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Report on the Fiscal 2017 Executive Budget Department of Homeless Services May 12, 2016

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Executive Budget Summary

- **Expense Budget.** The Department for Homeless Services Fiscal 2017 Executive Budget totals \$1.29 billion. The Fiscal 2017 Executive Budget is \$215 million more than DHS' Fiscal 2016 Adopted Budget of \$1.08 billion.
 - Approximately \$747.2 million or 58 percent of DHS' Fiscal 2017 budget is City tax-levy (CTL) funding, \$409.9 million, or 31 percent is from federal funding sources, and \$134.9 million, or 10 percent is from State funding sources.
 - DHS' overall headcount for Fiscal 2017 is 2,238 positions. This represents a decrease of 79 positions when compared to the Fiscal 2016 Adopted Budget.
- **New Needs and Other Adjustments.** The agency's Fiscal 2017 Executive Budget includes \$11.3 million in new needs and \$2.5 million in other adjustments for the remainder of Fiscal 2016, \$292 million in new needs and a decrease of \$105 million due to other adjustments in Fiscal 2017. The largest new needs include:
 - \$193 million for adult and family shelter re-estimates;
 - \$53.7 million for homeless services enhancements; and
 - \$45 million for shelter security.

The largest other adjustments include:

- \$118.7 million of which \$87.4 million are City funds for homeless restructuring.
- **Citywide Savings Program.** DHS' Executive Budget includes \$11.6 million in savings for Fiscal 2016 and \$38.2 million for Fiscal 2017 and in the outyears.
- **Major Agency Issue.** In December 2015, the Mayor commissioned a review of DHS to be conducted by the commissioner of the Human Resources Administration (HRA). Several reforms resulting from the 90-day review impact DHS Executive Budget. These include:
 - DHS and HRA will merge their back office operations including Human Resources, Legal, Contracts, Information Technology, Program Accountability, Audits, Communications, External Affairs, Finance, Performance management, Research and Policy and Planning. The merger will result in \$38 million in savings.
 - Prevention services specifically Homebase and rehousing will be moved to HRA. This funding of \$49.2 million and the associated headcount shift is reflected in DHS' Executive Budget.
 - The New York Police Department (NYPD) will conduct a shelter security review and retraining of DHS Peace Officers. A NYPD management team will be deployed to DHS to develop an action plan to upgrade security at all shelters.

Capital Budget. The Fiscal 2017 Executive Budget Capital Commitment Plan includes \$272.4 million in Fiscal 2016-2019 for DHS. DHS' Executive Commitment Plan for Fiscal 2016-2019 increases by \$89.6 million when compared to its Preliminary Commitment Plan. The agency's Fiscal 2017 capital budget totals \$65.9 million and is entirely City-funded. The majority of DHS'

Fiscal 2016 capital budget will fund reparations and upgrades at homeless family facilities and single adult facilities. This is reflective of the City's priority to improve shelter conditions.

DHS Overview

This report provides an overview of the DHS Fiscal 2017 Executive Budget, a review of the significant new needs and changes included in the Executive Budget, and highlights of the Capital Commitment Plan for Fiscal 2017. Appendix 1 report the changes made to the Fiscal 2016 and Fiscal 2017 Budgets since Adoption of the Fiscal 2016 Budget.

For additional information on DHS' budget and its various programs, please refer to the Fiscal 2017 Preliminary Budget Report for DHS at

<http://council.nyc.gov/html/budget/2017/Pre/dhs.pdf>

DHS Financial Summary						
	2014	2015	2016	Executive Plan		*Difference
<i>Dollars in Thousands</i>	Actual	Actual	Adopted	2016	2017	2016 - 2017
Spending						
Personal Services	\$118,785	\$125,176	\$150,263	\$164,527	\$144,654	(\$5,609)
Other Than Personal Services	924,497	1,044,650	930,658	1,160,718	1,151,308	220,650
TOTAL	\$1,043,282	\$1,169,826	\$1,080,921	\$1,325,245	\$1,295,962	\$215,041
Budget by Program Area						
Adult Shelter Administration & Support	\$9,590	\$10,937	\$11,503	\$11,780	\$9,341	\$3,302
Adult Shelter Intake and Placement	7,586	7,211	8,907	9,609	9,542	0
Adult Shelter Operations	322,869	356,944	317,469	429,582	455,445	(2,551)
Family Shelter Administration & Support	7,341	7,065	11,803	14,099	18,754	3,177
Family Shelter Intake and Placement	20,379	21,642	27,269	27,543	27,566	2,960
Family Shelter Operations	510,709	577,570	497,006	590,969	594,759	59,618
General Administration	70,709	71,381	91,647	103,919	66,337	29,618
Outreach, Drop-in and Reception Services	35,305	41,975	49,198	49,251	72,163	17,351
Prevention and Aftercare	34,564	52,228	42,206	63,790	17,587	7,939
Rental Assistance and Housing Placement	24,229	22,873	23,913	24,702	24,469	240
TOTAL	\$1,043,282	\$1,169,826	\$1,080,921	\$1,325,245	\$1,295,962	\$215,041
Funding						
City Funds	\$497,070	\$680,834	\$556,038	\$717,121	\$747,271	\$191,233
Other Categorical	14	3,025	3,000	3,000	3,000	0
State	140,617	162,660	134,548	149,768	134,919	371
Federal - Community Development	4,612	4,098	4,098	4,098,000	4,098	0
Federal - Other	398,506	317,510	382,386	448,131	405,823	23,437
Intra City	2,463	1,699	851	3,126	851	0
TOTAL	\$1,043,282	\$1,169,826	\$1,080,921	\$1,325,245	\$1,295,962	\$215,041
Budgeted Headcount						
Full-Time Positions	1,856	1,976	2,316	2,449	2,236	(80)
Full-Time Equivalent Positions	3	1	1	3	2	1
TOTAL	1,859	1,977	2,317	2,452	2,238	(79)

*The difference of Fiscal 2016 Adopted Budget compared to Fiscal 2017 Executive Budget.

The City's Fiscal 2017 Executive Budget totals \$82.2 billion, \$3.9 billion more than the Fiscal 2016 Adopted Budget of \$78.3 billion. City funds (City tax-levy and non-tax revenues) total \$59.3 billion when compared to the Fiscal 2016 Adopted Budget amount of \$58.1 billion. The DHS Fiscal 2017 Executive Budget totals \$1.29 billion. This represents approximately 1.3 percent of the City's total budget.

DHS' Fiscal 2017 Executive Budget is \$215 million more than its Fiscal 2016 Adopted Budget of \$1.08 million and a \$29.2 million less when compared to the current Fiscal 2016 Budget. For Fiscal 2016, changes introduced in the Executive Plan include \$11.6 million in savings, \$212.8 million in new needs, \$34.4 million in other adjustments, and a headcount change of 132. For Fiscal 2017, changes include \$38.2 million in savings, \$329.4 million in new needs, a reduction of \$124.2 million in other adjustments, and a headcount decrease of 572. The agency's overall headcount shows a decrease of 79 positions from Fiscal 2016 to 2017. (See Appendix 1 for a list of all Executive Budget changes). The \$215 million increase is almost entirely due to growth in the Other Than Personal Services (OTPS) by of \$220 million, which is offset by a decrease in the Personal Services (PS) spending by \$5.6 million. The change in the Personal Services (PS) budget of \$5.6 million corresponds to the transfer of DHS staff into HRA to carry on homeless prevention, shelter service enhancements and rehousing programs under HRA's purview.

The majority of the year-over-year increase can be attributed to increased spending on adult and family shelters to accommodate the projected shelter population in Fiscal 2017. In addition, DHS will increase its outreach services for street homelessness. Implemented in March, HOMESTAT is the nation's most comprehensive street outreach program, with nearly 500 workers to help transition homeless individuals from the streets and into shelters. The program will enable the City to better address the needs of New Yorkers who are homeless and on the streets.

Following the 90 day review commissioned by the Mayor in December 2015, DHS' program areas largely pertain to single adult and family shelter operations and security and enhanced outreach efforts particularly catered to street homelessness. Homebase is shifted to HRA and expanded in its scope as the first point of entry for those at risk of homelessness. Other homelessness related programs HRA will now oversee include prevention and aftercare and employment and job training at shelters. A total of \$49.2 million associated with these programs, as well as some administrative contracts, are being transferred out of DHS into HRA's budget. The reforms resulting from the 90 day review results in \$66 million in new needs between both agencies, which will be offset by \$38 million in administrative savings through the consolidation of back office functions.

For more information refer to

<http://www1.nyc.gov/assets/home/downloads/pdf/reports/2016/90-day-homeless-services-review.pdf>

Below is a summary of key funding changes by program area and source when comparing DHS' Fiscal 2017 Executive Budget to its Fiscal 2016 Adopted Budget.

- **Increase in City Funds.** Approximately \$747 million or 57 percent of DHS' Fiscal 2017 Budget is City funding and when compared to the Fiscal 2016 Adopted Budget, DHS' City funding increases by \$191 million. The majority of the can be attributed to increased funding for single adult and family shelter operations to accommodate the current homeless census population, as well as significantly higher investments in homeless outreach services for street homelessness.

- **Increased Funding for Outreach, Drop-In, and Reception Services.** DHS’ Outreach, Drop-In, and Receptions Services increases by \$22.9 million in Fiscal 2017. This increase can be attributed to increases in funding for the new HOMESTAT program, as well as augmented drop-in center capacity, and safe haven and stabilization bed capacity that serve street homeless individuals.
- **Decreased Funding for Prevention and Aftercare Services.** For Fiscal 2017, funding for Prevention and Aftercare Services decreased by \$24.7 million. This decrease reflects the shift of the homeless prevention programs such as HomeBase from DHS into HRA.
- **Decrease in Headcount.** HRA’s Fiscal 2017 full-time position headcount decreases by 79 for Fiscal 2017. The majority of this change is attributed to a transition of 598 positions to HRA associated with the homeless prevention and shelter programs. DHS is increasing headcount for shelter security and outreach services by 300 and 68 positions respectively for Fiscal 2017.

New in the Executive Budget

As a result of the 90 day review, programs related to homelessness prevention, aftercare and rehousing are being transferred into HRA from DHS. The amount associated with this shift is \$49.2 million. The biggest new needs in DHS are reflective of the reforms from the 90 day review in which DHS is responsible for outreach, shelter intake, administration and operations. The following are major financial plan actions for Fiscal 2017 included in the Executive Plan.

Homeless Programmatic Enhancements. The Fiscal 2017 Executive Plan includes \$53.7 million for Fiscal 2017 and \$101.1 million for Fiscal 2018 and in the outyears for enhancements to outreach services and shelter oversight. A total of \$22.9 million in Fiscal 2017 has been allocated in City funds for the HOMESTAT program which will address street homelessness with better outreach efforts. A total of \$15 million in Fiscal 2017 will fund shelter and provider rate reform and the conversion of non-contracted facilities to contract to allow providers to render better service to clients, as well as increase accountability. A total of \$5 million will allow better oversight of shelter operations and administration. There is an associated headcount increase of 40 related to the better oversight allocation.

Homeless Programmatic Enhancements	
HOMESTAT	\$22,000,000
Shelter provider rate reform	\$15,000,000
Shelter oversight and transportation for clients	\$5,000,000

- **Shelter Re-estimate.** DHS’ Fiscal 2017 Executive Budget includes an additional \$160.1 million for adult and family shelter operations. This additional funding is based on the current capacity of shelters and the need to increase capacity based on the current shelter census. In April 2016, an average of 58,057 individuals were in the shelter system.
- **Shelter Security.** As a result of recent incidents at shelters, DHS will provide 300 additional peace officers in the shelters for Fiscal 2017 and in the outyears. Funding for enhanced security in Fiscal 2016 is \$3.3 million for 200 peace officers. For Fiscal 2017 and in the outyears funding is \$45 million. This funding will support DHS peace officers and contracted

security at high need shelters, mental health shelters and commercial hotels. It is important to note, funding for security may be re-estimated following the NYPD security assessment.

- **Establishment of the Department of Veteran's Services.** In April 2016, the Department of Veterans Affairs (DVA) was formally established pursuant to the Local Law 113. DHS will transfer \$200 million in Fiscal 2017 and in the outyears to DVA with an associated headcount of three positions. This personnel worked on veterans issues within DHS prior to the establishment of DVA.
- **Wage Adjustment.** For Fiscal 2016 and Fiscal 2017, DHS is adjusting wages for its staff in the amount of \$10.9 million, of which \$7.7 million is CTL funds.

Citywide Savings Program. The City's Fiscal 2017 Executive Budget includes a Citywide Savings Program, which reduces DHS' CTL spending by \$11.6 million in Fiscal 2016 and \$38.2 million in Fiscal 2017 and in the outyears. To develop this program, OMB asked all agencies to identify inefficiencies, alternative funding sources and programmatic changes that would yield budgetary savings without reducing service levels. DHS' savings plan is as follows:

- **Homeless services Restructuring.** DHS' Fiscal 2017 Executive Budget reflects a savings of \$38.2 million derived from realigning positions, funding, and the elimination of duplicative programs with HRA in order to create the shared management structure outlined from the 90 day review of DHS. Programs shifted were HOMEBASE program, other aftercare services for clients who exit shelters and administrative contracts. There is an associated headcount transfer of 411 from DHS to HRA in Fiscal 2017. The savings are also derived from merging back office functions between the two agencies.

Preliminary Budget Highlights

The following are major financial plan from the Fiscal 2017 Preliminary Plan for Fiscal 2016 and 2017. Please refer to the Fiscal 2017 Preliminary Budget Report for the Department of Homeless Services for additional information at

<http://council.nyc.gov/html/budget/2017/Pre/dhs.pdf>.

- **Shelter Costs Increase.** DHS' Fiscal 2016 Budget included an additional \$32.5 million to support adult shelter operations. This additional funding is based on current adult shelter capacity and the need to increase capacity based on the current adult shelter census. In December 2015, an average of 12,781 single adults were in the shelter system.
- **NYC SAFE and Shelter Security.** As part of the Mayor's initiative "NYC Safe," which is an evidence-driven program to support New Yorkers with untreated serious mental illness who pose a concern for violent behavior, DHS will provide clinical services and additional security at single adult shelters. Funding in Fiscal 2017 and in the outyears totaled \$7.4 million in the Preliminary Budget.
- **Support for Homeless Veterans.** The Fiscal 2017 Preliminary Plan included \$1.6 million in City tax-levy (CTL) in Fiscal 2016 and \$700,000 in Fiscal 2017 and in the outyears for enhanced services to help reduce homelessness among veterans.
- **Adult Shelter Programming.** In December 2015, DHS announced it will be reinforcing existing policy regarding shelter programming and daytime access for residents in homeless shelters. DHS will require that shelter operators offer residents employment, training and

other services. Furthermore, residents cannot be required to leave shelters during the day. Funding for this initiative totals \$16.9 million in Fiscal 2017 and in the outyears.

- **Shelter Repairs and Maintenance.** DHS' Budget reflects the continuation of support for the multi-agency effort to improve shelter conditions. Funding totals \$7.6 million in Fiscal 2017 and in the outyears.
- **Homeless Prevention for Single Adults.** In Fiscal 2017, DHS will expand its HomeBase program and provide prevention services to additional single adults. Funding totals \$4.4 million in Fiscal 2017 and in the outyears.

DHS Capital Program

Shelter conditions and the Capital Budget. DHS along with HRA, evaluated its capital needs as part of the 90 day review. In January 2016, the Mayor announced plans to expand current efforts to improve shelter conditions. In an effort to ensure the City's ability to identify and fix problems in the City's homeless shelters, DHS' Capital Budget reflects the need for increased maintenance and capital investment in not-for-profit shelters to correct conditions that have accumulated in shelters over many years. Two different repair programs for the shelter system have been created earlier in the year which focuses on issues that didn't need major capital repairs. The new capital money will go towards those major repair needs. The Capital Commitment Plan reflects an increase of \$89.6 million or 49 percent compared to the Fiscal 2016 Adopted Budget.

Capital Commitment Plan

The Fiscal 2017 Executive Budget Capital Commitment Plan includes \$272.4 million in Fiscal 2016-2019 for DHS. This represents less than one percent of the City's total \$57.8 billion Executive Plan for Fiscal 2016-2019.

The majority of capital projects span multiple fiscal years, and it is, therefore common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal 2015, the Department of Homeless Services committed \$57.8 million or 62 percent of its annual capital plan. Therefore, it is assumed that a similar portion of DHS' Fiscal 2016 Capital Plan will be rolled into Fiscal 2017, thus increasing the size of the Fiscal 2016-2019 Capital Plan.

DHS 2016-2020 Capital Commitment Plan

Dollars in Thousands

	2016	2017	2018	2019	2020	Total
Executive Plan	\$36,437	\$65,920	\$60,610	\$54,587	\$54,865	\$272,419
Preliminary Plan	\$48,687	\$65,052	\$32,820	\$14,724	\$21,500	\$182,783
Change	(\$12,250)	\$868	\$27,790	\$39,863	\$33,365	\$89,636
Percentage Change	(25%)	1%	85%	271%	155%	49%

Source: OMB Fiscal 2017 Executive Capital Commitment Plan

Within the Plan \$83.2 million is provided for homeless family facilities, \$144 million for single adult facilities, \$35.2 million is allocated for computer systems and equipment purchases, and \$9.7 million is provided for City Council and Borough President items.

Executive Budget Highlights

The Capital Variance Report indicates a 49 percent variance between the Preliminary Commitment Plan and the Executive Commitment Plan. This is reflective of the Administration's priority to improve shelter conditions by addressing major deficiencies and capital intensive repair needs. Large capital projects included in DHS' Executive Budget for Fiscal 2017 include:

- **Critical Needs at Shelter Facilities.** A total of \$89.5 million in new funding will address critical needs at shelter facilities, including over 60 new projects at shelter facilities for homeless adults and families.
- **Bellevue Shelter.** In Fiscal 2017, DHS' Capital Commitment Plan reflects \$26.8 million to renovate the 30th Street Men's Shelter, also known as Bellevue. This shelter is the largest in the City, and renovations include electrical upgrades and roof, interior, exterior, and façade renovations.
- **Shelter Upgrades For Homeless Single Adult Shelters.** DHS' Fiscal 2017 Capital Commitment Plan includes \$9.8 million for exterior and interior building upgrades, including the bathrooms at the Auburn Adult Family Shelter located in Brooklyn.
- **Shelter Upgrades For Homeless Family Shelters.** The Capital Commitment Plan includes exterior and Interior building upgrades at family facilities, including \$5 million for the façade and \$212,000 for the exterior upgrade at the Regent family residence.

Appendix 1: DHS Fiscal 2017 Budget Actions since Fiscal 2016 Adoption

<i>Dollars in Thousands</i>	FY 2016			FY 2017		
	City	Non-City	Total	City	Non-City	Total
DHS Budget as of the Adopted 2016 Budget	\$556,037	\$524,883	\$1,080,920	\$566,564	\$524,126	\$1,090,690
New Needs						
Adult Shelter Re-estimate	\$58,975	\$0	\$58,975		\$0	\$0
Adult Shelter Programming	8,892	0	8,892	16,925	0	0
Family Shelter Re-estimate	29,356	49,162	78,518		0	0
Homeless Prevention for Single Adults	2,408	0	2,408	4,408	0	0
NYC Safe and Shelter Security	10,498	0	10,498	7,409	0	0
Shelter Provider Bonus	1,647	0	1,647		0	0
Shelter Re-estimate	32,496	0	32,496		0	0
Shelter Repairs and Maintenance	6,550	0	6,550	7,654	0	0
Support for Homeless Veterans	1,600	0	1,600	700	0	0
Subtotal, New Needs	\$152,422	\$49,162	\$201,583	\$37,096	\$0	\$37,096
Other Adjustments						
16 Sandy BLK	\$0	\$460	\$460	\$0	\$0	\$0
Carpenters UBJC Collective Bargaining	400	19	419	400	19	419
Collective Bargaining - Cement Masons L237	65	3	68	76	3	79
Collective Bargaining - Maintenance Workers L237	37	2	38	45	2	47
Collective Bargaining Auto Mechanics L246	1	0	1	2	0	2
End the Epidemic	0	0	0	(20,295)	(2,689)	(22,983)
Energy Manager	0	963	963	0	0	0
FY 16 Sandy VEH	0	25	25	0	0	0
FY 16-17 MRT EPVA Increase	0	1,016	1,016	0	1,584	1,584
FY16 MRT SSI Funds	0	4,989	4,989	0	0	0
Homebase Expansion	0	7,680	7,680	0	7,680	7,680
I/C With DHS - Washington Heights	0	86	86	0	0	0
Lease Adjustments	254	0	254	0	0	0
Member Item Reallocation	(19)	0	(19)	0	0	0
OSA Collective Bargaining	910	0	910	1,114	0	1,114
Put Up FY16 Revenue	0	250	250	0	0	0
Sheet Metal Workers L246 Collective Bargaining	15	2	17	20	1	21
Subsidized Jobs for Homeless Clients	(1,700)	0	(1,700)	(3,400)	0	(3,400)
Supportive Housing Shelter Savings	0	0	0	(3,710)	0	(3,710)
To Put Up ESG Revenue	0	12,155	12,155	0	0	0
To Put Up FY16 Revenue	0	1,261	1,261	0	0	0
Subtotal, New Needs	(\$36)	\$28,911	\$28,875	(\$25,747)	\$6,600	(\$19,147)
Total, All Changes	\$152,386	\$78,072	\$230,458	\$11,349	\$6,600	\$17,949
DHS Budget as of the Preliminary 2017 Budget	\$708,423	\$602,955	\$1,311,378	\$577,913	\$530,726	\$1,108,639
New Needs:						
Establishment of the Department of Veteran's Services	\$0	\$0	\$0	(\$200)	\$0	(\$200)
Homeless Programmatic Enhancements	8,000	0	8,000	41,470	12,255	53,725
Shelter Re-estimate	0	0	0	160,170	33,705	193,875
Shelter Security	3,300	0	3,300	45,000	0	45,000
Total, New Needs	\$11,300	\$0	\$11,300	\$246,440	\$45,960	\$292,400
Other Adjustments:						
3/4 Housing Catering Services	\$0	\$826	\$826	\$0	\$0	\$0
CITY COUNCIL MEMBER ITEMS	50	0	50	0	0	0
Collective Bargaining	1,973	100	2,074	2,105	110	2,215
Decrease RCM funds	0	(415)	(415)	0	0	0

<i>Dollars in Thousands</i>	FY 2016			FY 2017		
	City	Non-City	Total	City	Non-City	Total
FY16 Revenue Budget Mod	\$0	\$410	\$410	\$0	\$0	\$0
Heat, Light and Power	(551)	0	(551)	420	0	420
Heating Fuel	(213)	0	(213)	(265)	0	(265)
Homeless Services Restructuring	(11,625)	0	(11,625)	(87,477)	(31,289)	(118,766)
Lease Adjustment	0	0	0	371	0	371
PUT UP FY16 REVENUE	0	250	250	0	0	0
RCM Projects	0	815	815	0	0	0
Wage Adjustment	7,764	3,183	10,947	7,764	3,183	10,947
Total, Other Adjustments	(\$2,603)	\$5,169	\$2,566	(\$77,083)	(\$27,997)	(\$105,079)
Total, All Changes	\$8,697	\$5,169	\$13,866	\$169,358	\$17,963	\$187,321
Fiscal 2017 Executive Budget	\$717,121	\$608,124	\$1,325,245	\$747,271	\$548,691	\$1,295,962

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