



New York City Council

Christine C. Quinn, Speaker

Finance Division

Preston Niblack, Director

Jeffrey Rodus, First Deputy Director

Hearing on the Mayor's Fiscal Year 2012 Executive Budget

Department of Homeless Services

May 31, 2011

The Committee on Finance

Hon. Domenic M. Recchia, Jr., Chair

The Committee on General Welfare

Hon. Annabel Palma, Chair

Latonia McKinney, Deputy Director

Crystal Coston, Legislative Financial Analyst

Overview

The Department of Homeless Services (DHS), in partnership with public agencies and the business and nonprofit communities, prevents homelessness and provides temporary emergency shelter for eligible homeless people in a safe, supportive environment. DHS manages 11 City-run and 192 privately-run shelter facilities, consisting of 51 adult facilities and 152 family facilities. DHS also provides outreach services available 24 hours a day, seven days a week, as well as homeless prevention services through community-based programs.

Department of Homeless Services Financial Summary

Dollars in Thousands

	2009 Actual	2010 Actual	2011 Adopted	2011 Exec. Plan	2012 Exec. Plan	Difference 2011–2012*
Spending						
Personal Services	\$122,238	\$120,337	\$119,259	\$103,944	\$115,576	(\$3,682)
Other Than Personal Services	729,072	821,648	720,313	943,611	673,228	(47,086)
TOTAL	\$851,310	\$941,985	\$839,572	\$1,047,555	\$788,804	\$50,768
Budget by Program Area						
Adult Shelter Administration & Support	\$6,609	\$8,182	\$5,710	\$8,201	\$8,201	\$2,491
Adult Shelter Intake and Placement	7,809	8,053	8,699	8,463	9,060	361
Adult Shelter Operations	204,220	208,060	203,593	258,310	265,504	61,911
Family Shelter Administration & Support	5,851	5,467	5,874	5,752	5,752	(122)
Family Shelter Intake and Placement	26,620	24,544	25,925	23,336	23,823	(2,102)
Family Shelter Operations	369,267	393,808	357,736	403,130	362,386	4,650
General Administration	64,837	61,328	55,580	47,434	56,868	1,288
Outreach, Drop-in and Reception Services	22,450	18,962	12,985	19,921	13,725	739
Prevention and Aftercare	27,022	27,349	30,718	38,736	8,548	(22,170)
Rental Assistance and Housing Placement	116,624	186,229	132,751	234,270	34,937	(97,814)
TOTAL	\$851,310	\$941,984	\$839,572	\$1,047,554	\$788,804	(\$50,768)
Funding						
City Funds	N/A	N/A	\$412,711	\$410,255	\$393,711	(\$20,850)
<i>Memo: Council Funds</i>	N/A	N/A	1,850			
Federal – CD	N/A	N/A	5,843	5,866	4,553	(1,290)
Federal – Other	N/A	N/A	164,407	282,694	281,067	116,660
Intra-City	N/A	N/A	98,121	199,482	2,864	(95,257)
State	N/A	N/A	156,639	149,257	106,608	(50,031)
TOTAL	\$851,310	\$941,984	\$839,572	\$1,047,554	\$788,804	(\$50,768)
Positions						
Full-time Positions	2,026	1,920	2,048	2,011	1,913	(135)
TOTAL	2,026	1,920	2,048	2,011	1,913	(135)

*Variance between the Fiscal 2011 Adopted Budget and the Fiscal 2012 Executive Budget.

The Department of Homeless Services Fiscal 2012 Executive Budget is \$788.8 million, a decrease of \$50.8 million since the Fiscal 2011 Adopted Budget. This decrease can be attributed to a number of State budget reductions, and budget reduction proposals. DHS' budget reduction target is \$22.6 million for Fiscal 2012. The Agency proposes a number of policy changes and restructuring of its shelter system to achieve this savings.

Fiscal 2012 Executive Budget Actions

- ☑ **Modernization of Family Intake.** DHS proposes improved linkages to services, application processing, eligibility assessments, and prevention for families with children seeking shelter. DHS anticipates a savings of \$8.3 million (\$1.2 million CTL) as a result of this reorganization.
- ☑ **Increase Shared Living Proposal.** DHS proposes to increase the number of families with children in its plan to place multiple families in single units to create efficiencies in the family shelter system.
- ☑ **Eliminate Duplicate Carfare Issuance.** DHS proposes to longer issue carfare to clients who receive it from the Human Resources Administration (HRA).
- ☑ **State Budget Actions.** The Fiscal 2011-12 State Budget eliminates support for DHS's sole rental subsidy program, Advantage, reduces the cap on adult shelter spending, and reduces its flexible spending fund.

Budget Actions in the Executive Plan

<i>Dollars in thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of February 2011 Plan	\$422,918	\$622,255	\$1,045,173	\$423,728	\$380,231	\$803,959
Program to Eliminate the Gap (PEGs)						
Streamline Family Intake				(\$1,122)	(\$7,152)	(\$8,274)
Shared Living for Families with Children				(2,830)	(4,380)	(7,210)
Duplicate Carfare				(668)	(1,226)	(1,894)
Total PEGs	\$0	\$0	\$0	(\$4,621)	(\$12,757)	(\$17,378)
Other Adjustments						
Collective Bargaining	\$8		\$8	\$10		\$10
HHS Service Center			0	(89)		(89)
DEC Consent Order			0	(114)		(114)
Federal Stimulus funds	442	1,472	1,914	224	749	973
Technical Adjustment			0	668	1,226	1,894
Public Assistance Adjustment	(13,312)	13,312	0	(26,497)	26,497	0
Lease Adjustment			0	210	129	339
Heat Light Power	309		309	7		7
Fuel	(109)		(109)	184		184
Add SRO funds for FY11		973	973			0
ARRA for DFTA		23	23			0
Decrease TANF		(21,481)	(21,481)			0
Increase TANF ARRA		21,481	21,481			0
State Budget Reduction: FFFS Reduction		(736)	(736)		(981)	(981)
Total Other Adjustments	(\$12,662)	\$15,044	\$2,382	(\$25,397)	\$27,619	\$2,222
Total PEGs and Other Adjustments	(\$12,662)	\$15,044	\$2,382	(\$30,018)	\$14,862	(\$15,155)
Agency Budget as of May 2011 Plan	\$410,225	\$637,299	\$1,047,524	\$393,711	\$395,092	\$788,803

Program to Eliminate the Gap (PEGs)

- ☑ **Shared Living for Families with Children.** DHS plans to implement efficiencies in family shelters by housing multiple families, no larger than three with children, in apartment style units. It proposes to convert existing units that shelter one family into units that would house two to three families depending on the size and configuration of the unit. As part of the plan families will share the communal living space, including the kitchen and bathroom. Each family will have its own separate bedroom within this shared unit.

In the November Plan, DHS estimated that the “Shared Living” plan would yield an additional 190 units, and generate a savings of \$4.5 million (\$1.7 million CTL) in Fiscal 2012 and in the outyears. However, the Fiscal 2012 Executive Budget proposes additional savings of \$7.2 million (\$2.8 million CTL) in Fiscal 2012 and \$18.9 million \$9.1 million CTL) in Fiscal 2013 and in the outyears by adding a total of 1,250 additional units for approximately 2,500 families.

It is important to note that the implementation of such a plan could be a violation of Local Law 18, section 21-124, which states “No homeless family shelter shall be established which does not provide a bathroom, a refrigerator, and cooking facilities and an adequate sleeping area **within each unit** within the shelter...” A change of Local Law 18 to accommodate the Administration’s plan would require a vote by the City Council.

- ☑ **Modernize of Family Intake.** DHS has begun to implement timely, efficient and precise intake processes at its Prevention Assistance & Temporary Housing (PATH) family intake facility now located at 151 East 151 Street in the Bronx. It has also improved coordination with contracted providers and other City social service agencies, such as the Human Resources Administration (HRA), Department of Education (DOE), and Administration for Children’s Services (ACS), to strengthen and reinforce prevention, expedite application processing and eligibility determination and efficient timely placement. The new efficiency model will reduce duplication and improve linkages to service. As a result, DHS anticipates a savings of \$8.2 million (\$1.1 million CTL) in Fiscal 2012 and in the outyears.
- ☑ **Eliminate Duplicate Carfare Issuance.** DHS will no longer issue carfare to clients who participate in Human Resources Administration (HRA) employment activities. As a result it will generate a savings of \$1.9 million (\$668,000 CTL) in Fiscal 2012 and in the outyears.
- ☑ **Graduated Payment System Enhancement (GPS).** DHS plans to generate a savings of \$2.7 million (\$1 million CTL). In Fiscal 2012 and in the outyears. In the Fiscal 2010 Financial Plan, DHS generated a savings of \$5.4 million in City tax-levy funds for Fiscal 2010 and in the outyears with the implementation of a graduated payment system for family shelters. Aimed at incentivizing permanent housing placements for families in shelter, the system increased provider base payments by ten percent for families in shelter who are placed within six months and reduced provider base payments by 20 percent for families who remain in shelter for longer than six months. DHS claimed that implementation of this payment system would increase provider accountability, and enhance aftercare services to prevent shelter re-entry, and permanent housing would be guaranteed. Its implementation was approved by the State for one year as of January 1, 2010, on the condition that DHS had the appropriate technology in place to support claims based on per family categorical eligibility and submit all deliverables, including proposed tracking reports and statistical analysis reports. This allowed the payment structure for providers to remain stable.

However, in the Fiscal 2012 Preliminary Plan DHS proposed to further increase performance requirements for providers by increasing family shelter provider base payments by ten percent for families placed within five months and reducing provider base payments by 20 percent for families who remain in shelter longer than five days. Because DHS has eliminated its rental assistance and placement program, Advantage, it acknowledges that the new placement incentive will be difficult to achieve and will consider the inclusion of additional performance measures such as employment placements, and linkages to other self-sufficiency services.

- Family Hotel Provider Performance Payments.** DHS projects a savings of \$2.8 million (\$1.2 million CTL) in Fiscal 2012 and in the outyears by implementing a performance based payment component in the family hotel provider payment structure, which is expected to improve the number of placements into permanent housing. It plans to apply a placement performance program for hotels under its Homebase Rapid Re-housing initiative. Each site will be assigned a permanent placement target on a tiered system. Hotels that meet the targets will fall into the fourth quartile (the highest) and will earn 102 percent of their rate. Those that fall into the third quartile will receive their full rate (100 percent), and those that fall into the second quartile will receive a six percent decrease. Hotels that fall into the lowest or first quartile will receive an eight percent reduction.
- Reduction of Contracted Security.** DHS proposes a savings of \$752,813 in Fiscal 2012 from the elimination of 25 contracted security guard posts in its directly operated family shelters. DHS has begun eliminating these posts as of January 1, 2011. It should also be noted that eliminated contracted security posts will not be replaced with agency security. The following chart is a breakdown of reductions by shelter.

Name of Shelter	Number of Contracted Security Positions Eliminated
Auburn Family (Brooklyn)	5
Flatlands Shelter (Brooklyn)	6
LIFE-Catharine Street (Manhattan)	8
Jamaica Armory Shelter (Queens)	6
Total	25

State Budget Impacts

As a result of Fiscal 2011-12 State Budget actions, DHS made the following adjustments to its budget:

- Reduced Adult Shelter Cap Reimbursements.** The Adult Shelter Cap provides a majority of the State revenue for the City’s single adult shelter. The State Budget reduced the adult shelter cap from \$84.7 million to \$69 million, a reduction of \$15.7 million or 18.5 percent. Because the provision of adult shelter is mandated, the City will be required to assume this cost. As a result,

DHS may reduce and or eliminate non-mandated services it provides including drop-in center service, street outreach employment services, and safe haven bed services.

- ☑ **Advantage Rental Subsidies.** The Fiscal 2011-12 State Budget eliminated its support for the City's sole rental assistance program, Advantage, which is administered by the Department of Homeless Services. Advantage New York is funded through HRA's Public Assistance budget and is transferred to DHS as part of an intra-city agreement.

The Advantage program is funded by a mix of City (30%), State (50%) and federal dollars (20%); and as a result of the State's elimination of its funding (and the federal portion it regulates), the estimated City fiscal impact is \$192 million, which includes a reduction of \$38.4 million for the last quarter of the City Fiscal Year (CFY) 2011, and \$153.7 million in CFY 12.

As of March 15th, DHS has stopped lease signings for Advantage applicants holding vouchers, and effective April 1st, DHS planned to stop Advantage payments for current recipients. However, the Legal Aid Society obtained a Temporary Restraining Order which prevented the City from discontinuing rental subsidies for approximately 15,000 families and singles adults still enrolled in the program through May.

As a result, HRA increased its budget by \$33.1 million for Fiscal 2011 to cover rental subsidies until the end of fiscal year 2011, and decreased its budget by \$66 million in Fiscal 2012 and in the out years for what would have been the City's share of Advantage payments.

On May 17th a judge presiding over the case found that a temporary order was not warranted before the case goes to trial in late June, and therefore Advantage program recipients will be responsible for rent payments for the month of June. There is no funding included in the budget to cover rental subsidies for Advantage program recipients in Fiscal 2012. As part of its budget, the State included \$15 million in funding for rental subsidies; however, a funding proposal by the City must be submitted and approved by the State before it can be allocated. To date, the City has not submitted a proposal to the State for this funding.

- ☑ **Flexible Fund for Family Services (FFFS) Reduction.** The Fiscal 2011-12 State Budget includes a reduction to its FFFS grant. DHS uses this funding for additional shelter operations support. As a result of this action, DHS's budget reflects a \$736,000 reduction in Fiscal 2011 and a \$981,000 reduction in Fiscal 2012 and in the outyears.

Council Funding

The Council has routinely provided funding for homeless prevention programs. The Council provided funding for DHS homeless prevention fund, which provides emergency grants for families at risk of eviction. The grants help to keep families in their homes and avoid the shelter system. The Council also provided funding for the continuation of medical services for individuals in shelter.

FY 2011 Council Changes at Adoption by Program Area	
<i>Dollars in Thousands</i>	
Adult Shelter Operations	
Medical Services Partial PEG Restoration	1,200
Subtotal	\$1,200
Prevention and Aftercare	
Citywide Homeless Prevention Fund Initiative	250
Subtotal	\$250
Rental Assistance and Placement; Adult Shelter Operations	
Furnish-A-Future Partial PEG Restoration	400
Subtotal	\$400
TOTAL	\$1,850

Capital Program

Capital Budget Summary

The May 2011 Capital Commitment Plan includes \$73.2 million in Fiscal 2012-2015 for the Department of Homeless Services (all City funds). This represents less than one percent of the City's total \$20.1 billion May Plan for Fiscal 2012-2015. The agency's May Commitment Plan for Fiscal 2012-2015 is 25.4 percent greater than the \$58.3 million scheduled in the September Commitment Plan, an increase of \$14.8 million.

Over the past five years (2006-2010) the Department of Homeless Services has committed an average of 45.7 percent of its annual Capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2011 Capital plan will be rolled into Fiscal 2012, thus increasing the size of the Fiscal 2012-2015 Capital plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2012 has increased from \$10.8 million to \$32.1 million, an increase of \$21.3 million or 197.4 percent.

Currently the DHS' appropriations total \$92.9 million in City funds for Fiscal 2011. These appropriations are to be used to finance the agency's \$43.4 million City-funded Fiscal 2011 Capital Commitment Program. The agency has \$49.5 million, or 53 percent more funding than it needs to meet its entire Capital Commitment Program for the current fiscal year.

2012-2015 Commitment Plan: Adopted and Preliminary Budget

Dollars in Thousands

	FY11	FY12	FY13	FY14	FY15	Total
Adopted						
Total Capital Plan	\$80,599	\$10,776	\$18,919	\$13,507	\$15,138	\$58,340
Executive						
Total Capital Plan	\$43,478	\$32,085	\$15,135	\$10,806	\$15,138	\$73,164
Change						
Level	(\$37,121)	\$21,309	(\$3,784)	(\$2,701)	\$0	\$14,824
Percentage	-46.06%	197.74%	-20.00%	-20.00%	0.00%	25.41%

Capital Program Goals

- ✓ Ensure all facilities are in compliance with applicable health and safety standards
- ✓ Rehabilitate and renovate transitional facilities for homeless families and singles
- ✓ Upgrade and expand computer networks to effectively manage and share information

Executive Budget Highlights

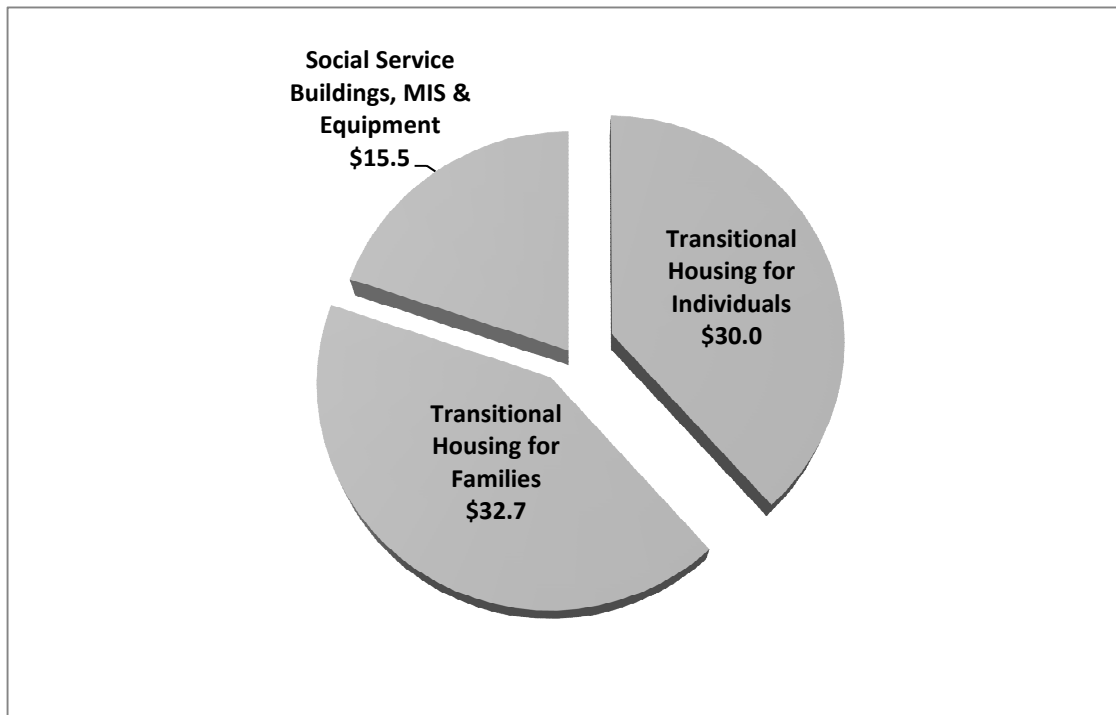
The Administration asked agencies to identify a 20 percent reduction in capital commitments for fiscal years 2011 to 2021. The ten-year Capital Plan included, instead, a reduction of 10 percent. The capital budget for DHS was reduced by 13.1 percent in Fiscal 2011.

The Capital Variance Report indicates an \$18.2 million variance between the September Commitment Plan and the May Commitment Plan. A large portion of this is a result of various building upgrade reductions such as a \$3.8 million reduction for the New Family Intake Center, which has been completed, and an \$11.1 million reduction for exterior upgrades at the Fort Washington Armory.

Ten-Year Strategy

According to DHS' Ten-Year Capital Strategy, the major focus of its Executive Ten-Year Capital Strategy is the maintenance and development of transitional housing for homeless families and single adults. The Department's Ten-Year Preliminary Capital Plan totals \$78.2 million. As indicated in the chart below, \$30 million, or 38.4 percent is planned for transitional housing for single adults, \$32.7 million, or 41.8 percent is planned transitional housing for homeless families, and \$15.5 million, or 19.8 percent is planned for Management Information Systems (MIS) and equipment.

DHS Ten-Year Capital Strategy



TOTAL: \$78.2 Million

Appendix A: Budget Actions in the November and February Plans

<i>Dollars in thousands</i>	FY 2011			FY 2012		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2010 Plan	\$353,855	\$488,875	\$842,730	\$349,266	\$371,930	\$721,196
Program to Eliminate the Gap (PEGs)						
Admin Savings				(\$360)		(\$360)
Adult Shelter Diversion	0	0	0	(2,000)	0	(2,000)
Adult Provider Performance	0	0	0	(1,000)	0	(1,000)
Advantage Broker's Fee's	0		0	(1,578)	(1,578)	(3,156)
Contracted Security	(270)		(270)	(753)	0	(753)
Emergency Assistance Rev	(665)	665	0	(1,329)	0	(1,329)
Family Hotel Provider Payments	0		0	(1,236)	(1,536)	(2,772)
GPS Enhancement	0	0	0	(1,027)	(1,638)	(2,665)
Public Assistance Rev	0		0	(1,027)	(1,637)	(2,664)
Safety Net Rev				(3,000)	3000	0
Shared Rooms for Families w Children				(1,685)	(2,783)	(4,468)
Total PEGs	(\$935)	\$665	(\$270)	(\$14,635)	(\$6,173)	(\$20,808)
New Needs						
Adult Capacity	\$42,969	(\$156)	\$42,813	\$62,224	(\$156)	\$62,068
New Family Intake Center	1,179		1,179	2,439		2,439
State Budget Adult Shelter Cap	15,700	(15,700)	0	(15,700)	15,700	0
Family Capacity Re-Estimate	9,145	30,024	39,169	9,724	29,295	39,019
Total New Needs	\$68,993	\$14,168	\$83,162	\$58,687	\$44,839	\$103,526
PEG Restorations						
Council Restorations	\$2,549		\$2,549			\$0
Federal Stimulus Funding	0	1,719	1,719	0	1,679	1,679
Total PEG Restorations	\$2,549	\$0	\$2,549	\$0	\$1,679	\$1,679
Other Adjustments						
Other Adjustments	(\$1,545)	\$118,547	\$117,002	(\$64,258)	(\$42,096)	(\$106,354)
Total Other Adjustments	(\$1,545)	\$118,547	\$117,002	(\$64,258)	(\$42,096)	(\$106,354)
Agency Budget as of February 2011 Plan	\$422,918	\$622,255	\$1,045,173	\$329,060	\$370,179	\$699,239