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HEARING ON THE FISCAL YEAR 2014 EXECUTIVE BUDGET FOR THE

ADMINISTRATION FOR CHILDREN'S SERVICES

May 21, 2013

EXECUTIVE BUDGET HIGHLIGHTS

- The Administration for Children's Services (ACS) Fiscal 2014 Executive budget is \$2.7 billion, a decrease of \$105 million when compared to the Fiscal 2013 Adopted Budget of \$2.8 billion.
- The overall headcount for ACS is 6,566, a decrease of 8 positions as compared to the Fiscal 2013 Adopted Budget.
- The Executive Fiscal 2014 Budget includes \$13.9 million in reductions due to the federal sequestration:
 - \$3.1 million Child Care Development Fund Reduction;
 - \$1.1 million Child Welfare Services Reduction; and
 - \$9.79 million Head Start Reduction.
- The Fiscal 2014 Executive Budget reflects a reduction of \$19.6 million in State funds, the bulk of which are technical adjustments, including preventive funding reductions.
- The Fiscal 2014 Budget includes \$19.9 million in PEGS as outlined below:
 - \$6 million in savings from child care provider fraud detection;
 - \$5.2 million from the enforced eligibility process for post transitional child care;
 - \$1.5 million in administrative savings; and
 - \$7.2 million in foster care tuition re-estimates.
- The Council is most concerned about the year-over-year impact the \$105 million reduction will have on the following issues: child care services, Close to Home and other juvenile justice areas, and preventive and protective services.
- The combination of City tax-levy reductions, the elimination of one-year funding and significant federal reductions, makes the outlook for child care in Fiscal 2014 unacceptable. Vital services to low-income families and children throughout New York City will be greatly diminished unless there is action in the adopted budget.

FINANCE DIVISION

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ADMINISTRATION FOR CHILDREN'S SERVICES OVERVIEW

This report provides an overview of the Administration for Children's Services Fiscal 2014 Budget, a review of the significant initiatives included in the Executive Budget, and a summary of the Department's Capital Budget for Fiscal 2014-2017. Appendices 1 and 2 report the changes made to the Fiscal 2013 and Fiscal 2014 Budget since adoption of the Fiscal 2013 Budget. For additional information on the ACS Budget and its various programs, please refer to the "ACS Fiscal 2014 Preliminary Report" available at: <http://council.nyc.gov/downloads/pdf/budget/2014/acs.pdf>

FINANCIAL SUMMARY

<i>Dollars in Thousands</i>	2012	2013		2014	*Difference
	Actual	Adopted	Exec. Plan	Exec. Plan	2013 - 2014
Budget by Program Area					
Adoption Services	\$317,774	\$320,604	\$304,604	\$320,604	\$0
Alternatives To Detention	\$1,863	1,800	4,580	1,030	(770)
Child Care Services	\$866,707	841,253	874,393	757,982	(83,271)
Child Welfare Support	\$44,901	46,986	46,986	46,986	0
Dept. of Ed. Residential Care	\$97,981	95,072	95,072	95,637	565
Foster Care Services	\$558,506	523,886	525,112	509,248	(14,638)
Foster Care Support	\$38,530	46,293	46,293	46,293	0
General Administration	\$128,502	136,252	135,332	132,515	(3,737)
Head Start	\$209,526	178,978	212,617	169,193	(9,785)
Juvenile Justice Support	\$11,332	9,120	11,715	11,942	2,822
Non-Secure Detention	\$17,481	17,453	18,057	17,626	173
OCFS Residential Placements	\$99,037	120,778	109,589	127,192	6,414
Preventive Homemaking Services	\$18,486	18,486	18,486	18,486	0
Preventive Services	\$201,476	217,550	222,919	214,597	(2,953)
Protective Services	\$215,877	223,384	210,940	224,527	1,143
Secure Detention	\$26,546	27,179	29,096	25,687	(1,492)
TOTAL	\$2,854,525	\$2,825,074	\$2,865,791	\$2,719,545	(\$105,529)
Funding					
City Funds	\$847,576	\$880,208	\$841,761	\$811,129	(\$69,079)
Other Categorical	20	0	21	0	0
State	646,583	657,514	661,861	637,873	(19,641)
Federal - Community Development	3,292	2,963	2,963	2,963	0
Federal - Other	1,300,419	1,283,284	1,305,905	1,266,475	(16,809)
Intra City	56,635	1,105	53,280	1,105	0
TOTAL	\$2,854,525	\$2,825,074	\$2,865,791	\$2,719,545	(\$105,529)
Positions					
Full-time	7,081	6,574	6,502	6,566	(8)
TOTAL	7,081	6,574	6,502	6,566	(8)

*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 Executive Plan funding.

NEW IN THE EXECUTIVE BUDGET

The Fiscal 2014 Executive Plan reduces the Administration for Children's budget by \$105.5 million in Fiscal 2014, when compared to the ACS Fiscal 2013 Adopted Budget. This reduction is largely due to the lack of Council funding in Fiscal 2014 totaling \$61 million in the Fiscal 2013 Adopted Budget. In addition, there is an \$18 million reduction in federal funding, and an additional \$21 million in other adjustments. New actions in the Executive Plan are highlighted below.

FEDERAL SEQUESTRATION

Sequestration is a series of automatic, across-the-board cuts to government agencies, totaling \$1.2 trillion over 10 years. The cuts are split 50-50 between defense and domestic discretionary spending. The budget cuts began on March 1, 2013. The spending reductions are approximately \$85.4 billion in Fiscal 2013, with similar cuts from Fiscal 2014 through 2021. The following reductions will gravely impact the Administration for Children's Services as a result of sequestration:

- **\$3.1 million Child Care Development Fund Reduction.** The reduction in this funding stream will further reduce funding for child care services;
- **\$1.1 million Child Welfare Services Reduction.** This federal funding reduction will impact preventive services; and
- **\$9.79 million Head Start Reduction.** ACS' funding for Head Start will decrease from roughly \$179 million to nearly \$170 million, a five percent reduction.

STATE ADJUSTMENTS

The Fiscal 2014 Executive Budget reduces ACS' budget by \$11 million in State Preventive funding. This reduction is due to the declining number of child care preventive cases, therefore, resulting in reduction of funding from the State. According to the Administration, this reduction will not impact preventive services.

FY14 BUDGET HIGHLIGHTS IN ADMINISTRATION FOR CHILDREN'S SERVICES

The Administration for Children's Services has undergone several changes in its portfolios; it has revamped the child care system by integrating different system models and funding into one model, EarlyLearn NYC; it has established the Close to Home initiative in the Juvenile Justice division; and lastly, Preventive and Protective programming has shifted towards an evidence based model.

CHILD CARE

While the Council has worked tirelessly to ensure that the child care system has maintained its capacity throughout recent years, Council funding is limited to one year, thus accounting for, in part, the year-over-year reductions in the ACS budget for Fiscal 2014. The lack of Council funding, combined with federal reductions due to Sequestration and City funding reductions, the Fiscal 2014 child care services budget is \$757.98 million, a reduction of \$83.2 million or 9.8 percent. In the Adopted Fiscal 2013 Budget, the Council provided significant restorations to child care and school-aged vouchers.

Additionally, as highlighted in the Fiscal 2014 Preliminary Budget hearing, EarlyLearn NYC is significantly under-enrolled due to a variety of issues. ACS proposed a three-pronged plan to address this issue: collaborate with the Human Resources Administration to increase outreach to parents and families; target families currently utilizing the voucher system for children under age five; and work closely with current providers to recruit families to enroll in EarlyLearn NYC. The Council will continue to work vigilantly with ACS to ensure that subsidized child care capacity is maintained throughout New York City in Fiscal 2014.

CLOSE TO HOME

The Enacted 2013-2014 New York State Budget did not expand the Close to Home initiative to outside counties. However, ACS is planning to continue to move forward with Phase II of the Close to Home Initiative, limited secure placements, which will begin in the Fall of 2014. In addition, ACS is in the process of finalizing its Juvenile Justice Oversight Board for detention and placement facilities. The proposed budgets for the Juvenile Justice program area remains relatively unchanged as compared to the Fiscal 2013 Adopted Budget.

PREVENTIVE AND PROTECTIVE SERVICES

The Enacted 2013-2014 New York State Budget restored \$1.65 million for the Safe Harbor Act which was slated for elimination. ACS is expected to receive \$622,000 from this funding and will work with the Department of Youth and Community Development to continue to support the needs of youth who may be or have been sexually exploited. The proposed budget for preventive services will be impacted by the federal sequestration although it is unclear how or if this reduction will impact services to families and children.

CAPITAL PROGRAM

The Executive Fiscal 2014 Capital Commitment Plan includes \$133 million in Fiscal 2013-2017 for the Administration for Children's Services (including City and Non-City funds). This represents less than one percent (.003) of the City's total \$44.5 billion Executive Plan for Fiscal 2013-2017. The agency's Executive Commitment Plan for Fiscal 2013-2017 is roughly one percent less than the \$131 million scheduled in the Preliminary Commitment Plan, a decrease of \$1.2 million.

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 Year 2012, the Administration for Children's Services committed \$13 million or 15 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2013 Capital Plan will be rolled into Fiscal 2014, thus increasing the size of the Fiscal 2014-2017 Capital Plan. Since adoption last June, the City's total Capital Commitment Plan for Fiscal 2013 has decreased from \$17.9 billion in the September Capital Commitment Plan to \$16.6 billion in the Executive Capital Commitment Plan, a decrease of \$1.3 billion or 7.3 percent.

2013-2017 Commitment Plan: Executive Budget and Preliminary Budget

Dollars in Thousands

	FY13	FY14	FY15	FY16	FY17	Total
Preliminary						
Total Capital Plan	\$101,103	\$8,808	\$7,541	\$6,439	\$7,571	\$131,462
Executive						
Total Capital Plan	\$67,156	\$37,720	\$8,960	\$8,149	\$10,721	\$132,706
Change						
Level	(\$33,947)	\$28,912	\$1,419	\$1,710	\$3,150	\$1,244
Percentage	(33.58%)	328.25%	18.82%	26.56%	41.61%	0.95%

MAJOR CAPITAL PROJECTS & EXECUTIVE BUDGET HIGHLIGHTS

- **Shifted Commitments Over Time.** ACS has shifted projected commitments to the outyears as seen in the graph above.
- **Child Care Facilities.** The Preliminary Ten-year Capital Strategy provides \$24.6 million for the construction of and renovation of daycare centers throughout the City.
- **Superstorm Sandy.** There is an additional \$273,000 in funding for telecommunication equipment due to Superstorm Sandy.
- **Juvenile Justice Facilities.** The ACS Capital Commitment Plan includes funding to support a library renovation at the Crossroads Juvenile Center and other facilities renovations.

APPENDIX 1: BUDGET ACTIONS IN THE EXECUTIVE PLAN

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of Preliminary 2014 Plan	\$842,437	\$2,029,600	\$2,872,037	\$809,844	\$1,937,029	\$2,746,873
Other Adjustments						
CACF mod for FY13	\$0	\$3,979	\$3,979	\$0	\$0	\$40
ACS Intra-City	0	75	75	0	0	0
Lease Adjustment	0	0	0	2,004	1,811	3,815
FY13 State Harbor	0	622	622	0	0	0
Sequestrian: Child Care, Head Start, and Child Welfare	0	0	0	0	(13,960)	(13,960)
Other Technical Adjustments	(676)	(10,246)	(10,922)	(719)	(16,464)	(17,183)
TOTAL, Other Adjustments	(\$676)	(\$5,570)	(\$6,246)	\$1,285	(\$28,613)	(\$27,328)
TOTAL, All Changes	(\$676)	(\$5,570)	(\$6,246)	\$1,285	(\$28,613)	(\$27,328)
Agency Budget as of Executive 2014 Plan	\$841,761	\$2,012,890	\$2,865,791	\$811,129	\$1,908,416	\$2,719,545

APPENDIX 2: BUDGET ACTIONS IN THE NOVEMBER, PRELIMINARY AND EXECUTIVE PLANS

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of Adopted 2013 Budget	\$880,209	\$1,944,866	\$2,825,075	\$828,570	\$1,938,051	\$2,766,621
Program to Eliminate the Gap (PEGs)						
Administrative Savings	\$0	\$0	\$0	(\$606)	(\$869)	(\$1,475)
Child Care Provider Fraud Detection	0	0	0	(6,000)	0	(6,000)
Foster Care Tuition Reestimate	(3,180)	(1,949)	(5,129)	(4,480)	(2,746)	(7,226)
Fringe Benefits Reimbursement	(27,650)	27,650	0	(27,650)	27,650	0
One Time Revenue Settlements	(33,310)	17,310	(16,000)	0	0	0
Personal Services Accrual	(3,728)	(5,345)	(9,073)	0	0	0
Revenue Realignment	(2,535)	2,535	0	(2,535)	2,535	0
Revised Eligibility Process for Post Transitional CC	0	0	0	(5,287)	0	(5,287)
Division of Child Protection Reductions	(1,864)	(2,754)	(4,618)	0	0	0
TOTAL, PEGs	(\$72,267)	\$37,447	(\$34,820)	(\$46,558)	\$26,570	(\$19,988)
New Needs						
Lease New Need	\$252	\$371	\$623	\$213	\$314	\$527
TOTAL, New Needs	\$252	\$371	\$623	\$213	\$314	\$527
Other Adjustments						
November Plan -- Other Technical Adjustments	\$29,103	(\$11,343)	\$17,760	\$27,599	(\$27,905)	(\$306)
Prelim Plan -- Other Technical Adjustments	5,140	6,259	11,399	20	0	20
UPK Intra City Funding for Child Care and Head Start	0	52,000	52,000	0	0	0
CACF mod for FY13	0	3,979	3,979	0	0	0
ACS Intra-City	0	75	75	0	0	0
Lease Adjustment	0	0	0	2,004	1,811	3,815
FY13 State Harbor	0	622	622	0	0	0
Sequestrian: Child Care, Head Start, and Child Welfare	0	0	0	0	(13,960)	(13,960)
Other Technical Adjustments	(676)	(10,246)	(10,922)	(719)	(16,464)	(17,183)
TOTAL, Other Adjustments	\$33,567	\$41,346	\$74,913	\$28,904	(\$56,518)	(\$27,614)
TOTAL, All Changes	(\$38,448)	\$79,164	\$74,913	(\$17,441)	(\$29,634)	(\$27,614)
Agency Budget as of Executive 2014 Plan	\$841,761	\$2,024,030	\$2,865,791	\$811,129	\$1,908,417	\$2,719,546