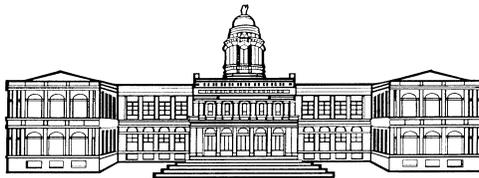


THE COUNCIL OF THE CITY OF NEW YORK

Finance Division



Hearing
on the Fiscal 2010 Executive Budget
for the
Administration for Children's Services

May 26, 2009

Hon. Christine C. Quinn
Speaker

Hon. David I. Weprin
Chair, Committee on Finance

Hon. Bill De Blasio
Chair, Committee on General Welfare

Hon. Darlene Mealy
Chair, Committee on Women's Issues

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Senior Legislative Financial
Analyst

Administration for Children's Services (068)

Agency Overview

The Administration for Children's Services (ACS) is responsible for protecting the City's children from abuse and neglect. ACS investigates child abuse and neglect reports involving approximately 92,000 children annually and provides preventive services to an average of 31,000 children. ACS provides foster care for approximately 17,000 children through 41 foster care agencies citywide, and helps arrange for the adoption of approximately 1,600 children a year. ACS also funds and supports 253 child care centers and enrolls over 103,000 children in child care programs through contracted providers. Furthermore, ACS funds 18,123 children in Head Start programs.

Expense Budget Highlights

The Fiscal 2010 Executive Budget proposes a total budget of approximately \$2.6 billion for ACS. When compared to the Fiscal 2009 Adopted Budget, the Fiscal 2010 Executive Budget reflects a four percent decrease, which is partially attributable to the exclusion of multiple Council-funded programs that total approximately \$6 million.

Additional cuts to the ACS budget for Fiscal 2010 include Programs to Eliminate the Gap (PEGs) totaling approximately \$92 million when combining the last three financial plans. Of the most problematic, both the Fiscal 2010 Preliminary and Executive Budgets include several cuts to child care slots Citywide, as a result of the elimination of approximately 3,000 vouchers for families. Details on these cuts to child care can be found in the "Child Care Services" section of this report. Furthermore, it is significant to note that the Fiscal 2010 Preliminary Budget also included a reduction of 973 ACS positions from various program areas including child welfare, child protective services, and administrative services. Details on these headcount reductions are outlined in the appropriate program budget analysis sections of this report.

In November 2008, ACS claimed that it had a \$62 million budget gap in the current fiscal year due to rising costs and reduced funding from the State and federal governments. ACS stated that such a deficit necessitated immediate cuts to child care and classroom closures. Since the release of the Executive Budget, the Administration has committed to saving approximately 93 of 125 classrooms (2,000 seats), previously at risk for closure due to gap closing measures. Details on this action may be found in the "Child Care Services" section of this report.

Furthermore, it is significant to note that as a result of the 2007 day care market rate increase approved by the State, the Administration has committed \$29.2 million toward the increase in the rate paid to subsidized day care providers. ACS will receive \$25 million in City funding to support the bulk of this cost and will cut 1,000 Priority 8 and 9 child care vouchers, valued at \$4.2 million in City funding, to cover the rest.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$397,966,917 | \$400,652,547 | \$372,162,696 | \$371,335,276 |
| Other than Personal Services | \$2,456,560,209 | \$2,317,421,955 | \$2,229,295,257 | \$2,245,223,723 |
| Total | \$2,854,527,126 | \$2,718,074,502 | \$2,601,457,953 | \$2,616,558,999 |
| Funding | | | | |
| City | NA | \$796,925,046 | \$716,094,158 | \$701,783,245 |
| State | NA | \$657,623,632 | \$644,021,820 | \$594,970,368 |
| Federal - CDBG | NA | \$3,494,514 | \$3,292,000 | \$3,292,000 |
| Federal - Other | NA | \$1,243,874,266 | \$1,231,892,931 | \$1,310,356,342 |
| Intra-City | NA | \$16,157,044 | \$6,157,044 | \$6,157,044 |
| Total | NA | \$2,718,074,502 | \$2,601,457,953 | \$2,616,558,999 |
| Headcount | | | | |
| Full-time Positions | 7,081 | 7,149 | 6,176 | 6,083 |

Capital Budget

The 2010 Executive Capital Commitment Plan includes \$153.1 million in Fiscal 2009-2013 for the Administration for Children's Services (including City and Non-City funds). This represents less than one percent of the City's total \$47.1 billion January Plan for Fiscal 2007-2010. The agency's Executive Commitment Plan for Fiscal 2009-2013 is essentially equal to the January Commitment Plan, with a decrease of two percent.

Over the past three years, the Administration for Children's Services has only committed an average of 13.9 percent of its annual capital plan. Therefore, it is assumed that a large portion of the agency's Fiscal 2009 capital plan will be rolled into Fiscal 2010, thus greatly increasing the size of the Fiscal 2010-2014 Capital Plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2009 has decreased from \$73.3 million to \$43 million, a decrease of \$30.3 million or 41.3 percent.

Currently, ACS' appropriations total \$74.9 million in City funds for Fiscal 2009. These appropriations are to be used to finance ACS' \$40.2 million City-funded Fiscal 2009 Capital Commitment program. The agency has over 100 percent more funding than it needs to meet its entire capital commitment program for the current fiscal year.

In January the Mayor announced his intention to reduce the City's capital plan by 30 percent. The objective of the capital cut is to reduce the amount of the City's general obligation (GO) debt service as a percentage of total revenues. The 30 percent reduction in the Ten-Year Capital Plan Fiscals 2010 – 2019 would reduce the long-term average annual growth in debt service costs to 3.4 percent, equal to the level of forecast growth in City revenues. The 2010 Executive Capital Budget includes \$47.0 billion in planned commitments for Fiscals 2010 – 2019. This total includes \$12.84 billion in commitments for capital projects for the Department of Environmental Protection (DEP) which are funded primarily by non-GO debt. The GO-funded portion of the Fiscal 2010 – 2019 Executive Capital Plan is \$34.17 billion; this is \$6.93 billion or 16.86 percent less than the \$41.1 billion Preliminary Fiscal 2010 – 2019 Capital Plan.

ACS Capital Commitment Plan, 2009-2013

Millions of dollars

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | TOTAL |
|-----------------------|-----------------|---------------|----------------|----------------|----------------|----------------|
| January Plan | | | | | | |
| City | \$72.7 | \$11.2 | \$22.9 | \$8.3 | \$34.7 | \$149.8 |
| Non-City | \$0.6 | \$0.8 | \$0.9 | \$0.5 | \$0.5 | \$3.3 |
| Total | \$73.3 | \$12.0 | \$23.8 | \$8.8 | \$35.2 | \$153.1 |
| Executive Plan | | | | | | |
| City | \$43.0 | \$37.9 | \$16.0 | \$5.8 | \$24.1 | \$126.8 |
| Non-City | \$0 | \$12.9 | \$4.2 | \$1.7 | \$4.4 | \$23.2 |
| Total | \$43.0 | \$50.8 | \$20.2 | \$7.5 | \$28.5 | \$150.0 |
| Difference | | | | | | |
| City | (\$29.7) | \$26.7 | (\$6.9) | (\$2.5) | (\$10.6) | (\$23.0) |
| Non-City | (\$0.6) | \$12.1 | \$3.3 | \$1.2 | \$3.9 | \$19.9 |
| Total | (\$30.3) | \$38.8 | (\$3.6) | (\$1.3) | (\$6.7) | (\$3.1) |
| Percent Chng. | (41.3%) | 323% | (15.1%) | (14.8%) | (19.0%) | (2.0%) |

Program Budget Overview

ACS' Program Budget consists of the following programs.

| Program | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|--------------------------------|------------------------|------------------------|-------------------------|------------------------|
| Adoption Services | \$399,833,146 | \$391,279,735 | \$386,568,788 | \$386,598,055 |
| Child Care Services | \$802,274,458 | \$741,728,197 | \$726,476,508 | \$742,591,875 |
| Child Welfare Support | \$51,364,757 | \$52,158,124 | \$53,537,364 | \$55,445,093 |
| Dept. of Ed. Residential Care | \$87,552,809 | \$65,730,241 | \$59,157,217 | \$65,730,241 |
| Foster Care Services | \$656,204,590 | \$632,773,634 | \$597,929,692 | \$592,393,647 |
| Foster Care Support | \$54,471,067 | \$57,058,505 | \$59,775,192 | \$59,928,074 |
| General Administration | \$132,977,709 | \$134,488,168 | \$109,558,298 | \$109,417,346 |
| Head Start | \$201,213,551 | \$188,978,297 | \$178,978,297 | \$178,978,297 |
| Preventive Homemaking Services | \$29,515,685 | \$30,302,796 | \$30,302,796 | \$28,827,796 |
| Preventive Services | \$206,798,723 | \$195,462,007 | \$193,753,819 | \$191,042,474 |
| Protective Services | \$232,320,633 | \$228,114,798 | \$205,419,982 | \$205,606,101 |
| Total | \$2,854,527,127 | \$2,718,074,502 | \$2,601,457,953 | \$2,616,558,999 |

Headcount

| | | | | |
|------------------------|--------------|--------------|--------------|--------------|
| Adoption Services | 67 | 87 | 87 | 87 |
| Child Care Services | 414 | 376 | 308 | 308 |
| Child Welfare Support | 898 | 830 | 824 | 824 |
| Foster Care Support | 865 | 904 | 886 | 886 |
| General Administration | 1,003 | 982 | 742 | 742 |
| Head Start | 12 | 93 | 93 | 0 |
| Preventive Services | 235 | 199 | 199 | 199 |
| Protective Services | 3,587 | 3,678 | 3,037 | 3,037 |
| Total | 7,081 | 7,149 | 6,176 | 6,083 |

Adoption Services

Adoption services recruits potential adoptive parents, evaluates their suitability and coordinates the adoption process from the initial planning to final court proceedings and provides subsidies to qualified adoptive families. Adoption subsidies are given to families to help with the costs of care of “special needs” children. Special needs children are defined as those who, for various reasons, are more challenging to match with adoptive parents. Subsidies provide monetary support for the adopted child’s care without imposing an undue financial burden on the adoptive family.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$4,077,740 | \$4,883,744 | \$5,130,729 | \$5,159,996 |
| Other than Personal Services | \$395,755,405 | \$386,395,991 | \$381,438,059 | \$381,438,059 |
| Total | \$399,833,146 | \$391,279,735 | \$386,568,788 | \$386,598,055 |
| Funding | | | | |
| City | NA | \$55,303,392 | \$53,410,280 | \$51,217,832 |
| State | NA | \$156,943,035 | \$156,869,692 | \$153,781,387 |
| Federal - Other | NA | \$179,033,308 | \$176,288,816 | \$181,598,836 |
| Total | NA | \$391,279,735 | \$386,568,788 | \$386,598,055 |
| Headcount | | | | |
| Full-time Positions | 67 | 87 | 87 | 87 |

The November Financial Plan included a reduction in spending in this area of \$408,000 for Fiscal 2009 and \$824,000 for Fiscal 2010 and in the outyears. The agency plans to withhold payments to adoptive families whose children have returned to foster care and who do not have documented expenses related to the child. Neither the Fiscal 2010 Preliminary Budget nor the Executive Budget includes any additional cuts to this program area, and approximately \$13 million in stimulus funding for adoption reimbursement is anticipated.

Child Care Services

ACS's Division of Child Care and Head Start oversees the largest municipal childcare system in the country. Most children are served through contracts with hundreds of private, non-profit organizations that operate childcare programs in communities across the city. Children, ages two months through 12 years, are cared for either in group childcare centers that are licensed by the Department of Health or in the homes of childcare providers that are registered by the Department of Health. ACS also issues vouchers to eligible families that may be used by parents to purchase care from any legal childcare provider in the City. In order for a family to receive subsidized childcare services, the family must meet specific financial and social eligibility criteria that are determined by federal, state, and local regulations.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$18,407,082 | \$19,084,039 | \$16,061,586 | \$16,522,298 |
| Other than Personal Services | \$783,867,376 | \$722,644,158 | \$710,414,922 | \$726,069,577 |
| Total | \$802,274,458 | \$741,728,197 | \$726,476,508 | \$742,591,875 |
| Funding | | | | |
| City | NA | \$262,456,657 | \$241,262,156 | \$257,064,573 |
| State | NA | \$23,903,814 | \$23,858,430 | \$23,657,026 |
| Federal - CDBG | NA | \$3,494,514 | \$3,292,000 | \$3,292,000 |
| Federal - Other | NA | \$446,108,212 | \$452,298,922 | \$452,813,276 |
| Intra-City | NA | \$5,765,000 | \$5,765,000 | \$5,765,000 |
| Total | NA | \$741,728,197 | \$726,476,508 | \$742,591,875 |
| Headcount | | | | |
| Full-time Positions | 414 | 376 | 308 | 308 |

ACS Child Care Budget Deficit

In November 2008, ACS rolled out its plan for reducing its current child care budget deficit, which included an overall reduction in citywide contract center capacity. Part of the agency's plan to reduce its current deficit included the end of kindergarten services and the transfer of those children to the Department of Education (DOE) and the Department of Youth and Community Development (DYCD) for Out-of-School Time (OST) services. Questions on capacity continue to arise, as both DOE and DYCD OST programs are already attempting to address overcrowding.

As a result of the transfer of five-year-old children to DOE, approximately 125 classrooms were at risk of closure. The Administration has now committed to saving approximately 93 of those 125 classrooms (2,000 seats), by aging down those classrooms to serve three and four-year-old children. Classrooms will be saved based on utilization rates, and notification to programs began this month.

Reduction in Vouchers

Separate and apart from the deficit issue, both the Fiscal 2010 Preliminary and Executive Budgets include proposed cuts to the budget for child care. In order to prioritize the many families seeking ACS child care, the agency has a "priority code" ranging from 1 to 9 (priority 1 indicating the highest need for child care and priority 9 indicating the lowest). The Fiscal 2010 Preliminary Budget included a cut of \$7.1 million in City tax-levy funds for Fiscal 2010 and in the outyears, by reducing child care for families in category 7. Priority 7 families are referred by social service agencies, and child care is based

on family social service needs, independent of working status. Although families in category 7 are not on public assistance and do not have open child protective or preventive cases, they will now be without care as of Fiscal 2010. This PEG will reduce the number of slots for priority 7 families by 860.

The Fiscal 2010 Executive Budget includes two additional proposed cuts to child care. The first is a \$9 million PEG which builds on the proposed Preliminary Budget cut to priority 7 vouchers, by reducing the number of slots in this category further by 1,140.

The second proposed cut would reduce priority 8 and 9 child care vouchers by 1,000. Priority 8 families seek child care due to the illness or incapacity of parents/caretakers. Priority 9 families need child care to enable parents/caretakers to seek employment. This will save approximately \$4.2 million in Fiscal 2010 and that funding will be shifted to pay for a portion of the day care market rate increase. It is significant to note that this action is not included in the PEGs of any of the financial plans.

Considering the number of children currently in need of subsidized or low cost child care in New York City, ACS' plan to reduce slots by approximately 3,000 is extremely problematic. Fortunately, approximately \$84 million in stimulus funding through the Child Care Development Block Grant is anticipated. Details on how this funding will be utilized to offset PEGs or stabilize the child care system are yet to be determined. Discussions between the City Council and ACS will continue in the coming fiscal year, to plan for how to address the current budget gap in child care services.

Child Welfare Support

In this program area, funding provides support to all areas of child welfare, including protective, preventive, and foster care services.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|---------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$51,364,757 | \$52,158,124 | \$53,537,364 | \$55,445,093 |
| Total | \$51,364,757 | \$52,158,124 | \$53,537,364 | \$55,445,093 |
| Funding | | | | |
| City | NA | \$14,159,941 | \$14,753,203 | \$15,568,567 |
| State | NA | \$12,437,479 | \$12,989,354 | \$13,777,817 |
| Federal - Other | NA | \$25,560,704 | \$25,794,807 | \$26,098,709 |
| Total | NA | \$52,158,124 | \$53,537,364 | \$55,445,093 |
| Headcount | | | | |
| Full-time Positions | 898 | 830 | 824 | 824 |

The November Financial Plan included a proposed reduction in spending of \$700,000 in Fiscal 2009 and \$1.2 million in Fiscal 2010 and in the outyears, for child welfare support services. The agency intends to reduce computer services support, child welfare consulting contracts, and the media campaign budget. Aside from this minor cut, the child welfare support budget remains relatively unchanged, as the Fiscal 2010 Executive Budget does not include any additional cuts to this program area.

Department of Education Residential Care

In this program area funds support the room and board for non-foster care children placed by the Committee for Special Education into residential facilities.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|----------------------|---------------------|-------------------------|-----------------------|
| Spending | | | | |
| Other than Personal Services | \$87,552,809 | \$65,730,241 | \$59,157,217 | \$65,730,241 |
| Total | \$87,552,809 | \$65,730,241 | \$59,157,217 | \$65,730,241 |
| Funding | | | | |
| City | NA | \$39,640,145 | \$35,494,331 | \$41,302,780 |
| State | NA | \$26,090,096 | \$23,662,886 | \$24,427,461 |
| Total | NA | \$65,730,241 | \$59,157,217 | \$65,730,241 |

The Fiscal 2010 Executive Budget includes a PEG restoration of approximately \$12.8 million (\$10 million in City tax-levy funds) in Fiscal 2010 and in the outyears, for the reduction of reimbursement for institutional care included in the November Financial Plan. ACS had planned to reduce payments to institutions and schools by ten percent for children with unique needs, placed by ACS and the Department of Education. This restoration allows the budget for this program area to remain unchanged.

Foster Care Services

When ACS needs to place children in foster care, it generally contracts with a private agency that, depending on the child's needs, places the child either with a foster family or in a congregate care (group home) facility. Contract Foster Care (CFC) payments to service providers are given for per diem care and maintenance for foster care children, along with other miscellaneous payments. These monies cover such costs as food, clothing, shelter, daily supervision, school supplies, a child's personal incidental items, liability insurance with respect to a child, and reasonable travel arrangements (i.e. to the child's home for visitation).

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|----------------------|----------------------|-------------------------|-----------------------|
| Spending | | | | |
| Other than Personal Services | \$656,204,590 | \$632,773,634 | \$597,929,692 | \$592,393,647 |
| Total | \$656,204,590 | \$632,773,634 | \$597,929,692 | \$592,393,647 |
| Funding | | | | |
| City | NA | \$250,533,593 | \$220,282,562 | \$203,219,019 |
| State | NA | \$221,521,458 | \$225,908,449 | \$225,856,061 |
| Federal - Other | NA | \$160,718,583 | \$151,738,681 | \$163,318,567 |
| Total | NA | \$632,773,634 | \$597,929,692 | \$592,393,647 |

The November Financial Plan included a proposed reduction in spending of \$5.6 million in Fiscal 2010 and \$11.1 million in the outyears in the area of foster care services. ACS will work with provider agencies to reduce the length of time foster children remain in congregate settings, generating City tax-levy savings.

Additionally, the Fiscal 2010 Executive Budget includes an \$11.8 million cut (approximately \$9 million in City tax-levy funds) to reduce lengths of stay in foster care. ACS will increase its discharge target by five percent for children placed into foster care by the Office of Children and Family Services (OCFS). As there may potentially be many barriers to discharging a foster child, a cost savings may not actually be achieved if providers do not meet their targets.

Foster Care Support

In this program area funding provides support services related to foster care, including pre-placement, child evaluation, contract agency assistance and foster-parent recruitment.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|---------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$54,471,067 | \$57,058,505 | \$59,775,192 | \$59,928,074 |
| Total | \$54,471,067 | \$57,058,505 | \$59,775,192 | \$59,928,074 |
| Funding | | | | |
| City | NA | \$12,264,839 | \$13,091,621 | \$13,156,963 |
| State | NA | \$11,780,956 | \$13,115,872 | \$13,179,058 |
| Federal - Other | NA | \$33,012,710 | \$33,567,699 | \$33,592,053 |
| Total | NA | \$57,058,505 | \$59,775,192 | \$59,928,074 |
| Headcount | | | | |
| Full-time Positions | 865 | 904 | 886 | 886 |

The area of foster care support works to ensure one of ACS' main performance goals, which is to ensure that children placed in foster care settings are eventually moved to a lower level of care. Although creating incentives for provider agencies to meet their targets is positive, linking performance with funding is potentially problematic. The Fiscal 2010 Preliminary Budget included two PEGs in this area that raised serious concerns.

Case Management Reduction

First, ACS intends to achieve a total savings of \$1.8 million (\$909,000 in City tax-levy funds) for Fiscal 2010 and in the outyears, by reimbursing case management agencies handling such cases at a lower rate. In the event that children are moved laterally or placed in a higher level of care, providers will see a reduction in payments from ACS. ACS anticipates a ten percent reduction in payments to those providers not meeting ACS performance goals. As the Foster Parent Support program is intended to assist "hard-to-place" young people in foster boarding homes, it seems contradictory to tie funding for this area with performance. Many factors contribute to a child remaining at the same level of care or perhaps needing more intensive care, as this is a high-risk population with multiple barriers to improvement. Additionally, a cost savings may not actually be achieved if providers refer to a lower level of care for fear of losing funding. This, in turn, may cause further complications if children are being referred to a lower level of care before they are actually ready for the transition.

Foster Boarding Home Reduction

Second, ACS plans to implement a cut of \$7.4 million (\$5.7 million in City tax-levy funds) for Fiscal 2010 and in the outyears, by reducing foster boarding home administrative rates by five percent. This funding is the administrative rate paid to not-for-profits to monitor foster boarding homes. Although this PEG appears to be an administrative reduction, it is likely that it will lead to layoffs and cause severe problems with service delivery, as this is a direct cut to the overall budgets of provider agencies. According to child welfare advocates and providers, layoffs would severely affect caseload sizes,

which are already above standards of 11-12 children per worker. Providers also claim that difficulty in implementing the ACS reform of Improved Outcomes for Children (IOC) would increase greatly. Lastly, provider agencies would lose matching federal funds that support their programs. Therefore, although this PEG will not affect the stipend provided to foster families, it is clear that it will have a direct impact on service delivery.

The Fiscal 2010 Executive Budget does not include any additional cuts to this program area.

General Administration

This program area includes funding for all administrative functions, such as the agency's budget and contract offices, which cannot be clearly linked to specific program areas.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$57,373,366 | \$57,024,725 | \$44,196,435 | \$45,605,779 |
| Other than Personal Services | \$75,604,342 | \$77,463,443 | \$65,361,863 | \$63,811,567 |
| Total | \$132,977,709 | \$134,488,168 | \$109,558,298 | \$109,417,346 |
| Funding | | | | |
| City | NA | \$43,896,691 | \$32,957,194 | \$26,391,406 |
| State | NA | \$43,035,181 | \$32,415,586 | \$21,071,868 |
| Federal - Other | NA | \$47,556,296 | \$44,185,518 | \$61,954,072 |
| Total | NA | \$134,488,168 | \$109,558,298 | \$109,417,346 |
| Headcount | | | | |
| Full-time Positions | 1,003 | 982 | 742 | 742 |

The Fiscal 2010 Preliminary Budget included a general administration PEG of approximately \$17.4 million (\$7.6 million in City tax-levy funds) for Fiscal 2010, and approximately \$20 million (\$9 million in City tax-levy funds) in the outyears. ACS proposes to layoff 293 agency-wide staff in both child care administration and general administration. Although it remains to be seen how this would affect overall administrative operations at the agency, it is reasonable to assume that such a large number of layoffs would inevitably cause long term issues. In conjunction with the proposed layoffs, ACS plans to terminate leases at two facilities and relocate remaining staff to the main offices at 150 William Street, in lower Manhattan. This will provide a total cost savings of approximately \$1.8 million (\$796,000 in City tax-levy funds) for Fiscal 2010, and \$2.1 million (\$938,000 in City tax-levy funds) in the outyears.

The Fiscal 2010 Preliminary Budget also included a reduction in expenditures for administrative contracts and supplies agency-wide, saving approximately \$8.9 million (\$3.9 million in City tax-levy funds) for Fiscal 2010. The Fiscal 2010 Executive Budget adds to this PEG by reducing spending in this area further for an additional cost savings of approximately \$2.6 million (\$1.1 million in City tax-levy funds) for Fiscal 2010.

Head Start

The Head Start program is a federally funded, family-centered, child development program for low-income children ages 3-5, that promotes intellectual, social, emotional and physical growth, in order to develop each child's potential for successful living. Head Start offers educational programs for children and a wide variety of opportunities and support services for their families. Head Start is one of ACS' oldest programs, begun in 1965. The agency sponsors more than 250 Head Start centers in neighborhoods throughout New York City, offering an environment where both children and parents come to learn and grow and achieve.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$4,044,278 | \$5,016,582 | \$5,016,582 | \$0 |
| Other than Personal Services | \$197,169,274 | \$183,961,715 | \$173,961,715 | \$178,978,297 |
| Total | \$201,213,551 | \$188,978,297 | \$178,978,297 | \$178,978,297 |
| Funding | | | | |
| Federal - Other | NA | \$178,978,297 | \$178,978,297 | \$178,978,297 |
| Intra-City | NA | \$10,000,000 | \$0 | \$0 |
| Total | NA | \$188,978,297 | \$178,978,297 | \$178,978,297 |
| Headcount | | | | |
| Full-time Positions | 12 | 93 | 93 | 0 |

Preventive Homemaking Services

Homemaking services provide childcare and household management services to families who need assistance in providing a safe, nurturing environment for their children. Through training and support, homemaker service providers help families to manage their households independently.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Other than Personal Services | \$29,515,685 | \$30,302,796 | \$30,302,796 | \$28,827,796 |
| Total | \$29,515,685 | \$30,302,796 | \$30,302,796 | \$28,827,796 |
| Funding | | | | |
| City | NA | \$7,575,699 | \$7,575,699 | \$7,206,949 |
| State | NA | \$7,575,699 | \$7,575,699 | \$7,206,949 |
| Federal - Other | NA | \$15,151,398 | \$15,151,398 | \$14,413,898 |
| Total | NA | \$30,302,796 | \$30,302,796 | \$28,827,796 |

Preventive Services

General Preventive services are intended to avert the need for foster care placement, expedite the discharge of children from foster care, and to assist in the reunification of families.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$13,819,042 | \$11,140,495 | \$11,965,159 | \$12,008,268 |
| Other than Personal Services | \$192,979,681 | \$184,321,512 | \$181,788,660 | \$179,034,206 |
| Total | \$206,798,723 | \$195,462,007 | \$193,753,819 | \$191,042,474 |
| Funding | | | | |
| City | NA | \$70,255,182 | \$65,882,725 | \$71,041,009 |
| State | NA | \$93,250,011 | \$95,875,777 | \$87,999,281 |
| Federal - Other | NA | \$31,564,770 | \$31,603,273 | \$31,610,140 |
| Intra-City | NA | \$392,044 | \$392,044 | \$392,044 |
| Total | NA | \$195,462,007 | \$193,753,819 | \$191,042,474 |
| Headcount | | | | |
| Full-time Positions | 235 | 199 | 199 | 199 |

The November Financial Plan included a proposed reduction of \$1.2 million in Fiscal 2009 and \$2.8 in Fiscal 2010 and in the outyears. The agency will reduce funding of one-time grants for furniture and miscellaneous needs for families. Savings in Fiscal 2009 and 2010 will also be realized from lower spending in the preventive budget. Aside from this relatively minor proposed cut, the preventive services budget remains relatively unchanged, as the Fiscal 2010 Executive Budget does not include any additional cuts to this program area.

Protective Services

Protective Services investigates reports of child abuse, maltreatment, and neglect. When necessary, child protective workers aid in the removal of children from their homes and place them into foster care, until it is deemed safe for them to be reunited with their families of origin. Protective services also include rehabilitative services to children, parents, and other family members involved, with the goal of preventing further abuse or neglect.

| | 2008 Actual Expenses | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget |
|------------------------------|-------------------------|------------------------|----------------------------|--------------------------|
| Spending | | | | |
| Personal Services | \$194,409,585 | \$194,286,333 | \$176,479,649 | \$176,665,768 |
| Other than Personal Services | \$37,911,047 | \$33,828,465 | \$28,940,333 | \$28,940,333 |
| Total | \$232,320,633 | \$228,114,798 | \$205,419,982 | \$205,606,101 |
| Funding | | | | |
| City | NA | \$40,838,907 | \$31,384,387 | \$15,614,147 |
| State | NA | \$61,085,903 | \$51,750,075 | \$24,013,460 |
| Federal - Other | NA | \$126,189,988 | \$122,285,520 | \$165,978,494 |
| Total | NA | \$228,114,798 | \$205,419,982 | \$205,606,101 |
| Headcount | | | | |
| Full-time Positions | 3,587 | 3,678 | 3,037 | 3,037 |

The Fiscal 2010 Preliminary Budget included two major cuts to the budget for protective services. These actions are likely to be among the most problematic of all the Fiscal 2010 cuts, as they include layoffs of 361 ACS staff in this program area.

Child Protective Services Layoffs

First, ACS plans to eliminate 234 child protective staff, as various child welfare units are reorganized. This PEG will require the Family Preservation Program (FPP) to reconfigure its model and focus more on severe short-term cases. FPP serves high-risk families with an open child protective case, providing intensive, at-home crisis intervention and family preservation services. This will save a total of approximately \$7.9 million (\$3.6 million in City tax-levy funds) for Fiscal 2010 and approximately \$16 million (\$7 million in City tax-levy funds) in the outyears. As result of the reorganization of the FPP unit and the 234 layoffs, much of the current FPP caseload will be served by the Family Services Unit (FSU) or contracted preventive providers. This may be very problematic for FSU and contracted providers who may not be able to absorb the additional influx of cases.

Additionally, the Fiscal 2010 November Financial Plan included a proposed cut to the current ACS child protective services staffing model by 127 positions. This PEG will require Child Protective Level I Supervisors to carry a full caseload, focusing on more complex investigations. Although the City Council was successful in negotiating with the Administration to reinstate funding for Fiscal 2009, ACS proposes to cut spending in this area by \$8.6 million (\$3.8 million in City tax-levy funds) for Fiscal 2010 and in the outyears.

The Fiscal 2010 Executive Budget does not include any additional cuts to this program area.

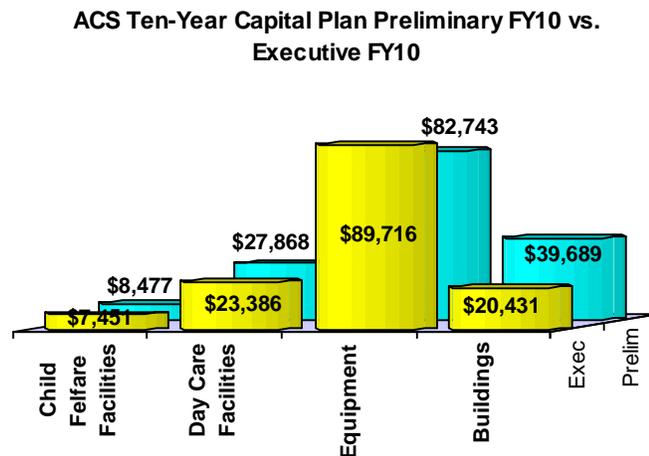
Executive Capital Commitment Plan, 2009-2013

The following are highlights from the Fiscal 2010 Executive Capital Commitment Plan. Although there are several projects with ACS that are currently pending (which are not discussed in this section), these are those projects that reflect changes in the Plan (i.e projects being pushed-out to later fiscal years).

- The Fiscal 2010 Executive Plan includes a total of \$28.7 million which has been appropriated for daycare renovations citywide. This is a reduction of \$3.4 million when compared to the \$32.1 million in the Fiscal 2010 Preliminary Capital Plan.
- The Fiscal 2010 Executive Plan includes a total of \$15.6 million which has been appropriated for the purchase of furniture in ACS offices. This is a reduction of \$10.6 million when compared to the \$26.2 million Fiscal 2010 Preliminary Capital Plan.
- The Fiscal 2010 Executive Plan includes a total of \$6.7 million which has been appropriated for an automated child care information system at ACS. This is a reduction of \$2 million when compared to the \$8.7 million in the Fiscal 2010 Preliminary Capital Plan.

Executive Ten-Year Capital Strategy, 2010-2019

The Administration for Children’s Services \$173 million Ten-Year Capital Plan focuses on the continued improvement of the infrastructure of community-based field offices and the enhancement and better integration of management information systems that track child welfare outcomes. Major projects include the development of a new child care information system to monitor the City’s early childhood educational services and the development of a system to unify the agency’s various child welfare data systems through a single portal. The agency’s Plan is divided into four main components: Child Welfare Facilities (\$7.4 million); Day Care Facilities (\$23.4 million); Equipment (\$89.7 million); and Buildings (\$20.4 million).



ACS’ capital program goals include improving children’s service facilities, including meeting code compliance and handicapped accessibility; renovation of child care facilities; upgrade of telecommunications and computer technology for improved connectivity within and between agency locations; and the upgrade of field and central office facilities.

Supplemental Tables

Executive Budget Actions

The following table summarizes changes to the Fiscal 2009 and 2010 budgets since the Preliminary Budget. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes.

| Description | Fiscal 2009 | | | Fiscal 2010 | | |
|--|------------------|--------------------|--------------------|-------------------|--------------------|--------------------|
| | City | Non-City | Total | City | Non-City | Total |
| Agency Budget as per the January Plan | \$788,656 | \$1,967,939 | \$2,756,595 | \$716,094 | \$1,885,364 | \$2,601,458 |
| Executive Plan Programs to Eliminate the Gap (PEGs) | | | | | | |
| Low Priority Child Care Vouchers | \$0 | \$0 | \$0 | (\$9,067) | \$0 | (\$9,067) |
| Agencywide Administrative Savings | \$0 | \$0 | \$0 | (\$1,100) | (\$1,474) | (\$2,574) |
| Reduced Length-of-Stay in Foster Care | \$0 | \$0 | \$0 | (\$8,975) | (\$2,834) | (\$11,809) |
| Restore Reimbursement for Institutional Care | \$0 | \$0 | \$0 | \$10,075 | \$2,771 | \$12,846 |
| Federal Reimbursement for Foster Care and Adoption | \$0 | \$0 | \$0 | (\$19,577) | \$19,577 | \$0 |
| Fleet-Related Expense Reduction | (\$185) | (\$245) | (\$430) | (\$9) | (\$12) | (\$21) |
| Total PEGs | (\$185) | (\$245) | (\$430) | (\$28,653) | \$18,028 | (\$10,625) |
| Executive Plan New Needs | | | | | | |
| Day Care Market Rate Increase | \$25,000 | \$0 | \$25,000 | \$25,000 | \$0 | \$25,000 |
| Total New Needs | \$25,000 | \$0 | \$25,000 | \$25,000 | \$0 | \$25,000 |
| Executive Plan Other Adjustments | | | | | | |
| Collective Bargaining | \$918 | \$1,230 | \$2,148 | \$1,790 | \$2,399 | \$4,189 |
| HHS Connect Cost Allocation | \$19 | \$24 | \$43 | \$96 | \$124 | \$220 |
| Nurse Family Partnership Intra City | \$2,723 | \$4,778 | \$7,501 | \$0 | \$0 | \$0 |
| Child Care Market Rate | \$0 | \$0 | \$0 | \$4,174 | \$0 | \$4,174 |
| Low Priority Child Care Vouchers | \$0 | \$0 | \$0 | (\$4,174) | \$0 | (\$4,174) |
| Heat, Light, and Power | (\$452) | \$0 | (\$452) | (\$363) | \$0 | (\$363) |
| Lease Adjustment | \$0 | \$0 | \$0 | \$274 | \$635 | \$909 |
| FY 09 Non-City Funding Adjustments | \$0 | \$28,253 | \$28,253 | \$0 | \$0 | \$0 |
| Take Down of Revenue for DOP Intra City | \$0 | (\$3,770) | (\$3,770) | \$0 | (\$3,770) | (\$3,770) |
| Reduce Homemaking for Preventive | \$0 | \$0 | \$0 | \$0 | (\$459) | (\$459) |
| Technical Adjustment | (\$11,801) | \$11,801 | \$0 | (\$12,455) | \$12,455 | \$0 |
| Total Other Adjustments | (\$8,593) | \$42,316 | \$33,723 | (\$10,658) | \$11,384 | \$726 |
| Total Executive Plan Budget Changes | \$16,222 | \$42,071 | \$58,293 | (\$14,311) | \$29,412 | \$15,101 |
| Agency Budget as per the Executive Plan | \$804,878 | \$2,010,010 | \$2,814,888 | \$701,783 | \$1,914,776 | \$2,616,559 |

Summary of Changes Since June 2009 Plan

City Funds only, \$\$ 000's

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Adopted 2009 Plan | \$796,925 | \$783,647 | \$783,688 | \$792,855 | \$792,855 |
| New Needs | \$25,000 | \$25,000 | \$25,000 | \$25,000 | \$25,000 |
| Collective Bargaining | \$7,435 | \$11,696 | \$11,860 | \$11,860 | \$11,860 |
| Other Adjustments | \$(5,199) | \$(6,248) | \$(2,712) | \$(2,314) | \$(1,963) |
| PEGs | \$(19,283) | \$(112,312) | \$(115,151) | \$(106,660) | \$(106,650) |
| Exec 2010 Plan | \$804,878 | \$701,783 | \$702,685 | \$720,741 | \$721,102 |

Units of Appropriation

| U/A# | U/A Name | 2009 Adopted Budget | 2010 Preliminary Budget | 2010 Executive Budget | Percent Change from 2009 Adoption |
|------|------------------------------|------------------------|-------------------------|------------------------|-----------------------------------|
| 001 | Personal Services | \$298,491,044 | \$285,091,211 | \$286,870,599 | -3.89% |
| 003 | OCSE/Headstart/Daycare | \$20,921,581 | \$17,899,128 | \$16,522,298 | -21.03% |
| 005 | Administrative | \$81,239,922 | \$69,172,357 | \$67,942,379 | -16.37% |
| | Total PS | \$400,652,547 | \$372,162,696 | \$371,335,276 | -7.32% |
| 002 | Other Than Personal Services | \$77,463,443 | \$65,361,863 | \$63,811,567 | -17.62% |
| 004 | OCSE/Headstart/Daycare-OTPS | \$906,605,873 | \$884,376,637 | \$905,047,874 | -0.17% |
| 006 | Child Welfare-OTPS | \$1,333,352,639 | \$1,279,556,757 | \$1,276,364,282 | -4.27% |
| | Total OTPS | \$2,317,421,955 | \$2,229,295,257 | \$2,245,223,723 | -3.12% |
| | Total Agency | \$2,718,074,502 | \$2,601,457,953 | \$2,616,558,999 | -3.73% |