

The Council of the City of New York



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Report on the Fiscal Year 2015 Executive Budget for the

Department of Homeless Services

May 19, 2014

Executive Budget Highlights

- The Department's proposed Fiscal 2015 Expense Budget totals \$953.5 million.
- The Fiscal 2015 Executive Budget includes an increase of \$47.6 million, or five percent of DHS' proposed operating budget of \$953.5 million in Fiscal 2015, when compared to the Fiscal 2014 Adopted Budget of \$905.8 million.
 - Approximately \$467 million, or 49 percent of DHS' Fiscal 2015 budget is City tax-levy (CTL) funding, approximately \$373 million, or 39 percent of the agency's Fiscal 2015 budget comprises of federal funding, and the remaining funding is a combination of State and intra-city funding sources.
 - DHS' Fiscal 2015 Executive Budget is approximately \$94.3 million less than the agency's current Fiscal 2014 budget, which represents a nine percent decrease in projected spending.
 - The Department's overall headcount is 1,949 positions in Fiscal 2015.
- The Executive Plan consists of \$20.3 million in new needs, which includes increased funding for shelter security and homeless prevention expansion.
- The Executive Plan includes \$60.1 million in shelter savings by reducing reimbursement rates for payments made to landlords in cluster sites and hotels.
- The Executive Plan contains a consolidation plan for legal services contracts that will be shifted to the Human Resources Administration, resulting in a \$7.5 million transfer from the Department.
- Council Funding in Fiscal 2014: \$250,000 for the Citywide Homeless Prevention Fund and \$1.2 million for a medical services restoration.
- Fiscal 2015 Capital Commitment Plan for the agency totals \$41.5 million, all of which are City funds.

Department of Homeless Services Overview

This report provides an overview of the Department of Homeless Services Fiscal 2015 Budget, a review of the significant initiatives included in the Executive Budget, and a summary of the Department's Capital Budget for Fiscal 2014-2018. Appendices 1 and 2 report the changes made to the Fiscal 2014 and Fiscal 2015 Budgets since the adoption of the Fiscal 2014 Budget; and provides a list of Fiscal 2014 Council Initiatives. For additional information on the Department's Budget and its various programs, please refer to the "DHS Fiscal 2015 Preliminary Report" available on the Council's website.

DHS Financial Summary

| <i>Dollars in Thousands</i> | FY12 Actual | FY13 Actual | FY14 Adopted | FY14 as of FY15 Exec. Budget | FY15 Exec. Budget | *Change FY14 - FY15 |
|--|------------------|------------------|------------------|---------------------------------|----------------------|------------------------|
| Spending | | | | | | |
| Personal Services | \$113,789 | \$116,906 | \$121,056 | \$125,413 | \$122,493 | \$1,437 |
| Other Than Personal Services | 786,731 | 867,360 | 784,832 | 922,517 | 831,053 | 46,221 |
| Total | \$900,521 | \$984,267 | \$905,888 | \$1,047,931 | \$953,547 | \$47,659 |
| Budget by Program Area | | | | | | |
| Adult Shelter Administration & Support | \$8,968 | \$10,237 | \$8,201 | \$8,555 | \$8,201 | \$0 |
| Adult Shelter Intake and Placement | 8,407 | 7,805 | 9,209 | 8,655 | 8,907 | (302) |
| Adult Shelter Operations | 278,289 | 309,977 | 303,657 | 330,439 | 317,791 | 14,134 |
| Family Shelter Administration & Support | 6,354 | 7,539 | 9,742 | 7,075 | 8,520 | (1,222) |
| Family Shelter Intake and Placement | 22,337 | 21,662 | 23,651 | 23,708 | 24,309 | 658 |
| Family Shelter Operations | 398,281 | 461,444 | 430,895 | 496,020 | 436,005 | 5,110 |
| General Administration | 62,476 | 77,894 | 61,076 | 78,481 | 61,065 | (11) |
| Outreach, Drop-in and Reception Services | 33,334 | 34,352 | 29,146 | 33,344 | 31,758 | 2,612 |
| Prevention and Aftercare | 26,712 | 31,273 | 6,734 | 36,296 | 32,117 | 25,383 |
| Rental Assistance and Housing Placement | 55,363 | 22,084 | 23,577 | 25,357 | 24,874 | 1,297 |
| Total | \$900,521 | \$984,267 | \$905,888 | \$1,047,931 | \$953,547 | \$47,659 |
| Funding | | | | | | |
| City Funds | \$427,209 | \$472,031 | \$451,780 | \$486,295 | \$466,958 | \$15,178 |
| Other Categorical | 82 | 204 | - | - | - | - |
| State | 104,418 | 121,357 | 127,749 | 128,468 | 112,659 | (15,090) |
| Federal - Community Development | 4,496 | 6,180 | 4,098 | 4,098 | 4,098 | - |
| Federal - Other | 329,293 | 383,248 | 321,361 | 426,089 | 368,981 | 47,620 |
| Intra City | 35,023 | 1,246 | 900 | 2,981 | 851 | (49) |
| Total | \$900,521 | \$984,267 | \$905,888 | \$1,047,931 | \$953,547 | \$47,659 |
| Budgeted Headcount | | | | | | |
| Full-Time Positions | 1,818 | 1,827 | 1,959 | 2,068 | 1,948 | (11) |
| Full-Time Equivalent Positions | 1 | 21 | 1 | 29 | 1 | - |
| Total | 1,819 | 1,848 | 1,960 | 2,097 | 1,949 | (11) |

*Change from Fiscal 2014 Adopted to Fiscal 2015 Executive Budget.

New in the Executive Budget

The Fiscal 2015 Executive Budget increases the Department's budget by \$47.6 million when compared to the Fiscal 2014 Adopted Budget. Since Adoption, for Fiscal 2014, there are about \$34.8 million in Program to Eliminate the Gap (PEG) restorations, \$67.9 million in new needs, and \$47.3 million in technical adjustments.

- **Rental Assistance Program for Vulnerable Homeless Populations.** The 2014-2015 State Executive Budget eliminated the restrictive language that explicitly prohibits any social service district with a population over five million from being reimbursed for shelter supplements other than those to prevent eviction will be reimbursed. The City is now able to leverage federal funding through Temporary Assistance Funding for Needy Families (TANF) and State funding through Safety Net (SA) towards a rental assistance program for the homeless. DHS projects that the agency will save \$60.1 million (\$19.2 million CTL, \$5 million State funding, \$35.9 million federal funding) in Fiscal 2015 by capping the reimbursement rates for payments made to landlords providing shelter in cluster sites and hotels to \$1,500 a month. These savings will be transferred to the Human Resources Administration (HRA), where HRA and DHS will work with the New York State Office of Temporary and Disability Assistance (OTDA) to reinvest these funds into a rental assistance program for vulnerable homeless populations, including the chronically homeless and the disabled homeless. DHS has begun the process of contacting landlords to inform them of this new policy.

There are some uncertainties regarding the rental payment reimbursement cap. It is unclear if landlords who do not agree with the \$1,500 cap on monthly reimbursements will choose to no longer provide shelter to the homeless, and if so, how many landlords across the City. This will in turn lead to the issue of where to shelter the homeless given that shelters have a less than one percent vacancy rate. DHS acknowledges that this may be a problem, and is working on a contingency plan.

- **Rental Assistance Program for Working Families.** DHS and HRA will work collaboratively with the OTDA to develop a rental assistance program for working families. Funding for this program will total \$80 million over four years with the City and State each contributing towards 50 percent of the total. In Fiscal 2015, total funding for this program is \$6 million, with funding ramping up each of the following fiscal years. Funding for this program will be reflected in HRA's budget. DHS and HRA are currently in discussions with the State as to the structure and implementation timeline of this program.
- **Homeless Prevention Expansion.** The Department will increase funding for homeless prevention expansion by \$12.2 million (\$2.2 million CTL, \$10 million federal) in Fiscal 2015 and in the outyears. Through DHS' Homebase program, the agency serves the neediest districts in the City, which includes 28 zip codes. This additional funding will be disbursed based on need, with districts with higher homeless density prioritized. In addition, DHS hopes to have HRA case managers working at Homebase offices, which would maximize efficiency by effectively coordinating efforts by the two agencies to address homeless prevention.
- **Baselined Homebase Funds.** The Fiscal 2015 Budget includes \$18.6 million in baseline funding for DHS' Homebase program in Fiscal 2015 and in the outyears. DHS is able to draw

down funding from TANF Emergency Assistance to Needy Families (EAF), which is the federal funding stream that supports Homebase.

- **Catherine Street Shelter Security.** The Department will increase shelter security spending for the Catherine Street facility by \$409,000 in Fiscal 2015 to enhance security levels.
- **Contracted Shelter Security.** The Fiscal 2015 Budget includes \$2.7 million (\$889,000 CTL, \$215,000 State, \$1.5 million federal) in funding for contracted shelter security.
- **Directly Operated Shelter Security.** The Department will increase funding for directly operated shelter security by \$5 million (\$2.7 million CTL, \$299,000 State, \$2 million federal) in Fiscal 2015.
- **Legal Services Consolidation.** In Fiscal 2015, DHS will transfer its 10 legal services contracts to HRA to ensure a more targeted and effective use of resources of anti-eviction services for families. This consolidation will result in a \$7.5 million savings for the agency.
- **Priority Housing in NYCHA Facilities.** The Mayor' released his housing plan in May 2014 and as part of the Administration's effort to address the homelessness crisis, the City and the New York City Housing Authority (NYCHA) will continue to prioritize homeless who are already on the NYCHA waiting list and for Section 8 units. In addition, for the NYCHA units, DHS will prioritize families with children who have already been in the New York City shelter system for a year.

Budget Highlights in the Department of Homeless Services

Although the Department's Fiscal 2015 Budget does not include any major decreases in funding, there are many significant financial plan actions across DHS reflected in the agency's overall budget. In the Fiscal 2015 Preliminary Plan, the Administration took steps to reverse previously proposed funding reductions, as well as included new funding. Below are some of the key highlights.

Subway Outreach for the Homeless

The Administration baselined \$1.25 million for subway outreach for Fiscal 2015 and in the outyears. Recent DHS census data shows that street homelessness has decreased while subway homelessness has increased, prompting DHS to reprioritize \$1 million from street homelessness outreach to subway outreach, and in addition, the agency received \$250,000 from The Robin Hood Foundation for subway outreach. DHS will allocate in total \$3 million to subway outreach and the Metropolitan Transit Authority (MTA) will allocate a matching \$3 million. The program will seek to reach out to homeless individuals taking shelter in all of the 468 subway stations and trains that are in service, and the program will be staffed by individuals with a Master's degree in Social Work (MSWs). The program will be administered by the Bowery Residents' Committee (BRC) and will triple the number of the BRCs subway workers. The subway outreach program was previously administered by the MTA, and DHS will now manage the program. This transition will allow outreach efforts will be conducted by experienced BRC staff that are able to link individuals with case management and other services provided by DHS.

Adult Shelter Re-estimate

As a result of increases in the adult shelter census population, the Department's Fiscal 2015 Preliminary Plan includes an \$8.1 million increase in Fiscal 2015 and in the outyears for adult shelter capacity. As of March 2014, there were 10,303 single adults in the City's shelter system.

Family Shelter Re-estimate

To accommodate the growing homeless family population, an additional \$33.2 million for family shelters expenses is included in the Fiscal 2015 Budget. This increase will support 12,414 homeless families. As of March 2014, there were 12,658 homeless families in the City's shelter system.

Restoration for Adult Family Diversion

The Administration restored \$2 million starting in Fiscal 2014 and in the outyears for adult shelter diversion. In Fiscal 2012, the agency proposed an adult shelter diversion PEG that introduced an initiative where ten additional staff would be charged with conducting intake interviews, assisting clients with the identification of housing resources in the community, and help clients negotiate the return to identified housing resources. The policy essentially would require adult shelter clients to prove that they have no other housing options before being placed in shelter.

Restoration for Adult Employment Initiative

The Fiscal 2015 Preliminary Plan restores \$4.3 million in Fiscal 2014 and in the outyears for DHS' temporary, subsidized employment initiative. This proposed PEG would have reduced the number of shelter care days as a result of the provision of temporary subsidized employment services for between 150 to 500 single adult shelter residents according to DHS' proposal.

Restoration for Medical Services Initiatives

The Administration restored medical services in shelters funding of \$1.2 million in Fiscal 2015 and in the outyears. In Fiscal 2014, DHS proposed to eliminate supplemental funding for providers that are eligible for Medicaid reimbursements, also referred to as Article 28 Medical Shelters. The impact of this PEG would have resulted in medical service providers in adult shelters to reduce staffing or reduce services as a result of the loss in funding from DHS. This initiative was baselined by the Administration for Fiscal 2015 and in the outyears.

Department of Homeless Services Capital Program

The Executive 2015 Capital Commitment Plan includes \$113.3 million in Fiscal 2014-2018 for the Department of Homeless Services (including City and Non-City funds). This represents less than one percent of the City’s total \$48.9 billion Executive Plan for Fiscal 2014-2018. The agency’s Executive Commitment Plan for Fiscal 2014-2018 is nine percent higher than the \$103.9 million scheduled in the Preliminary Commitment Plan, an increase of \$9.4 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 2013, the Department of Homeless Services committed \$14.3 million or about 28 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency’s Fiscal 2014 Capital Plan will be rolled into Fiscal 2015, increasing the size of the Fiscal 2015-2018 Capital Plan as reflected in the chart below.

Since adoption last June, the City-wide total Capital Commitment Plan for Fiscal 2014 has decreased from \$20.9 billion in the Adopted Capital Commitment Plan to \$14.2 billion in the Executive Capital Commitment Plan, a decrease of \$6.7 billion or 32.1 percent.

DHS 2014-2018 Capital Commitment Plan

| <i>Dollars in Thousands</i> | FY14 | FY15 | FY16 | FY17 | FY18 | Total |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|------------------|
| Preliminary | \$87,664 | \$15,314 | \$756 | \$211 | \$9,543 | \$103,945 |
| Executive | \$36,762 | \$41,596 | \$13,586 | \$5,707 | \$15,729 | \$113,380 |
| Change | (\$50,902) | \$26,282 | \$12,830 | \$5,496 | \$6,186 | \$9,435 |
| Percentage | -58.06% | 171.62% | 1697.09% | 2604.74% | 64.82% | 9.08% |

Major Capital Projects & Executive Budget Highlights

The Department’s Fiscal 2014-2018 Capital Plan totals \$113.3 million, all of which are City funds. DHS’ capital projects fund transitional housing for homeless individuals and families and social service building, management and information systems and equipment. Funding for major Department for Homeless Services projects in the Capital Plan for Fiscal 2014-2018 includes the following:

- \$31.2 million for homeless family facilities repairs and building upgrades;
- \$35.6 million for single adult facilities repairs and building upgrades;
- \$3.9 million for computer systems and equipment purchases;
- \$4.3 million in upgrades and repairs for the Bellevue Men’s Shelter;
- \$4.8 million interior upgrades for the Auburn shelter; and
- \$9.4 million for the Bedford Atlantic Recreational Center.

Appendix 1: DHS Fiscal 2015 Executive Budget Actions

| <i>Dollars in Thousands</i> | FY 2014 | | | FY 2015 | | |
|---|------------------|------------------|--------------------|-------------------|-------------------|-------------------|
| | City | Non-City | Total | City | Non-City | Total |
| DHS Preliminary Fiscal 2015 Budget | \$489,702 | \$553,628 | \$1,043,330 | \$482,109 | \$499,568 | \$981,677 |
| New Needs | | | | | | |
| Catherine Street Security | | | | \$135 | \$275 | \$410 |
| Contracted Shelter Security | | | | | 1,804 | 2,693 |
| Directly Operated Shelter Security | 394 | 159 | 553 | | 2,303 | 5,072 |
| Homeless Prevention Expansion | 114 | | 114 | 2,195 | 10,000 | 12,195 |
| Subtotal New Needs | \$508 | \$159 | \$667 | \$5,988 | \$14,382 | \$20,370 |
| Other Adjustments | | | | | | |
| Baseline Homebase Funds | | \$3,662 | \$3,662 | | \$18,662 | \$18,662 |
| Fuel | 60 | | 60 | (10) | | (10) |
| Funds from Council for DOE Fund | 40 | | 40 | | | |
| Funds from Council for Homeless Services Unites | 9 | | 9 | | | |
| Homeless Rental Assistance Program | | | | (19,137) | (40,924) | (60,061) |
| Lease Adjustment | | | | 37 | | 37 |
| Legal Services Consolidation | | | | (550) | (7,004) | (7,554) |
| Heat, Light, and Power | (1,043) | | (1,043) | (628) | | (628) |
| MRT for Subsidy Program | | 448 | 448 | | 1,007 | 1,007 |
| Revenue in 1134 | | 711 | 711 | | | |
| SRO Award Letter | | 48 | 48 | | 48 | 48 |
| Subtotal Other Adjustments | (\$934) | \$4,869 | \$3,934 | (\$20,288) | (\$28,212) | (\$48,500) |
| Total All Changes | (\$426) | \$5,028 | \$4,602 | (\$14,300) | (\$13,830) | (\$28,130) |
| DHS Executive Fiscal 2015 Budget | \$489,276 | \$558,655 | \$1,047,931 | \$467,809 | \$485,738 | \$953,547 |

Appendix 2: DHS Budget Actions since Fiscal 2014 Adoption

| <i>Dollars in Thousands</i> | FY 2014 | | | FY 2015 | | |
|---|------------------|------------------|--------------------|-------------------|-------------------|-------------------|
| | City | Non-City | Total | City | Non-City | Total |
| DHS Budget as of Adopted 2014 Plan | \$452,680 | \$453,207 | \$905,887 | \$446,789 | \$451,215 | \$898,004 |
| PEG Restorations | | | | | | |
| Restoration of Shared Living with Families with Children | \$9,101 | \$14,258 | \$23,359 | \$9,101 | \$14,258 | \$23,359 |
| Delayed Implementation of City Owned Shelter Reorganization | 990 | 310 | 1,300 | | | - |
| Restoration of Adult Employment Initiative | 4,384 | | 4,384 | 4,384 | | 4,384 |
| Restoration of Adult Shelter Diversions | 2,000 | | 2,000 | 2,000 | | 2,000 |
| Restoration of Emergency Assistance Revenue Increase | | | | 1,329 | | 1,329 |
| Restoration of Reimbursement for Shelter Medical Services | 800 | | 800 | 1,200 | | 1,200 |
| Restoration of Shared Living for Families with Children | | | - | | | - |
| Restoration of Shelter Provider Administrative and Security Savings | 1,081 | 1,524 | 2,605 | 1,081 | 1,524 | 2,605 |
| Total PEG Restorations | \$18,356 | \$16,092 | \$34,448 | \$19,095 | \$15,782 | \$34,877 |
| New Needs | | | - | | | - |
| Shelter Security | \$5,000 | | \$5,000 | \$5,000 | | \$5,000 |
| Subway Outreach | | | - | 1,250 | | 1,250 |
| Adult Shelter Re-estimate | 8,836 | | 8,836 | 8,120 | | 8,120 |
| Auburn and Catherine Street Security and Conversion | 1,253 | 2,579 | 3,832 | | | - |
| Family Shelter Re-estimate | 6,884 | 28,805 | 35,689 | 6,269 | 26,999 | 33,268 |
| Catherine Street Security | | | | 135 | 275 | 410 |
| Contracted Shelter Security | | | | 889 | 1,804 | 2,693 |
| Directly Operated Shelter Security | 394 | 159 | 553 | 2,769 | 2,303 | 5,072 |
| Homeless Prevention Expansion | 114 | | 114 | 2,195 | 10,000 | 12,195 |
| Total New Needs | \$22,481 | \$31,543 | \$54,024 | \$26,627 | \$41,381 | \$68,008 |
| Other Adjustments | | | | | | |
| November Plan and January Plan Technical Adjustments | (\$3,309) | \$52,944 | \$47,285 | (\$4415) | \$5,572 | \$1,157 |
| Baseline Homebase Funds | | 3,662 | 3,662 | | 18,662 | 18,662 |
| Fuel | 60 | | 60 | (10) | | (10) |
| Funds from Council for DOE Fund | 40 | | 40 | | | - |
| Funds from Council for Homeless Services Unites | 9 | | 9 | | | - |
| Homeless Rental Assistance Program | | | - | (19,137) | (40,924) | (60,061) |
| Lease Adjustment | | | - | 37 | | 37 |
| Legal Services Consolidation | | | - | (550) | (7,004) | (7,554) |
| Heat, Light, and Power | (1,043) | | (1,043) | (628) | | (628) |
| MRT for Subsidy Program | | 448 | 448 | | 1,007 | 1,007 |
| Revenue in 1134 | | 711 | 711 | | | - |
| SRO Award Letter | | 48 | 48 | | 48 | 48 |
| Total Other Adjustments | (\$4,244) | \$57,812 | \$51,219 | (\$24,703) | (\$22,640) | (\$47,343) |
| Total All Changes | \$36,594 | \$105,447 | \$139,692 | \$21,019 | \$34,523 | \$55,542 |
| DHS Executive Fiscal 2015 Budget | \$489,276 | \$558,655 | \$1,047,931 | \$467,809 | \$485,738 | \$953,547 |