines of credit, some have strained relationships with vendors, struggle to cover critical costs like payroll, employee health insurance payments and more. Many have maxed out lines of credit. The interest paid to banks by nonprofit providers to cover their bank loans is estimated to be at least $1.25 million and could be up to $3 million – enough to operate a service rich medium sized shelter for families with children for one year.

In addition to unreimbursed interest, delays in contract registration and payment lags result in significant financial hardship. A recent report by the New York City Comptroller noted that 100% of homeless services were registered retroactively meaning providers were unable to draw down funds on their contract until after work had started in every contracted program for fiscal 17. While the situation has modestly improved since then, delays remain routine. The total cost of these delays in the current fiscal year using the most optimistic estimates is roughly $325,000,000 for the provision of shelter services (services already rendered, but not paid). Because of delays in payments, many providers have had to rely on lines of credit to make ends meet. Some organizations are still awaiting payments from as far back as fiscal year 2015. The books are closed for those tax years and agencies have been forced to post substantial losses - this reflects poorly on the fiscal health of service providers and could impact their credit ratings and ability to secure financing for future projects and program expansions.

Given this history, it should be no surprise that HSU and our member programs were thrilled when we learned that the administration was planning to embark on a process to reform the way rates for shelter were set. The City announced it would undergo a "rate rationalization" process where programs would be reimbursed according to formulas based on the real cost of operating shelter programs and would no longer be subject to wild variations depending on who was able to negotiate an emergency deal with the most favorable terms at some point in history.

The City created what we have come to know as the "model budget" to guide this process and, providers were optimistic that it would align current costs with actual rates, rightsizing decades old contracts to ensure funding levels were sufficient to cover maintenance and operations of an aging shelter portfolio. We were hopeful that the new rates would ensure sufficient funding to fulfill State and Local mandates for staffing and service requirements which hadn't kept pace with wage growth resulting in high turnover and instability in the sector.

The sector enthusiastically supported this effort, hoping that after decades of neglect, the City would support mission driven providers and partner with us to transform the shelter system and restore quality services for homeless New Yorkers Citywide.

To our dismay, instead of undertaking a collaborative "rate rationalization" process that would address the historic lack of escalations in funding and chronic underinvestment, the City approached it as an exercise in micromanaging budgets line by line forcing changes in approach that belie the expertise of providers, continued to underfund documented costs and mandates while only partially addressing the desperate need for increased resources.

"Model Budget" Approach and Parameters

The City held community meetings at the beginning of the "model budget" process to share their vision with the community outlining goals and what would and would not be included in the model. Following this meeting, providers were under the impression that the City would roll out a template for a model budget - that there would be assumptions made with regard to unit costs and/or standard salaries for like positions. Instead, providers have been given little to no direction regarding how to build these "model budgets". The City did not share with providers what bottom line number they were trying to get to overall, or, in any cost category forcing an iterative, labor intensive process where providers were blind as to the City's goals. In most cases, providers first proposed real costs then, when that budget was rejected, they began arbitrarily paring down costs in an effort to conform with City expectations sometimes being told to increase or decrease lines in different ways by different DHS staffers to get to some unknown goal. Had the City created and released term sheets, providers would have been better able to understand the City's parameters and come up with a budget that conformed to those standards on the first round. As a result, each provider is negotiating differing rates and percent increases. Our observations of these disparities seem to be contrary to the notion of a true "model" and while we expect some degree of variation based on a given providers' approach, it remains unclear how rate disparity across providers for similar services will be addressed.

Our understanding of the methodology used as a basis for the negotiations is that the City is determining cost targets for line item expenses based on average rates of pay in the DHS portfolio. Given the historic underfunding of the entire sector, averages are a poor metric of where we should be given that a "model budget" exercise would not be necessary if the average rate of pay was sufficient. A more suitable metric might be to look more broadly beyond the DHS system to determine rates for salaries, fringe, and other metrics that may have more appropriate comparables.

For example, average costs are an imperfect metric for lines like maintenance. There is great variation in the true cost of maintaining a shelter facility depending on the age of the structure, what building materials have been used, the type and age of building systems in place and more. Using only an average per unit/bed cost misses these nuances such that using the DHS formula a building constructed in 2015 with modern materials and green construction is funded at the same rate as a building constructed in 1905 with an oil burning boiler, porous brick facade and aging roof. There is also doesn't appear to be a distinction between properties owned by the City, which historically suffered the most disinvestment, or properties owned and managed by mission driven nonprofits or other entities which have less deferred maintenance.

While most providers anticipate substantial increases in their maintenance lines, and we are grateful for those increases, using a true cost approach to set those rates would be more appropriate and, may allow some providers with more efficient and durable properties to redirect some monies to other areas in the budget that require more resources.

In addition, only looking at average cost line by line misses the opportunity to look at the totality of the program and tailor the "model" to a providers' approach. Providers who are able to save money in one cost category are not necessarily being allowed to shift resources to lines where they feel they need more support if it's out of alignment with the model even if the bottom line amount is the same and even if the provider is able to adhere to state and city regulations and other programmatic requirements. For instance, security is the other area (in addition to maintenance) where shelters are seeing substantial investments under the model given NYPD recommendations have driven up average costs and recommendations on this line. However, if a provider's approach to shelter security relies on low staff to client ratios and a competitively paid workforce with lower than average turnover to engender trust with clients and reduce conflict, they may not need to spend up to the average in this category. Such a provider may wish to spend less on security guards and more on case managers but, it is unclear if the model isn't flexible enough to support this approach.

Employee Compensation not included in the "Model"

The "model" seems to include salary averages but, providers have been repeatedly told that "'model budget' is not an exercise in parity" and, that fringe is not a part of the "model". The omission of compensation from the model leaves providers with many unfunded mandates and makes it more challenging to attract and retain a high quality workforce that we need to ensure quality services.

Specifically, the following considerations are not a part of the model:

- **Fringe**: DHS continues to cap fringe at a max if 26%regardless of documented expenses being considerably higher, including in cases where agencies have unionized staff with labor agreements requiring larger investments; the industry average is 37%.
- **Salary parity:** while DHS did research to determine average salary across several lines, agencies were not permitted to raise salaries to the average to establish parity across programs or to assist with recruiting and retention. We understand that this was beyond the scope of the "model" but, in order to truly right-size budgets and attract and retain talented workers, parity will need to be addressed in the near future.
    - The impact of low wages and resulting high turnover cannot be overstated. Providers' ability to deliver quality services is hindered by turnover. This concern was raised with DHS during discussions related to performance metrics and targets with program staff and we were told then that it would be addressed with model budgets but, that has not been the case.
- **Wage compression solutions:** with the increase to minimum wage, some supervisors now earn the same as, or nearly the same as, their supervisees. In addition, THRIVE social workers were brought on at a standard salary of $55,000 per year, a level higher than some social service and program directors. While DHS made some exceptions for agencies to make wage adjustments in the most egregious cases, there was no guidance on how to address this across the board. Some agencies were told they could not adjust wages beyond implementing COLAs at all, while others successfully argued for exceptions to policy. The process was haphazard and seems contrary to the notion of a "model" given the lack of consistent guidance. We request that DHS make clear under what circumstances wage adjustments might be permitted and release guidance to all providers.
- **Overtime:** The model budget does not allow nonprofits to budget for overtime, even when it is common for certain titles. This leaves providers with an unfunded mandate to pay overtime wages to employees who work to cover holidays, stay late when emergencies arise to ensure coverage and to pass critical information on to first responders and more. Because new overtime regulations increase the wage at which employees are eligible for overtime pay to $58,500, nearly every employee working in shelters will no longer hold exempt status. Employees who routinely work more than 40 hours a week, such as superintendents of buildings and residence managers who must be able to respond to emergencies and work unforeseen extra hours will now be entitled to overtime pay yet, the model does not allow providers to budget for such expenses.
    - One provider had a solution - they calculated that it was actually less expensive to raise the wage of some titles to be higher than the new threshold to avoid having to pay overtime wages. Even though this was the less expensive option, DHS refused to allow the provider to do this and simply passed on the additional expense to the nonprofit without reimbursement

Indirect

The true cost of overhead or indirect expenses is still not funded in the "model". We are gratified that in accordance with new City policy DHS raised their indirect rate from 8.5% to 10% but the true cost is much higher.

Escalations

The model budget does not include any provisions for cost escalations over the course of multi-year contracts effectively negating the value of this entire exercise in the sense that we are doomed to have to repeat it. This may also deter providers from proposing new sites because the contract revenue isn't sufficient, particularly in the out years, to support responsible operations and building maintenance in the long term.

Implementation Challenges

The City has used several different forms and templates that have evolved over the course of negotiations which force providers to attempt to translate and unpack cost categories that are defined differently across various platforms (HHS Accelerator, internal DHS templates and spreadsheets). This is causing confusion and errors delaying the process.

Once providers submit templates it often takes months before they receive any feedback and several months more before a meeting takes place. Some providers in the first cohort to be called in for negotiations have been waiting since October-December 2017 for a response to their budget templates.

Providers who negotiated agreements in some areas with DHS leadership or DHS finance are later told by program analysts that agreed upon costs are not allowable and told to revise budgets and disallowing expenses. Providers are left with a lack of clarity over who has authority to negotiate, how to interpret agency commitments and how they may proceed with the process.

DHS has given conflicting information to providers on how the agency is handling "new needs" requests for additional funding mid-year to cover necessary costs not included in currently approved budgets. Initially, the agency had refused to entertain these because they would all be "folded into the model" but, because of the extensive time lags, some providers are being given emergency relief while others are not. There is no clear guidance into how this should be handled-- it is all done "case by case" leaving the community unclear on policy and unable to plan.

The result has been a process that has been crippled with delays – fewer than 10 providers have completed the process and the fiscal relief has yet to reach our membership. Despite much talk of the investments in areas like maintenance, security and social workers in family shelters, much little of this money is flowing to providers due to the slow implementation process and continued delays in registering contract amendments.

Impact of Delays – Fiscal 2019 Implications

Because of delayed implementation, nonprofits haven't completed negotiations for their new FY2018 funding levels and those contract amendments haven't been registered. This is now impacting FY2019 budgets because, in order to ensure timely registration for those contracts and ensure cash flow, providers had to submit numbers to DHS in advance. This means that we are going into FY19 based on approved FY18 rates, the vast majority of which are actually rates that date back to the early-mid 1990s. This will make it necessary to once again go through an amendment process to catch up in fiscal 19, just as we've had to endure in prior years guaranteeing a third straight year of underfunded contracts and payment delays. In real terms, this translates to:

- **The promised indirect rate increase is not being implemented in FY19 budgets currently submitted to DHS.** Providers have not been allowed to adjust the old rate of 8.5% in their FY19 contracts because this new rate was bundled with other changes to the budget pending the outcome of model budget negotiations. We have been assured that this will be covered in a special addendum, but given the recent history, we are not overly confident.

- **COLA adjustments will be unfunded for a third straight year.** DHS paid the 2% COLA for FY16, but then failed to fund the FY17 and FY18 COLAS. By forcing providers to submit FY19 budgets based on FY 17/18 rates, this will be the third year the COLA has gone unfunded. By agreeing to COLA adjustments and then not funding the additional cost, DHS has prevented providers from giving adequate raises to staff, resulting in high rates of turnover in key service positions. One member agency has calculated that a typical case manager at one of our sites is owed about $2,200 in un-funded COLA adjustments. Because implementation of COLAs has been so delayed, there are now tax implications for employees and agencies alike with respect to retro-pay once/if those payments are eventually made

- **Unfunded mandatory minimum wage increases.** By not funding mandatory minimum wage increases until after model budgets are done negotiating, providers have had to float the new costs for an entire fiscal year. To date we estimate providers have been forced to cover more than $5 million in additional personnel costs to remain compliant with the law. Funds for this increase are not included in the FY19 budgets.

- **Requests for additional funding to address emergencies known as "new needs" requests, have gone unanswered.** This has forced providers to defer hiring on critical positions such as THRIVE Social Workers. Maintenance has also been delayed in some sites due to lack of funds which has only made it more difficult to register contracts and amendments down the road due to outstanding violations holding up the process.

- **Problems with Close-outs.** Because the abovementioned "new needs" requests are still pending final negotiations, these amendments are not yet active in Accelerator with only days left in the fiscal year. If the money does come through before June 30th programs cannot spend money fast enough in order to close out on time. CFOs and accounting staff don't know if they can book money as a receivable for the current fiscal year since it isn't clear it will be paid out given negotiations are still ongoing - this has implications for audits.

Conclusion

The homeless services sector has struggled with underfunded contracts and delayed payments for years. The impact of the lack of investment has truly pushed many providers to the brink. The "model budget", once fully implemented will substantially improve providers' ability to fully fund maintenance on most sites as well as security but, it leaves many critical cost categories underfunded and, does not provide a solution for the long term given the lack of escalation clauses in contracts. We are eager to find solutions to improve upon these processes that were meant to alleviate these challenges and to rebuild a shelter system that delivers the quality services homeless New Yorkers deserve.

To summarize our recommendations are as follows:

- Clear the backlog of unregistered contracts *and amendments* including those related to COLA implementation to ensure timely registration and ease cash flow
- Allow providers to include approved costs such as the 10% indirect rate in their FY19 budgets even if their "model budget" negotiations are not yet complete
- Work with providers to address challenges with close-outs in cases where pending amendments for the current fiscal year present challenges
- Share term sheets that include cost parameters with providers to make budget negotiations more transparent and efficient
- Use a true cost framework to set rates instead of relying on industry averages that are artificially low given the history of chronic underfunding in the homeless services sector
- Use consistent templates across platforms to implement the model (Accelerator, OTDA budget templates, DHS budget templates) to ensure consistency and lower administrative burdens
- Allow for flexibility across lines when providers can demonstrate an ability to comply with programmatic goals and regulations
- Make decision making protocols across both the finance and program divisions of DHS transparent so providers are clear on who is empowered to sign off on budget negotiations and to avoid different departments giving different guidance as is currently the case
- Address underfunded costs not included in the "model" including fringe, salary parity, salary compression, overtime and indirect
- Implement budgetary changes in any given fiscal year with ample time for registration of amendments prior to budgets being due for the following fiscal year to avoid a prolonged multi-year amendment process prior before providers experience budgetary relief
- Create a clear mechanism to address cost escalations in multi-year contracts

We thank the Council for your attention to these critical issues and look forward to continued partnership to restore the fiscal health of our sector. Thank you for the opportunity to testify.

LiveOn NY
Making New York a better place to age

New York City Council
Committee on Contracts
Council Member Justin Brannan, Chair
Committee on General Welfare
Council Member Stephen T. Levin, Chair

Oversight - Model Budget for Human Services Contractors
June 21, 2018

LiveOn NY is a membership organization representing 100 community-based organizations that serve over 300,000 older New Yorkers annually through senior centers, congregate and home-delivered meals, NORCs, affordable senior housing, elder abuse prevention services, caregiver supports, transportation and case management. Thank you to Chairs Brannan and Levin and the Committees for the opportunity to testify.

Senior Centers are the keystone in communities throughout New York City and the foundation of the Department for the Aging (DFTA) service portfolio which serves over 50,000 seniors and caregivers a day.

Let us be clear: senior services are not just "nice to have" - they are *the* link to combating isolation, improving health and ensuring that seniors can remain engaged in their communities. Where else in the city can you find thousands of arts and technology classes, access to benefits, nutritious and culturally competent meals, exercise, and much more all under one roof? In spite of the value of these centers, the overall DFTA budget accounts for less than ½ of 1% of the total city budget, a point that is only exacerbated by the fact that older adults are the now fastest growing demographic. In order for New York to truly be the fairest big city, it must ensure that this fairness extends across the lifespan.

Here's what a few of the thousands of seniors from our recent postcard campaign had to say about their centers:

- My center "has everything. The social worker is irreplaceable. The services are perfect. The staff is very understanding mostly the cook Shermain; it is a very great place to grow old in." A senior from Council Member Lander's district
- "We also have the advantage of great senior center where lunches are excellent and wonderful advice is given to keep our wits sharp." A senior from Council Member Van Bramer's district
- " I look forward to this trip each day. I hate when the weekend comes. Since I have no family, I consider SNAP my family." A senior from Council Member Richard's district
- "There's something for everyone, no matter what your interests are." A senior from Council Member Chin's district

"Model Senior Center Budget" Process

We applaud the leadership of Mayor de Blasio, DFTA Commissioner Corrado, Council Member Chin and City Council for the $23 million investment in senior services in FY18, which comes after years of stagnation, cuts, and threats of cuts. This will begin to address the shortfalls and waitlists after decades of little to no investment.

$10 million of this funding was designated for "model senior center" budgets. Providers were not engaged in the funding disbursement process until late March. ***As of today, 9 days before the close of FY18, that funding is not yet registered into all senior center contracts.*** While we recognize the very hard work of DFTA fiscal staff to process this funding, we urge the City to continue to improve all processes that can result in more expeditious registration of contracts. In addition to the FY18 baselined $10 million, the city has promised an additional $10 million "by 2021" through this "Model Senior Center Budget" process.

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Which Centers Did and Did Not Receive Funding

It is our understanding that:

- 249 senior centers were included the "model senior center budget" analysis.
- 26 out of the 249 received **no funding** because they were deemed at or above the "model" amount.
- 38 additional programs were not evaluated in the "model senior center" budget process, and thus received **no funding**. In that group are former discretionary funded sites (11 centers), former NYCHA (4 centers), "social clubs" (17) and other social service programs (6).
  - Of note, many of these sites that were not evaluated in the "model senior center" budget process are held to the same standards as the sites that were evaluated. The appropriateness of this decision must be evaluated and reconciled moving forward.

What the Funding Can and Cannot be Used For

Aside from the fact that some centers received no funding at all, the small amount that was distributed among 223 centers can be used only in two areas: direct staffing and consultants. "Direct Staffing" does not include kitchen or meal staff, which has caused salary disparity among programs. This means that the entire DFTA portfolio of senior centers received no funding for:

- Meals/meal preparation costs
- Meal staff salaries
- Rent and facility costs
- Transportation costs
- OTPS
- Technology
- Other costs that are required to run a senior center

The Importance of Meals to a Senior Center

Senior centers provided 7.6 million senior center meals last year and more than half of seniors report that meals eaten at the center equate to 50% or more of their daily food intake and nutrients for the day. This year, providers will distribute 4.5 million home delivered meals. The majority of seniors utilizing the program are women, living alone. That said, New York City spends 20% below the national average on senior meals – that means they are only paying for 4 out of every 5 needed meals.

FY19 Funding Added that May Impact Senior Centers

While it is unclear how it will be allocated, it is our understanding the City added the following in one-time funding in the FY19 budget that could impact centers. While this is much needed and appreciated, it is one time funding that will not sustain the system going forward:

- $2.8 million in one-time Administration funding for Senior Centers, Programs, and Enhancements
- $2.1 million in Council funding for Senior Centers, Programs and Enhancements

Model Budget Process for Adult Protective Services (APS)

Several of LiveOn NY's members who hold APS contracts are also directly impacted through the APS Model Budget process. We share the concerns of our colleagues about the importance of the city allocating funding in a timely manner through that process.

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The Importance of Paying Nonprofits in a Timely Manner

The recent Comptroller Report titled *Running Late: An Analysis of NYC Agency Contracts* clearly relays what our members have been telling us for years: chronic late payments consistently puts strain on nonprofit human service providers throughout the City. **Of note, DFTA submitted 98.9% of its contracts retroactively, meaning all but 3 DFTA contracts arrived at the Comptroller's Office, the final step in the process, for registration after the contract start date.** Nonprofits are hamstrung by these problems, often mirroring their clients by living payroll to payroll, uncertain when payment for services will finally arrive. Innovation and strategy is nearly impossible when organizations are essentially loaning the City funds to cover the cost of serving the most vulnerable. Further, because professionals are spending countless hours navigating the contractual bureaucracy, they are unable to use their key skills, strengths and creativity to move this City forward. The city must work with the human service sector to address these issues.

Recommendations

LiveOn NY commends the city for identifying the need to rightsize contracts, promote fairness, and increase funding and supports for senior centers and the human service sector. We see this as a first step to the process and continue to offer our support and collaboration to finding ways to move this system forward. LiveOn NY respectfully makes the following recommendations:

1. **Expedite the additional $10 million promised for senior centers immediately in FY19.** Allocating these funds quickly is integral to meeting current need and to ensuring that all programs can compete in the coming RFP, projected to be released in calendar year 2020. Given the decades of underfunding, the need for this increased funding among non-profit providers is both urgent and immediate. We see no reason for the city to hold this funding. It should be expedited as soon as possible in FY19.
2. **Fully fund senior centers contracts.** While this initial funding is an important first step, the city must make a serious commitment to add funds reflecting the full scope of what it takes to run a robust senior center today and in the future. Those costs include meals/meal preparation, meal staff, rent, transportation, OTPS, technology, facility costs or other costs that are required to run a senior center, and allow for innovation to create new programs. This process should involve meaningful stakeholder and provider input.
3. **Add at least $12.1 million in baselined new funding for congregate and home delivered meals.** LiveOn NY applauds the Administration for adding $2.8 million in **one-time** funding in FY19 for home delivered meals. That said, this is well short of the $12.1 million we advocated for in our #MoreThanAMeal campaign, which itself was just a mere first step to attempt to add stability to the system. Since the city failed to include funding for senior center meals, meal preparation or meal staff in the "model senior center budgets" funding must be added now. Almost 50% of older New Yorkers are foreign born, reflecting a significant need for meals that are culturally appropriate to an array of background, according to a recent Center for an Urban Future study. Providers are required, not to mention eager, to offer menus that are culturally appropriate and nutritious. This requirement brings a fiscal implication: in 2015, DFTA stated that, "in DFTA's HDML network, each catered Kosher [meal] is on average $1.38 more than non-Kosher catered meals." Similar to Kosher meals, Halaal, gluten free, vegetarian, vegan, or other cultural or nutritional needs have an associated cost-increase.
4. **Engage Providers in the city's efforts to address senior hunger.** Both DFTA and OMB have referenced that the city is conducting a meals study which to advise on next steps and new funding for senior meal programs, however, there is no clear indication of timing, focus, or provider engagement. This has understandably caused great angst in the senior service network. The city should engage

providers in this process as soon as possible to conduct a meaningful and transparent process.

5. **Evaluate and fund senior center programs that were excluded from the Model Senior Center budget process.** If the purpose was to rightsize contracts and provide a more equal playing field for centers in anticipation of the next RFP, all applicable senior center programs should be included in this process and given the opportunity to secure funds needed to run a quality Senior Center. DFTA, OMB and the Council should discuss next steps to address those centers not included in the initial process.
6. **Expedite APS Model Budget funding.**
7. **Support agency-wide investments in the human services sector.** LiveOn NY is a member of the Human Services Advancement Strategy Group (HSASG). The Council and Administration have made important investments in the sector in FY18, while also tackling systems issues through the Nonprofit Resiliency Committee. This work is applauded by the sector, but as demonstrated by the Comptroller's report, much more must be done. LiveOn NY supports investments outlined by the Human Services Council (HSC) and HSASG including:
    - Increased funding in the areas of indirect expenses, fringe benefits, insurance, and occupancy costs—areas that are critical to the fiscal, administrative, and operational integrity of the sector.
    - Trend factor/cost escalation formulas in all new procurements for the duration of the contract.
    - Late payments from the city calls for immediate attention and we suggest a SWAT team be deployed to City agencies to break up the vicious cycle of delays and clean up the backlog, both in registration and pending amendments for FY18 investments. In the longer term, there needs to be a tracking system, centralized at MOCS, to better track registration, City agencies should have to give regular updates to the Deputy Mayors about contract registration, and MOCS should be given the authority to make process changes at City agencies to streamline the process.

The value of senior centers can best be summed up by a response from our recent postcard campaign from a senior participant at Project Find Coffeehouse in Speaker Johnson's District:

> "Centers should be open so that seniors can have a meal, meet other people including seniors. The centers offer internet access to look for jobs, and activities to keep up with other friends. The center offers a sense of community and belonging, psychologically interacting with other people helps stave off depression and suicide. Centers offer opportunity to keep learning, keep the brain active, making new little brain cells. It is important also to have a safe clean place to go like girls and boys clubs - seniors are just big kids essentially."

We look forward to working with City Council, the Department for the Aging, all city agencies and the Administration to make New York a better, and fairer, place to age through a strong network of community based services.

LiveOn NY's members provide the core, community-based services that allow older adults to thrive in their communities. With a base of more than 100 community-based organizations serving at least 300,000 older New Yorkers annually. Our members provide services ranging from senior centers, congregate and home-delivered meals, affordable senior housing with services, elder abuse prevention services, caregiver supports, case management, transportation, and NORCs. LiveOn NY advocates for increased funding for these vital services to improve both the solvency of the system and the overall capacity of community-based service providers.

LiveOn NY administers a citywide outreach program that supports seniors in communities where benefits are most underutilized. This program educates thousands of older adults, including those who are homebound, about food assistance options, as well as screens and enrolls those who are eligible for SNAP and SCRIE/DRIE.

華人策劃協會 CPC ADVANCING OUR COMMUNITY
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Chinese-American Planning Council, Inc.
Testimony at the New York City Council
Oversight - Model Budget for Human Services Contractors
Honorable Justin Brannan, Contracts Committee Chair
Honorable Stephen Levin, General Welfare Committee Chair
June 21, 2018

Thank you Chair Brannan, Chair Levin and the Members of the City Council for the opportunity to testify today. The mission of the Chinese-American Planning Council, Inc. (CPC) is to promote social and economic empowerment of Chinese American, immigrant, and low-income communities. CPC was founded in 1965 as a grassroots, community-based organization in response to the end of the Chinese Exclusion years and the passing of the Immigration Reform Act of 1965. Our services have expanded since our founding to include four key program areas: Childhood Development, Education & Career Services, Senior Services, and Community Services.

CPC is the largest Asian American social service organization in the U.S., providing vital resources to more than 60,000 people per year through more than 50 programs at over 30 sites across Manhattan, Brooklyn, and Queens. CPC employs over 700 staff whose comprehensive services are linguistically accessible, culturally sensitive, and highly effective in reaching low-income and immigrant individuals and families. To that end, we are grateful to testify about issues that impact the individuals and families we serve, and we are grateful to the Council for their leadership on these issues.

CPC has the following findings and recommendations to share with the City Council regarding Contracts and the Model Budget process.

<u>Cost of Living Adjustments (COLA), Wage Floor Adjustments, and Indirect Rates</u>
CPC has received COLA and Indirect Rate increases on some of our contracts but not all. There is often a months-long lag between notice and disbursement for both. This has been especially true for our DFTA and DYCD contracts and has led to a three issues.

First, when COLA notices arrive after the end of a fiscal year, some staff, who may have left to seek more competitive pay, have already turned over. Immediate COLAs go a long way toward supporting community based workers, especially as affordability in our neighborhoods diminishes.

Second, disbursement is often delayed. In one instance, we calculated that one team's COLAs would amount to $500,000 but without immediate disbursement, we would have been forced to cover costs upfront.

Last, the reasons COLAs are granted to some contracts but not others is not always clear. Within CPC, different departments and teams may have a portfolio of contracts where different staff take on responsibilities from parts of each contract. For example, a team may include an outreach worker, a case worker, and a data administrator. Depending on the work, it may not be feasible to have three separate outreach workers. That staff's salary may have a split allocation with time is lent "in kind" toward work on contracts where they have smaller (or in some case no) allocation. When some contracts receive COLAs but others do not, some staff will not receive a salary increase. This leads to low staff morale and increased turnover. Whenever possible, CPC funds increases for other staff internally, but because of high cost and reduced cashflow, we are sometimes unable to front the cost for increases for all.

Like COLAs, CPC sometimes receives notification of indirect rates increases from some contracts, but no notification on others. This has happened to us this year with DFTA. Once notification does come, there is no actual disbursement of indirect rate increases until much later. This year some disbursements did not arrive until late May. These delays have forced CPC to put off planned hiring of mission-critical staff as well as some key technological upgrades that would allow more efficient programming. At a time when federal uncertainty has led to a sharp increase in demand for our services, chronic underfunding of city contracts and delay in disbursement of increases has led to us being unable to meet that demand.

<u>Salary Parity for Community Based Childhood Education Workers and Uncovered Costs</u>
ACS is now transferring Early Childhood Education to DOE. It is imperative that the issue of pay parity for these educators is addressed. Community Based Educators have the same credentials as their DOE counterparts and work longer hours throughout the year because of summer programming, but are paid far less than DOE teachers. Many of our staff have given years of their life to community based care because they know the value it brings to families, especially immigrant parents who need the wrap around supports that a community based organization can offer in-house. Salary parity is long overdue for these educators and CPC is grateful to the Council for continuing to take leadership on this issue.

In addition to salary parity, summer programming stretches the capacity of our early childhood centers. Currently, rent and utilities are not covered for summer months. We have been told by ACS that how we do our budget is "up to us" but it is near impossible to balance the year long budget when rent must be made up through other parts of the contract. So many of our children's activities rely on supplies that stimulate their imaginations and development. Community based providers should not have to sacrifice quality programming to make up uncovered costs in their contracts.

<u>Recommendations</u>
CPC echoes the recommendations in Comptroller Stringer's report. Agencies should have specific timeframes in which to review contracts. A standardized time frame allows providers to make plans between award notice and disbursement. We also support the creation of a public facing tracking system for contract monitoring for added transparency.

CPC also recommends that contract managers at city agencies receive robust training in the contract monitoring and procurement systems. Too often, we have uploaded requested documents, only to be told our contract managers cannot access, do not have permission to access, or simply cannot find the document. We then need to submit a paper original. This adds unnecessary delay and administrative burden on providers.

Lastly, CPC was disappointed that the recommended investment of $200 million in human services contracts was not included in the FY 19 budget. A trend factor/cost escalation formula would eliminate the COLA and Indirect Cost issues we face, as well as the year-long costs issues, like covering rent gaps for summer services. These recommendations would free us to put funds toward to innovative programming and serve the community needs unmet by existing contracts. As benefit, occupancy, and liability insurance costs rise, human services providers need city investment to close the gap. The model budget process should take these considerations into account, not only looking at the costs incurred by service provision, but the gaps that are covered on the back end by providers.

CPC appreciates the opportunity to testify on these issues that so greatly impact the communities we serve. We look forward to working with you on them.

If you have any questions, please contact Carlyn Cowen at ccowen@cpc-nyc.org

up
urban
pathways

Testimony before City Council Contract and General Welfare Committees
June 21, 2018

Good afternoon Chairs Brannan and Levin and members of the committees. My name is Mark Hurwitz, and I am presenting testimony today on behalf of Urban Pathways. As highlighted this morning on CNN's New Day program, Urban Pathways' unique combination of street outreach, safe havens, extended stay residences, permanent supportive housing, and employment programs engage chronically homeless individuals on the streets and help them end their homelessness, thrive, and succeed. In FY '17 our outreach teams and drop-in Center made 198 placements of street homeless individuals into permanent housing and 413 placements into transitional settings. Additionally, our three safe havens placed 50 individuals into permanent housing.

These results have been achieved in partnership with the City Department of Homeless Services and Human Resources Administration as well as other City and State agencies, whose funding and support allow us to provide critical solutions to homelessness. I am here to focus on two issues that, if improved, would allow our programs to be even more effective.

The first is model budgets. We applaud the City's efforts to develop model budgets. However, we are disappointed that DHS has not begun discussions with providers of Drop-In Centers and Safe Havens on model budgets. Drop-In and Safe Haven programs serve the most chronically homeless individuals living on the streets, many of whom refuse to enter the mainstream shelter system. Given the critical importance of these programs, they must be adequately funded. In most cases, our budgets are years out of date. Line items remain flat while costs have gone up. Examples of increases are the cost to provide psychiatric services, maintenance and repair costs, insurance costs-- especially health care and property insurance-- and utilities costs. Certain costs, such as the cost of data analysts are left out altogether. Data analysts are essential, given the importance of data-driven processes to improve our results, and the complexity of our data systems. A process for developing model budgets could allow us to address these and other areas of underfunding.

A second issue hampering our effectiveness is delayed contract actions. Delayed contract actions have become the rule, not the exception. Three of our five City contracts that require action for next fiscal year will not be registered by July 1. Late registrations seriously affect our cash flow, and they also unnecessarily sap the time and energy of our administrative staff. When our contracts are delayed, we must delay subcontracts and payments to vendors and subcontractors. We also expend great effort to try to determine the status of contract actions, plead with City agency staff to expedite the process, escalate our requests when necessary, and to devise cash flow solutions such as advances on other contracts or bridge loans.

A recent example of a delayed contract action involves our Hegeman Safe Haven program, which houses 55 individuals coming directly off the streets in a building owned by Urban Pathways. The contract for this program, which funds about $2 million per year in expenses, expires in nine days, on June 30, 2018. In October of 2017, Urban Pathways reminded DHS that our contract was expiring and asked about plans to continue the program. DHS told us then that the contract would be extended for one year to give us time to apply to apply for a longer-term contract to continue operating the program under the City's Open-Ended RFP. We applied under the Open-Ended RFP in December of 2017. We inquired about the contract extension in January, again in February and again in March. In June, the City Department of Homeless Services finally scheduled a call to discuss this program, but the subject of the call was to notify us that our proposal was selected and to begin negotiating the budget for a new contract starting in July 2019, not to discuss the one-year extension. Last Friday we escalated our request through email to the HRA Agency Chief Contracting Officer referencing the imminent contract expiration and our plans to testify at this hearing. Last night we heard back directly from the HRA Chief Contracting Officer letting us know that he hopes the contract will be registered in early August. In our experience, these expected registration dates can slip by several months. In any event, we will be operating this program for at least 1 month with no contract and will have to spend significant management resources working out solutions to make sure we can pay expenses.

We recognize that there are many dedicated individuals who work at DHS and HRA and other City agencies trying the best they can to support us. However, we believe that the delays in the contracting process are avoidable and have seriously undermined the City's efforts to support our programs. We hope that the City Council can work with DHS, HRA and other City agencies to cut through the red tape and allow us to focus on the work of ending homelessness for New York's neediest residents.

Thank you for the opportunity to testify today.

Gateway Housing

FOR THE RECORD

Ted Houghton
Gateway Housing
New York City Council
General Welfare Committee
June 20, 2018

Good afternoon, my name is Ted Houghton. I'm President of Gateway Housing, a nonprofit technical assistance organization that assists government and service providers to develop purpose-built, nonprofit-owned residences that combine homeless shelters and permanent housing with outward-facing community amenities, like early childhood education centers and health clinics. We help transitional housing providers implement and test innovative service interventions using evidence-based practices. Thank you for allowing me the opportunity to testify on the Department of Homeless Services model budget process.

Twenty-five years ago, I became one of the first employees of the newly created Department of Homeless Services. The agency was established with a mandate to take homeless shelters then directly operated by City staff and contract them out to nonprofit service providers.

We did this not to save money, but because there was evidence that nonprofits could do a better job than the City could. As talented and dedicated as City workers were, it was clear that mission-driven nonprofits had an expertise, focus and flexibility that allowed them to better serve vulnerable, homeless families and individuals than government. Over the past quarter century that position has been proven correct, again and again, as New York's nonprofit providers have led the country with innovative programs that have helped tens of thousands of homeless people return to stable lives in permanent housing.

Again, we did not contract out services and programs to nonprofit providers in order to save money. In fact, as I recall, every time DHS contracted out a City-run shelter to a nonprofit, we had to show that costs would remain the same, because we were doing it to improve services, not because it would reduce costs by eliminating municipal jobs filled by union workers.

But over the years, fiscal pressures and peculiarities of the contracting and budgeting process have resulted in sharply reducing reimbursement to nonprofit providers. Nonprofit providers don't have as much leverage as many other entities doing business with the City do. They are mission-driven to help people, so they accept inadequate budgets and other conditions that profit-motivated contractors would not. When reimbursement is so inadequate that an effective nonprofit gives back a contract or doesn't respond to an RFP, there is always a less experienced, less able nonprofit eager to take on an untenable situation. As a result, in recent years, we have seen a number of New York's nonprofits fail or forced to consolidate in order to keep their doors open. Services are compromised, and vulnerable people don't get the help they need.

Mayor de Blasio's administration sought to finally address these issues by establishing model budgets that would right-size longstanding shelter and other contracts that had not grown with inflation, or kept up with the growing needs of homeless consumers. Commissioner Banks and the administration should be commended for taking on an effort that was long overdue.

But they have done so at a time when homelessness is growing rapidly, and the costs of responding to homelessness have risen at an alarming rate. This increased spending, driven by the City's compliance with the right to shelter, has drawn the concern of the City Council, the Comptroller and others. While the increased spending is due largely to an investment in innovative housing solutions and a necessary reliance on privately-owned hotels to meet the growing demand, the resulting fiscal pressures can easily lead to underfunding nonprofit service providers in the model budget process.

We must guard against this, and make sure we don't repeat the mistakes of previous administrations. Just because nonprofits have less political clout than private business, we should not balance the City's budget on the backs of nonprofit providers. The success of our response to the needs of homeless New Yorkers depends on healthy, fiscally sound nonprofit providers able to deliver effective services.

Here are a few suggestions of how we can ensure the success of DHS model budgets:

- **Provide adequate fringe and administrative overhead rates** – One of the primary problems facing nonprofits is government's tendency to underpay for administrative overhead and employee fringe costs like health insurance and retirement funds. This administration has increased administrative overhead from 8.5% to 10%, a very welcome increase that was no doubt difficult for the agency to secure. But the fact is, nonprofits' true overhead rates are closer to 14%. The DHS model budget's hard and fast fringe rate is set at 26%, considerably lower than the actual costs that nonprofits face today, after years of rapidly rising health insurance premiums. Health insurance rates are continuing to increase, with an expected 6% rise in 2019, meaning that if DHS fringe remains at this level, nonprofits will be forced to cut employee retirement benefits further, ensuring that the cost of caring for impoverished seniors in New York City will go up even more in the years to come.
- **Include budget escalations in contracts** – At present, DHS's nonprofit providers agree to contract budgets that do not rise with inflation. While Cost Of Living Adjustments for salaries are granted intermittently, no increases are built in to cover rising operating costs of shelters, including utilities, supplies, maintenance and repairs, as well as water, sewer and property tax costs. Nonprofits would be better able to retain valuable employees if COLAs were built into contracts, and if

cost escalations were built in, they would not be forced to leave critical staffing lines vacant in order to cover other essential costs, like repairs. Including escalations is particularly important in long-term shelter contracts. DHS should be given due credit for creating innovative, new 20-year contracts that allow nonprofits to build and own their shelters. Nonprofits can finance capital costs against the contract, a great investment for DHS because it gets a high quality, purpose-built shelter that it can use for decades. But it is extremely difficult, perhaps even foolish, for a nonprofit to agree to a contract of this extended length with no escalations for operating costs. DHS currently provides rent escalations of approximately one percent a year to private owners of shelters. It should do the same for nonprofit owners.

- **Allow flexibility** – The DHS model budget can provide parity to nonprofit providers, and reassure the taxpaying public that standards are in place to determine reasonable costs. But every shelter building and program is different: older buildings cost more to heat and operate; smaller shelters are often better for residents, but less efficient to operate than larger shelters; different populations have varying service needs. The DHS model budget acknowledges some of these differences, but can offer much more flexible guidelines for costs, rather than strict cost figures that don't adjust for individual situations. DHS turned to nonprofits 25 years ago for their expertise at serving homeless populations; the agency should allow providers who have proven their effectiveness more latitude to create budgets that fund the most innovative programs, and to manage their budgets so that they can move spending between budget lines and redirect any savings they may achieve to other needs they determine to be the most pressing.
- **Give DHS the staffing resources it needs to be responsive** – DHS would be better able to manage the administrative tasks related to contracting if it was provided the staffing and resources adequate to the tasks. The agency would be able to be more responsive to its nonprofit providers if it was given enough staff to swiftly administer COLAs, contract negotiations and registrations.

Thank you again for giving me the opportunity to testify today. I commend Commissioner Banks and his staff for their work improving New York City's shelter system and look forward to working with them to establish model budgets that strengthen the health of New York's nonprofit community and making our programs to help homeless New Yorkers even more effective.

TESTIMONY
New York City Council
Oversight - Model Budget for Human Services Contractors
Thursday, June 21, 2018

Submitted by
Michelle Jackson
Deputy Director & General Counsel
Human Services Council of New York

Introduction

Thank you Council Members Brannon and Levin, and the Committee on Contracts and General Welfare for holding this hearing on the model budget process and issues related to human services contracting with New York City. My name is Allison Sesso and I am the Executive Director of the Human Services Council of New York (HSC), joined by Michelle Jackson, HSC's Deputy Director. The model budget process is an important effort to "right-size" human services contracts, with the potential to strengthen the nonprofit organizations that deliver essential services in partnership with government. This partnership is the key to building strong communities, and to ensuring the wellbeing of New Yorkers, but there are ingrained process issues that impact the sector's ability to work effectively with government, and decades of underfunding have stripped human services providers of financial stability. These issues must be addressed.

Human Services Advancement Strategy Group

We have created the Human Services Advancement Strategy Group (HSASG), a group of nine membership organizations representing 2000 human service provider organizations across the City to secure the programmatic, financial and operational resources needed to fully cover costs and meet the contractual obligations of provider organizations holding City HHS contracts.

Today you will hear from members of this group, as well as from direct providers who can detail the way City government processes impact their ability to deliver services and how funding issues hamper their financial health.

About the Human Services Council of New York

HSC is a membership association representing New York's leading nonprofit human services organizations, including direct service providers and umbrella and advocacy groups. HSC strengthens New York's nonprofit human services sector, ensuring all New Yorkers, across diverse neighborhoods, cultures, and generations reach their full potential. Our members provide essential supports to a broad spectrum of New Yorkers, including children, the elderly, the homeless, people with disabilities, individuals who are incarcerated or otherwise involved in the justice system, immigrants, and individuals coping with substance abuse and other mental health and behavioral challenges. We serve our membership as a convener, a coordinating body, and an advocate. We are also an intermediary between the human services sector and government, fostering cross-sector collaboration. We help our members better serve their clients by addressing matters such as government procurement practices, disaster preparedness and recovery, government funding, and public policies that impact the sector.

State of the Human Services Sector

The nonprofit human service sector continues to play an essential role in the daily lives of millions of New Yorkers. These vital community services, ranging from homeless services, senior care, to employment training, assist approximately 2.5 million New Yorkers annually. Unfortunately, our sector has been historically underfunded, leaving many providers in dire financial situations. In fact, a recent report by SeaChange Partners found that 30 percent of human services community-based organizations (CBO) have cash reserves that cover less than one month of operating expenses. Additionally, more than 40 percent of human services CBOs lack liquidity to meet their short-term financial obligations. As leaders of the human services sector, we are witnesses to the continuing financial challenges facing providers each day.

New York is not alone in failing to fund essential services and organizations, but has an opportunity to lead an important change movement that will have lasting impact on the health and wellness of our communities.

- Nationally, on average, government contracts currently cover only about 70 percent of nonprofits' direct program expenses and less than half of all indirect expenses.
- Nearly one in eight human service nonprofits are technically insolvent, meaning that their liabilities exceed their assets.
- Three in 10 nonprofits have cash reserves that cover less than one month of expenses.
- Nearly half have a negative operating margin over a three-year period.[i]

Most striking is that the U.S. spends three times more than other developed nations on health care, while spending significantly less than other countries on human services. Research shows that countries with "higher ratios of social to health care spending had better health outcomes one and two years later."[ii] Countries that spend on human services are addressing the social determinants of health – housing, nutrition, education – so they in turn are spending less on emergency health services as well as the myriad of health issues created when people lack access to crucial support services. New York can be a leader nationally by spending appropriately on human services, improving wellbeing in our communities and driving down health care costs. To do so, we must also support the organizations essential in addressing the social determinants of health.

Investing in Wellbeing

Last year saw an important investment in human services provider organizations that hold City contracts. With your help, we secured $300m of our $500m ask to help nonprofit provider organizations cover the cost of delivering essential services to New Yorkers: 1) Funding in distinct areas for model budget processes aimed at better aligning costs. Areas receiving investment included preventive services (ACS), senior centers (DFTA), services for runaway and homeless youth (DYCD), homeless shelters (DSS-DHS), and adult protective services (DSS-HRA); 2) Cost-of-living adjustments for the human services workforce at a rate of two percent per year for the next three years, which is vital so that providers can recruit and retain qualified staff; and 3) New funding to bring indirect cost reimbursement rates to 10%, which allows providers to pay for crucial expenses including rent, maintenance, and technology.

Each human services contract is underfunded, but what areas are underfunded and where investments need to be made differs for each program and even each contract. Therefore, we were excited about the potential of the model budget process as a way to examine contracts holistically and right-size funding for both program and operational expenses.

This initiative held the promise of compensating for years of rising costs and stagnant investment; unfortunately there have been issues with involving providers in the process, providing clear guidance, and in creating uniformity across model budgets. Providers report that the ACS model budget was very collaborative and identified key areas for investment, and that the process and decision-making on funding were transparent and effective. Due to issues with the other model budgets though, we as a sector did not seek more funding for this process because it was complex and did not truly create a method to right-size contracts.

Indirect Costs

Despite the notable achievements resulting from the Sustain Our Sanctuary Campaign, last year's Budget did not completely address the prolonged underfunding of indirect costs in human services contracts. In order for contracted nonprofits to provide essential public needs such as homeless shelters and food pantries, their financial necessities extend far beyond their ability to simply pay for direct programming costs. Nonprofit providers must also be able to pay their rent and other administrative costs to keep their organization open for business. These inadequate reimbursement rates have contributed significantly to the destabilization of the sector and immediate investment in this area is urgently needed. HSC believes that all human service contracts must compensate indirect costs at rates that are reasonable, logical and consistent across the entire sector. We are suggesting funding parameters that set a floor of 15 percent for indirect in all human services contracts.

Fringe Rates

In addition to rising indirect rates, human service providers report that the issue of fringe benefits such as employee health insurance and unemployment compensation remains one of the most significant barriers to long-term operational sustainability. As a result, many providers are forced to re-evaluate their ability to take on new RFPs as well as serious changes to existing contracts. HSC is asking for consideration of an allowable 37 percent fringe rate in all human service contracts to reflect a generally accepted industry standard. This rate is also lower than the fringe rate used by the City for its own employees. By providing a reasonable fringe rate, the sector stands a fighting chance in attracting quality talent and convincing employees to stay. Human services workers are on the frontlines of addressing poverty and providing critical interventions to individuals and families; their jobs are difficult and require special skills, and we as a community owe them the appropriate compensation that properly reflects their valuable work and contributions.

Rising Costs

As every business owner knows, costs go up every year, and there are certain costs that have a big impact on a budget. In New York City, rent is the most obvious and significant, and this holds true for nonprofits as well. The Nonprofit Resiliency Committee (NRC) identified occupancy as a major cost area for nonprofits, as well as insurance. This reflects what HSC and others in the sector have recognized as key areas where nonprofits struggle to meet rising costs as rates on contracts are not increased from year to year to address an increase in the costs of delivering services.

Nonprofits enter in to multi-year contracts with the City, but the way that budgets are developed and funding is allocated, there is not a consistent vehicle for providers to address rising costs when contracts are renewed each year. Multi-year contracts can help nonprofits enter in to long-term leases which can control rent costs, but the downside is if other costs go up, they are locked in to those rates. As we know, rent and other space associated costs also rise, even with a long term lease. So while a multi-year contract *may* help with occupancy costs, if insurance costs go up - and they often do by unpredictable amounts – it is unlikely the contract will cover that increase.

While providers can go to an agency and show unexpected costs, there is no mechanism, like a cost-escalator- in the standard human services agreement, and the rates that are developed when the contract is awarded typically do not include trend factors to account for costs going up each year. Providers are then often asked to extend contracts passed the initial end date, and many times these contracts are undertaken quickly with little room for negotiation.

To address this, we are asking that new procurements include trend factor/cost escalation formulas for the duration of the contract. For existing contracts, funding needs to be allocated to lift up the value of the contracts so that providers do not continue to lose money on their City contracts. Therefore, we asked that the FY19 budget include a 10% increase to occupancy costs and a 10% increase to casualty and liability insurance, the two areas the NRC identified. This funding was not included in the FY19 final budget, and should be addressed during this funding year.

RFPs

In the long term, the way to address the systemic underfunding of contracts is by creating RFPs that account for the real costs of providing services, in collaboration with providers. The NRC has created a *Guide to Collaborative Communication with Human Services Providers* that has the promise of creating a process where current providers are consulted so that both design and cost reflect the real work on the ground. Currently, impressions about the competitive process have created an information silo, where providers who contract for a service or similar service are not asked to give input in to new RFPs, so that true costs, important program details, and what outcomes look like in practice are not part of the development of the RFP. The Guide helps City agencies better understand how they can work with current contractors and gives them strategies to engage them.

Unfortunately, RFPs released in the last year reflect many of the same issues mentioned above and that you will hear more about today. Some contracts continue to have arbitrary caps on fringe rates, low indirect rates, and program rates that do not take in to account rising costs, and in fact many rates remain the same as the last round of RFPs from ten years ago. Additionally, as new RFPs come out, they need to reflect the increase in indirect rates and COLAs that have been allocated in previous years.

RFPs need to be designed in collaboration with providers who have expertise, in ways that do not disrupt the competitive process, which is not only possible, but preferable so that programs are more effective. Additionally, the rates for these programs need to reflect real costs for the program and for the salaries of contracted workers.

Lags in Registration

We recognize that the contracting system is complex and that real changes take time to implement, and the NRC has been working on improving systems; both HHS Accelerator and PASSPort are significant improvements in the human services contracting process. The New York City Comptroller's report, *Running Late: An Analysis of NYC Agency Contracts,* demonstrates that much more needs to be done - and quickly - to improve the timeliness of human services contract registration.

The reports shows that human services contracts are significantly delayed, with some agencies having 100% of contracts registered late, and an average 90.8 percent late across agencies. These numbers are worse than in previous years, and providers on the ground have also expressed that more of their contracts are registered late. It's difficult to ascertain how much worse the problem is, because the Comptroller's report looks at different data than what used to appear in the yearly Procurement Indicator Report. While the comparison is a bit "apples to oranges", the first thing to note is that the Procurement Indicator Report is no longer produced as it has been in previous years, so there is not an easy way to discover how the Administration is tracking retroactivity. From FY14, the last year the report was produced in a summary format, retroactive contracts were on the decline and at a four year low, with only about 8 percent of contracts being more than 30 days late. This is not to say that retroactivity has gone from 8 percent to 90.8 percent as the two reports defined retroactivity differently, but significant work had been done to improve contract registration, and HHS Accelerator in particular improved retroactivity, and now late registration is getting worse.

When contracts are registered late, there is a real impact on the provider. First, providers cannot wait to begin service, like other contractors. A construction project could potentially be delayed until documents are in order, but a summer youth program has to start in the summer, and parents rely on a particular start date. For contract renewals, which are also delayed, providers cannot close a program while waiting for renewal documents; closing a domestic violence shelter for 2-3 months each year would be extremely problematic. This means providers take enormous fiscal and legal risks by signing leases, hiring staff, and starting programs without a contract, or continuing to operate services on the verbal agreement that things will get sorted out. Retroactivity also creates cash flow issues for providers, who have to put off paying vendors, take out lines of credit, or utilize the loan fund, because providers cannot get paid until the contract is registered.

Delays in registration, as well as a complex contracting process overall, exacerbate the other concerns outlined above, and there needs to be immediate attention and resources devoted to solving these issues.

Next Steps

The Council and Administration have made important investments in the sector in FY18, as well as expanded program investments, while also tackling systems issues through the Nonprofit Resiliency Committee. This work is applauded by the sector, but when nonprofits see new requests for proposals with low rates and experience significant delays in contract registration and renewal, while still waiting on contract amendments for FY18 funding, it is clear that more must be done, and it must be done immediately.

In regards to current funding allocations, providers have experienced lags in getting contract amendments for the investments made in FY18, and as we near the end of the year this is creating cash flow issues as well as making it difficult for providers to finalize their budgets for the new fiscal year starting July 1, 2018. We urge the Administration to release an immediate accounting of disbursements of the $300 million for model budgets, COLA, and indirect that remains unspent in Fiscal Year 2018.

As noted in the Comptroller's recent report, human services contracts experience significant delays, upwards of 100% of contracts are registered late in some agencies. This creates administrative nightmares for providers, real cash flow issues, and can cost organizations money if they have to take out a line of credit to cover late payments by the City agency. This needs immediate attention and we suggest a SWAT team be deployed to City agencies to break up the vicious cycle of delays and clean up the backlog, both in registration and pending amendments for FY18 investments. In the longer term, there needs to be a tracking system, centralized at MOCS, to better track registration, City agencies should have to give regular updates to the Deputy Mayors about contract registration, and MOCS should be given the authority to make process changes at City agencies to streamline the process.

The Council response supported our FY19 budget asks that were unfortunately not included in the final budget. In particular, we called for increased funding in the areas of indirect expenses, fringe benefits, insurance, and occupancy costs—areas that are critical to the fiscal, administrative, and operational integrity of the sector. Going forward, we would like to work with the Council and Administration to ensure key investments are made on human services contracts as a whole so that providers can deliver quality services to our communities.

Conclusion

Providers play the essential role in the City's complex human services delivery system, and they face many challenges in the contracting process. They operate in the context of a broken contracting system. Only if we address the underlying causes of contractor instability—problems at the government level—will we be able to ensure a robust nonprofit community that can continue to deliver quality services to our community.

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[i] *A National Imperative: Joining Forces to Strengthen Human Services in America* http://www.alliance1.org/web/resources/pubs/national-imperative-joining-forces-strengthen-human-services-america.aspx

[ii] *Id.*

Council of Family and Child Caring Agencies
Leadership, Voice and Vision for Child Welfare in New York State

City Council Hearing: Oversight of Model Budget for Human Services Contractors
Council of Family & Child Caring Agencies
Testimony of Sophine Charles, PhD
Director, Preventive Services, Policy & Practice
Before the
Committee on Contracts and Committee on Child Welfare
June 21, 2018

Thank you for the invitation and opportunity to provide testimony regarding the oversight of the Model Budget Process for Human Services Contractors. We are particularly pleased with Mayor de Blasio's mandate that required all city agencies to engage the Human Services Sector in the Model Budget Process. This Administration's plan to be inclusive, engage contractors early, and encourage collaborative efforts to achieve mutually beneficial budget outcomes, was a great strategy. We are thrilled by what the Mayor's cooperative blueprint has helped all involved to accomplish.

The Council of Family and Child Caring Agencies (COFCCA) is the primary statewide membership organization for child welfare service providers, representing over 100 not-for-profit agencies that contract with the New York City Administration for Children's Services (ACS) and the county departments of social services to provide foster care, preventive services, juvenile justice, adoption, and aftercare services as well as education for children on agency facility campuses. Our member agencies provide foster care to all of the City's children in foster care and preventive services to well over 95% of the families served by NYC. Our member agencies are child welfare providers and advocates who work every day to provide a continuum of services, clinical interventions, and resources to protect children who at risk or have been exposed to abuse and maltreatment.

Child Welfare Preventive Services Model Budget Process

On behalf of the fifty-four (54) child welfare agencies providing Preventive Services in NYC, we thank the City Council for the many years of enacting legislative provisions (baselining preventive funding, reducing caseloads, and funding evidence-base programs) to help stabilize families, support parents, and provide the fiscal resources necessary to reduce out of home placements for thousands of children. Today, we are delighted to report that Commissioner David Hansell and his executive team at ACS did a remarkable job in organizing a Steering Committee with providers at the table that produced a Model Budget that is infused with approximately $26 million dollars in preventive services enhancements. We believe this was the most collaborative initiative we have ever engaged in with any public sector partner

Members of this Council might recall, we are close to 10 years into the current preventive services contracts and the provider agencies had not received any additional funds to address the rising cost of rent, overhead expenses, health insurance, no COLAs for more than eight years, and simultaneously, dealing with nearly a 40% staff turnover rate due to an inability to pay competitive salaries to recruit and retain caseworkers. Through a Model Budget partnership with ACS, COFCCA, and a representative group of provider agencies, a variety of activities were implemented to develop a clear picture of the mounting fiscal crisis that the agencies were experiencing. Deliberate steps were taken to cultivate an allocation strategy for the $26 million dollars to address long standing gaps and many years without funding to support programs.

To begin, ACS created a twenty-five member Model Budget Steering Committee (MBSC) comprised of executives, program directors, and fiscal staff from large, medium, and small-sized preventive agencies. The Committee's work encompassed at least six meetings and a series of conference calls over a ten month period and included the attendance of senior staff from ACS' program, legal, finance, and contract managers. In addition OMB and MOCS staff were present at almost every meeting. The committee was charged with identifying the current state of preventive services, budgets, staffing models, and performance outcomes to better understand the scope of the programmatic, fiscal, and workforce challenges. ACS and the agencies developed a collaborative working model that included mechanisms to collect, gather, assess, and review current data across a range of areas – workforce, staff development, budgets - and to scan the four specific preventive service models (General Preventive, Family Treatment/ Rehabilitation, Evidence-Based Interventions, and Beacon programs) to fully understand the scope of the problem. ACS also hired two consultants, one consultant spearheaded a listening tour of small provider groups and structured a meeting process that gained full participatory engagement to identify problems, outline possible solutions, and to build consensus around which priorities would be funded. The other consultant conducted a staffing needs analysis, specifically designed to examine staff turnover and other issues related to staff recruitment and retention. The MBSC and consultants engaged in separate but concurrent activities intended to inform the Model Budget Process and outcome.

Secondly, early in the Model Budget Process, the MBSC developed a charter of operation and reached a consensus with full knowledge that the $26 million in new funding would be allocated and amended to provider agencies' Prevention Services budgets to achieve measureable outcomes. Providers understood that all agencies would be accountable for specific service deliverables – to maintain full utilization, adequate staffing levels, and quality program services. Moreover, it was implicit that the City expected all agencies to implement quality assurance mechanisms to evaluate programs' performance to ascertain whether outcome measures are consist with funding investments.

Finally, the MBSC work resulted in an allocation agreement on how to apply the $26 million in preventive enhancements across the preventive system. The Committee agreed that the priority areas for funding distribution would be:

1. **Supervisory Workload Ratio** – adjust standards and indicators to reduce the supervisor to caseworker ratio to 4:1.

2. **Case/Parent Aides** – hire a case/parent aide for each team to support caseworkers on family engagement.

3. **Quality Assurance/Quality Improvement Staff** – hire a designated staff to handle all QA/QI work for each preventive program to reduce supervisory workloads and improve casework practices.

4. **Longevity Incentives** – build in longevity incentives to support staff retention, reduce staff turnover, and recruit new staff.

While the preventive enhancements have not totally addressed all of the unfunded preventive mandates, the additional funding will provide more fiscal support and supplement the cost of delivering quality services. The addition of more case aides, quality assurance staff, and a reduced supervisory caseload will permit caseworkers to spend more time with children and families and the longevity incentives will increase the number of experienced staff and incentivize quality case practice.

Overall, we believe the ACS Team created an exemplary blueprint for a Model Budget Process that could be replicated across all City agencies. The presence of ACS legal, financial, and contract management staff at each meeting created an extraordinary feedback loop that permitted a 24 hour turnaround on provider recommendations that resulted in quick fiscal adjustments. It was this level of collaboration that resulted in a high quality product. On behalf of the provider agencies, we applaud the ACS Team for the more than 10 months of laser focused attention and steadfast commitment to creating a much welcomed and incentivized preventive service budget.

Contracts

We would be remiss in our testimony if we did not speak to the systemic barriers that threaten to erode the months of successful planning and collaboration that occurred during the Model Budget Process with ACS. First, the enhancements were constrained by 8 year old contract language which prevented certain investments even if they were the most important. City contract rules prohibited ACS from applying funds directly toward salary increases, capital improvements, rent increases, fringe, or other areas where agencies have absorbed the rising cost of serving families. Equally limiting is the application of Performance-Based Funding (PBF) in preventive contracts that stipulates ACS withhold 10% of agencies' funding if performance targets are not achieved. While we accept the rationale behind performance incentives, we do not believe that agencies should have 10% of their funding held in abeyance on the front end of a contract. This practice diminishes the impact of planning with a fully funded budget. The number of required steps, involving several city agencies, required just to amend a contract tax the limited resources of the providers and of the city agencies. These processes need to be streamlined across the human services sector. We are happy to respond to any questions or follow-up comments from the Council. Thank you for the opportunity to contribute to this hearing.

Contact Information:

James F. Purcell, CEO
Sophine Charles, Director, Preventive Policy and Practice

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Brooklyn, NY 11201

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TESTIMONY

New York City Council
Committee of Contracts
Committee on General Welfare

Thursday June 21st, 2018

Submitted by: Alan Wolinetz

Good afternoon, Chairman Brannan and Chairman Levin and Members of the New York City Council Committee of Contracts and the Committee on General Welfare. My name is Alan Wolinetz and I am the Chief Financial Officer of Catholic Charities of Brooklyn and Queens. I am here to speak to the Committee about the effects on our Agency as a result of the final budget that was enacted for New York City for the fiscal year 2019.

As a point of reference, Catholic Charities of Brooklyn and Queens has contracts in place with the following City Agencies:

- Department for the Aging
- Human Resources Administration
- Administration for Children's Services
- Department of Health and Mental Hygiene
- Department of Youth and Development

The services that we provide for these Agencies cover 60 individual contracts and have a total dollar value of over 57 million dollars. The Agency utilizes these dollars to service over 66,000 individual residents of Brooklyn and Queens. In turn, we have over a quarter million contacts with these clients over the course of a year.

Catholic Charities of Brooklyn and Queens has been servicing our constituent community for over 100 years. We have a dedicated and well trained staff that has built an excellent reputation for providing a superior level of service to all our clients across the broad spectrum of programs that we provide.

As a member of the Human Services Council, Catholic Charities of Brooklyn and Queens fully supports the statement that was just released by the Human Services Advancement Strategy Group. As I'm sure you are all aware, the Strategy Group expressed its disappointment on the City's budget failure to fully address all of the critical funding needs of New York City's Not for Profit Social Services Agencies. The major areas of underfunding revolve around indirect expenses, fringe benefits, insurance and occupancy costs.

With respect to Catholic Charities of Brooklyn and Queens, I would like to address the major issues that we are dealing with in preparing our own operating budget for fiscal 2019. We are faced with an ever increasing overhead rate with greater dollars being spent that are unfunded by our contracts.

This is a problem that is not being created by inefficiencies but rather by increased costs created by our current economic environment, rapidly changing technology, ever increasing oversight, and demands for more and more data to measure the outcomes of the value of services provided. The dollars that are being spent in these areas is not something we see decreasing but increasing with time.

I would like to share with the Committee a few examples of some of the financial pressures we are facing:

- Recruiting, hiring, and maintaining qualified administrative support staff in the areas of finance and technology has become a major challenge. We find that in a strong economy and with a strong demand for personnel in these areas we are not competing for talent against other not for profits but with the entire for profit community. It has not been unusual for us to lose employees to other opportunities were the individuals are leaving for 50 to 75 percent higher compensation.

- Medical and benefit costs continue to increase unabated. In recent years we have frozen our defined benefit pension plan, and asked our employees to contribute more and more to the cost of our health plans. Despite taking these actions, the benefit expenses continue to rise.

- Brooklyn has become one of the most sort after real estate markets in the country and as a result, we are facing significant rent increases over time.

In closing, Catholic Charities is facing ever increasing administrative overhead costs, and it is vital that we and other not for profits receive adequate funding so that we can continue to provide proper support to our community programs. In addition to the proper amount of funding, it can't be stressed enough that the timing of receipt of cash is critical. Particularly in a rising interest environment, it is not possible to continue to spend unfunded monies to pay interest charges on loans and bank credit lines.

The financial commitment by the City to provide adequate and timely funding is critical for long term fiscal viability.

Thank you for the opportunity to address the City Council today.

PICTURE THE HOMELESS

Testimony of Jose Rodriguez

General Welfare Committee

June 21, 2018

Good afternoon my name is Jose Rodriguez, and I am a formerly homeless member of Picture the Homeless. I'm testifying today, because I'm concerned that the city continues to add money to shelters, but there is not enough oversight over how staff are trained, or over housing placements. Everyone should be held accountable to a standard for helping people get out of shelter. I don't understand why some counselors have appropriate knowledge to place people on a regular basis, while others have a poor track record of placing people in permanent housing. If monies are to be continually given to shelters because of the increase in shelter population, then there should be a mechanism put in place to assure shelter staff are performing their duties appropriately.

During my stay at shelter I noticed differences in how city run shelters operate verses contracted shelters. Some evenings my sugar would drop in the city shelter. I was able to stabilize my sugar levels due to a snack offered to me. In contracted shelter I was explained that the kitchen was closed and we could call E.M.S. for you. Clearly these differences can put peoples in life or death situations.. I experienced people struggling when transferred to comply with a set of new rules. It is difficult for anyone to have a place to live and overnight be in a shelter.

My experience with counselors providing appropriate housing referrals is, I have none. Day one meeting my counselor he was polite while I complied in answering all questions in order to finish his required paper work however when I began to ask questions on how I could navigate the huge housing placement list he began to get abrasive and aggressive insisting that I did not qualify for any type of housing assistance. When I asked him to check himself with respect he threw me out of the office.

Counselors should be trained to navigate the huge housing provider list that services shelter residents.

There should be universal rules and policies throughout D.H.S. shelters, contracted and city alike. It's my experience when I understood every body's role in the shelter including mine I was able to focus on getting out of the shelter.

Instead of continuing to provide more shelter funds, providers should be held accountable on how human beings are treated under their care. There should be diversity trainings, tolerance, and staff wellbeing, as well as a universal training for counselors in accessing housing opportunities for shelter residents.

Thank you for taking the time to hear my voice, as someone who experienced what thousands are experiencing even today.

THE COUNCIL
THE CITY OF NEW YORK

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(PLEASE PRINT)

Name: Tina Park

Address: ________

I represent: ~~Catholic Charities~~ Nonprofit Finance Fund

Address: 5 Hanover Sq, New York, NY 10018

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Name: Towaki Komatsu

Address: ________

I represent: Self

Address: Private

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Name: Louisa Chafee

Address: ________

I represent: ~~UJA Fed of NY~~ [illegible]

Address: 130 E 59th St New York, NY

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Name: Emily Miller

Address: ______

I represent: FPWA

Address: 40 Broad St. New York, NY 10004

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Name: Mark Hurlock

Address: ______

I represent: Urban Pathways

Address: 575 8th Ave, 16th Fl. New York, NY 10018

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Name: Joanne Page

Address: ______

I represent: Fortune Society

Address: 29-76 Northern Blvd, Long Island City NY 11101

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Name: Carlyn Cowen

Address:

I represent: CPC

Address: 150 Elizabeth St, New York, NY 10012

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Date: ________

(PLEASE PRINT)

Name: Sister Florence Speth

Address: ~~Fo~~ 111 E 117 S

I represent: Foy House / HSU

Address:

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(PLEASE PRINT)

Name: Rob Deleon / Fortune Society

Address:

I represent: The Fortune Society

Address: 29-76 Northern Blvd. Long Island City NY 11101

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(PLEASE PRINT)

Name: Elizabeth Clay Roy

Address: ________

I represent: Phipps

Address: 902 Broadway, 13th Fl, New York, NY 10010

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Name: Sophie Charles

Address: ________

I represent: COFCCA

Address: 254 W 31st, New York NY 10001

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☐ in favor ☑ in opposition

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(PLEASE PRINT)

Name: Mary Crosby

Address: ________

I represent: Picture the homeless

Address: 104 E 126th N.Y. NY. 10035

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Date: ________

(PLEASE PRINT)

Name: Elizabeth Roy

Address: 8 Mt. Morris Park West

I represent: Phipps Neighborhoods

Address: 902 Broadway, NY, NY

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(PLEASE PRINT)

Name: Allison Nickerson

Address: 321

I represent: LiveOn NY

Address: ________

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Appearance Card

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Date: ________

(PLEASE PRINT)

Name: Scott Hutchins

Address: 452 W 50th St 1W NYC

I represent: Picture the Homeless

Address: 148 E 126th St NYC

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(PLEASE PRINT)

Name: FELIPE MARTINEZ

Address: 321 EAST TREMONT AVENUE Bronx N.Y. 10457

I represent: Picture the Homeless

Address: 124 st New York N.Y. 11122

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Name: Jennifer Geiling

Address: ______

I represent: MOCS

Address: ______

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☐ in favor ☐ in opposition

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(PLEASE PRINT)

Name: Steven Banks, Commissioner

Address: ______

I represent: DSS

Address: ______

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Name: Allison Sesso

Address:

I represent: Human Services Council

Address: 130 East 59th Street

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☐ in favor ☐ in opposition

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Name: Ellen Levine, Chief Program Planning + Financial Management Officer

Address:

I represent: DSS

Address:

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Name: Catherine Trapani

Address:

I represent: Homeless Services United

Address:

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(PLEASE PRINT)

Name: Kevin Douglas

Address: ________

I represent: United Neighborhood Houses

Address: ________

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Appearance Card

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☐ in favor ☐ in opposition

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(PLEASE PRINT)

Name: Michelle Jackson

Address: ________

I represent: Human services Council

Address: 130 East 59th Street

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I intend to appear and speak on Int. No. ________ Res. No. ________

☑ in favor ☐ in opposition

Date: 6/21/18

(PLEASE PRINT)

Name: Alan Wolinetz - Chief Financial Officer

Address: 191 Joralemon St

I represent: Catholic Charities - Diocese of Brooklyn

Address: ________

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Date: ~~6/20~~ 6/21/18

(PLEASE PRINT)

Name: Beatriz Diaz Taveras - Exec. Director

Address: 1011 1st Ave

I represent: Catholic Charities Community Services -

Address: Archdiocese of New York

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☑ in favor ☐ in opposition

Date: 6/21/18

(PLEASE PRINT)

Name: DR. Sophine CHARLES

Address: 254 W 31st NYC

I represent: COFCCA Council of Family & Child Caring Agencies

Address: 254 W 31st NYC

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Date: 6/21/18

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Name: KEITH TREYBALL

Address: 2 WINDSONG ROAD, ARDSLEY, NY 10502

I represent: E 2 HOSPITALITY

Address: 950 E 57TH ST, 22 FLOOR, NEW YORK, NY 10022

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(PLEASE PRINT)

Name: Emily Miles
Address: 315 W 115th Street, 10026
I represent: TPWA
Address: 40 Broad Street, 10004

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Date: 6/21/18

(PLEASE PRINT)

Name: Jina Paik
Address: 308 12th Street, Brooklyn 11215
I represent: Nonprofit Finance Fund
Address: 5 Hanover Square, 9th Fl, 10004

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Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Mark Hurwitz
Address: 575 8th Ave 16th Fl
I represent: Urban Pathways
Address: ________

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☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Louisa Chafee

Address: 130 E. 59th Street

I represent: UJA Federation

Address: ________

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Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: Carlyn Cowen

Address: 150 Elizabeth street

I represent: Chinese American Planning Council

Address: ________

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I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: 6-21-18

(PLEASE PRINT)

Name: David A. Hansell, Commissioner

Address: ________

I represent: NYC Administration for Children's Services

Address: 150 William Street, NY, NY

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☐ in favor ☐ in opposition

Date: ________

(PLEASE PRINT)

Name: JACQUELINE MARTIN
Address: 150 WILLIAM ST. NY, NY 10038
I represent: Administration for Children's Svcs. (ACS)
Address: ________

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK 16

Appearance Card

I intend to appear and speak on Int. No. ________ Res. No. ________
☐ in favor ☐ in opposition

Date: 6/21/18

(PLEASE PRINT)

Name: Kailey Burger
Address: 150 William St., NY NY 10038
I represent: ACS
Address: " "

Please complete this card and return to the Sergeant-at-Arms