



**Homeless Services United, Inc.**

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**Testimony of Catherine Trapani, Executive Director, Homeless Services United, Inc.  
Before the NYC Council Committee on General Welfare  
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My name is Catherine Trapani, and I am the Executive Director of Homeless Services United (HSU). HSU is a coalition of over 50 non-profit agencies serving homeless and at-risk adults and families in New York City. HSU provides advocacy, information, and training to member agencies to expand their capacity to deliver high-quality services. HSU advocates for expansion of affordable housing and prevention services and for immediate access to safe, decent, emergency and transitional housing, outreach and drop-in services for homeless New Yorkers.

Homeless Service United's member agencies operate hundreds of programs including shelters, drop-in centers, food pantries, HomeBase, and outreach and prevention services. Each day, HSU member programs work with thousands of homeless families and individuals, preventing shelter entry whenever possible and working to end homelessness through counseling, social services, health care, legal services, and public benefits assistance, among many other supports.

Faced with record high homelessness, the de Blasio administration has made important investments in homeless services. They have expanded street outreach programs and the HomeBase homeless prevention network, invested in housing subsidies for persons exiting or trying to avoid entering shelter, introduced mental health services into the family shelter system and have promised to replace poor quality hotel and cluster site shelters with purpose built, service rich shelters. **I commend these important steps forward in the effort to turn the tide on homelessness. However, absent significant investments in the nonprofit sector that is tasked with carrying out these initiatives, success may prove elusive.** I will focus most of my testimony today on the financial starvation of our non-profit agencies and the programs they operate, which poses a serious threat to the City's most vulnerable citizens.

**We ask the City Council to include in their budget response a request for the Mayor to shore up human services providers by providing a 12% across-the-board increase on human service contracts.** While we will discuss program priorities throughout the budget season, we want to emphasize that **this increase is essential to us keeping our doors open to even provide the services** we will be discussing in more detail over the coming months. Without this investment, we will not be able to provide critical interventions, promote well-being, and most alarmingly, will not be able to provide the services essential to New York being a sanctuary city. Therefore, it is imperative that as we discuss homelessness, we need this across-the-board investment to begin to address decades of underfunding that impact our members' abilities to deliver quality programs and best serve our communities.

**Homeless Services Providers are still trapped in a cycle of chronic underfunding**

Nearly all of the funding growth in homeless services has gone towards opening new shelters, while funding for existing shelters, has remained flat. Since the older shelters were opened, many of them 15-30 years ago, the costs of rent, staffing, health insurance, heating, maintenance, transportation, and nearly every other category of expense has increased.

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Persistent underfunding combined with increased demand has created a vicious cycle. As costs and client needs have increased, DSS and other funders have exerted increasing pressure on providers to do more and more with less and less. Unwilling to abandon their mission of helping the neediest New Yorkers, non-profit providers have for decades accepted these unfavorable contracts with unattainable outcomes (given the inadequate funding) while resorting to raising private funds, borrowing, or cutting other costs in order to remain solvent.

These measures have given funders the unrealistic expectation that they can continue year-in and year-out to provide flat funding or funding cuts while costs increase. This failure to invest in our facilities, our staff and our administrative infrastructure makes it difficult to respond to the problem of ever-increasing demand for shelter.

**HSU has repeatedly warned that chronic underfunding would threaten the health of non-profits and the well-being of the clients they serve. The chronic starvation of non-profit homeless service providers has significantly impacted our ability to serve tens of thousands of homeless men, women and children while providing critical services to transform their lives.**

Homelessness, one of the most complex and tragic manifestations of poverty, is solvable. The solution requires facilities that can provide a stabilizing environment, staff that can understand and adapt to the complex and rapidly changing systems and rules involving health, housing and other public benefits and help clients tap into their own unique strengths to identify a path to permanent housing and, an administrative infrastructure that provides the support that any program needs to succeed. By failing to invest in such solutions or, even maintain its initially low levels of support, the City is working against itself in resolving the crisis of homelessness.

Absent immediate and decisive action, many shelter providers will face undue burdens that will likely impact the quality of service delivered and the ability to open new shelters. **Many nonprofits have already declined to expand their operations citing uncertainty of payments by the City of New York despite the ongoing urgent need for additional shelter capacity and the mayor's plan to replace cluster sites and hotels with purpose built shelter.**

The scale of the challenge is unprecedented. The stagnant rates for the provision of shelter services have led to deferred maintenance, depressed wages for social service employees leading to high turnover, and gaps in services for clients. Many shelter providers are operating with rates negotiated in the late 1980s or early '90s. Historically, requests for "new needs" to augment contracted budgeted amounts fell on deaf ears. It was only when a series of reports emerged documenting the extent of these problems that the City committed to funding appropriate maintenance in shelters. Despite those promises, that commitment is still unfulfilled. Due to chronic delays in registering the maintenance-related contract amendments, many providers have yet to receive funds.

### **Rate Rationalization Must Involve a Coordinated Assessment of the Sector Need and True Costs**

We were pleased when the Department of Social Services (DSS), in recognition of the lack of adequate funding for shelter services, committed to rationalizing rates for shelter services following their 90 day review of Homeless Services. There is a \$125 million "homeless re-estimate" that may be used for this purpose in the preliminary budget yet, **a recent analysis conducted by Homeless Services United, the Human Services Council, and our partners at CostTree revealed that for every dollar a nonprofit spends on homeless services in NYC, the City only reimburses seventy-five cents. With an estimated 25% shortfall it does not seem likely that sufficient funds have been set aside to fully fund existing homeless services contracts.**

The shortfall could be explained by the way DSS is approaching the process. While the DSS has committed to reforming rates for shelter contracts in FY2018, in a presentation they gave to shelter providers in November of

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2016, DSS noted that rates for administrative overhead and fringe benefits will not be considered as a part of the rate rationalization process because the agency is awaiting a citywide approach via the Nonprofit Resiliency Committee (NRC). The NRC's timeline remains unclear such that nonprofits may not see budgetary relief for costs categories the administration has chosen to defer to the NRC within FY2018 and the starvation cycle may well continue despite promised investments.

Another concern about the piecemeal approach is regarding how definitions of what constitutes an administrative cost can vary. Given how critical these components are to rate setting, this is a major issue. For example, DSS considers program supervision to be "administrative" while the NRC has said it is "direct", meaning neither group will be accountable for it in the rate setting process. **Without mutual agreement of how to categorize programmatic costs, significant portions of budgets, such as program supervision will, at best be underfunded or, at worst, not funded at all.**

#### **Realistic Administrative Rates are Fundamental to Ensuring Robust Services**

Running a sustainable non-profit organization requires stable funding, executive leadership, financial management, well-trained staff, information technology, training and other supports to ensure its success. These supports are particularly critical in a field like homeless services, where the multiple needs of clients require expertise in a range of disciplines, and across a variety of systems.

**Yet the City Department of Homeless Services pays only 8.5% overhead on its contracts, a percentage that is well-below that of other City and State funders and is universally acknowledged by homeless services non-profits to be well below the true cost of doing business.** HSU member organizations annually see increasing costs for insurance from 10-20% and utilities from 4-6% while their DSS budget reimbursement rates remain flat. A 2008 study by the Bridgespan group found that actual non-profit overhead rates for non-profits ranged from 17 to 35 percent.<sup>1</sup> As the City embarks on their process to reform rates for the provision of shelter services, it is imperative that the City approach this process holistically and collaboratively with providers to ensure there is mutual understanding of cost categories and that sufficient resources are available for the responsible operation of programs.

#### **Further Delays in Contract Registrations Threaten the Viability of the Entire Shelter System**

Contracting delays, while improved for some, are still a major challenge for nonprofit shelter providers. **Many agencies are still awaiting payments for services rendered in FY2016.** HSU has worked with Commissioner Banks to address these delays and are seeing progress, but DSS is at risk of falling behind again due to a flood of upcoming renewals and registrations that could hamper DSS's ability to keep pace. The Mayor's Office of Contract Services estimates the average procurement cycle takes at least 6 to 9 months. With RFPs for many FY2018 contracts and existing contract renewals only now being submitted, HSU is not confident that FY2018 shelter contracts will be registered in a timely manner.

The likelihood of future on-time registrations is further hampered by the fact that DSS has also chosen to simultaneously take on the following: require registered DV shelter contracts this year for the first time ever; prematurely end current HomeBase Prevention Network contracts one year early in order to issue a new RFP; and issue an RFP for expanded outreach contracts. All of these actions could have been deferred to the next fiscal year. **The choice to pursue these actions before resolving the shelter contracting crisis leads us to believe that the urgency of ensuring timely contract registration and payment to providers is not being adequately addressed by the administration.**

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<sup>1</sup> W. Bedsworth, A. G. Gregory, and D. Howard, Nonprofits Overhead Costs: Breaking the Vicious Cycle of Misleading Reporting, Unrealistic Expectations, and Pressure to Conform (The Bridgespan Group, April 2008)

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Our members stand ready to serve in the face of these challenges but can only continue to do so if afforded the appropriate level of resources and, if those resources are made available via reliable, timely contracting.

### **Deteriorating Facility Conditions**

Compounding the challenges associated with rates and registrations is the aging shelter portfolio. While the Mayor's commitment to opening 90 new shelters to replace cluster sites, many of which are in poor condition, and hotel units ill-suited for the provision of shelter services is laudable, the existing shelter stock is also in need of attention. Many of the shelters were opened decades ago, and as building systems and components naturally degrade, they require increased maintenance and repairs, until major capital improvements are the only cost effective and viable option.

The City has made some progress in this area reducing "non-cluster" violations by 83% in 2016. They achieved this by reforming the process whereby shelters request funds for "new-needs" in some cases approving requests for funds that were ignored for years and by coordinating inspections by multiple agencies to streamline the process and identify needs system wide. However, there are many properties, particularly those not owned by the nonprofit provider, where serious problems still persist.

Our members have repeatedly asked the City to fix serious facility problems in buildings that the City owns yet, in some cases, only stop-gap measures have been put in place delaying more comprehensive repairs for some future unknown date. In one large shelter run by a non-profit in a City-owned building, the service provider requested comprehensive building-systems' repairs for over a decade. Recurring problems include cooking gas outages, unreliable heat and hot water and leaks in the steam system. The nonprofit's numerous offers to buy the building in order to be able to make the capital repairs themselves were also rebuffed. All the while, families lived with service outages and temporary solutions like hotplates, as the City has refused to transfer families out of the facility or take rooms offline pending repairs because they "need the capacity". This is unconscionable. **The City must create a routinized mechanism for capital investment in the City-owned properties such as a replacement reserve that nonprofits can access for major repairs and commit the necessary resources to get the existing shelter capacity up to standards.**

**Actually maintaining, repairing and making capital investment in the City's shelters will require funding that has not been identified.**

### **Workforce Challenges**

People experiencing homelessness have higher rates of life-threatening medical conditions such as tuberculosis and HIV, as well as increased occurrences of debilitating mental health and substance use problems, as well as trauma. The daily experience of working with clients in desperate circumstances can be overwhelming, and our staff requires extra training and support to avoid fatigue and burnout.

**Stagnant funding has forced providers to eliminate services in order to pay for unfunded increases in utilities, property taxes, health insurance or other expenses.** While struggling to maintain facilities and fund cost increases, shelters have had to reduce child care, or medical staff. Many shelter providers are now routinely cited by State inspectors for failing to meet social services requirements or the staffing outlined in their operational plan.

**A two percent City cost-of-living adjustment included in the Mayor's budget is simply insufficient to bring salaries to where they should be to attract and retain high quality staff.** For example, one member reported feeling bullied into signing a renewal contract funded at a level so unrealistic they could not provide DSS a

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budget at the time of contract registration without costs running over the “not to exceed” amount dictated by the agency. DSS reminded the provider that failure to submit a budget that conformed to the funding allocated would delay registration of the contract (which delays payments and compounds fiscal woes for service providers) so, the provider submitted a budget with a full time housing specialist position funded at \$15,000 per year – less than two thirds of the going rate for such a position. Lacking funds to pay an appropriate wage, the provider was unable to hire a housing specialist for that facility even though they are required to have one.

Sadly, this is not uncommon. We are losing many of our best workers to other employers, often in public jobs that have higher salaries and benefits. Many of our shelters have turnover rates of 25% or higher in entry level positions. The result is a staff that is increasingly ill-prepared to go beyond meeting more than the clients’ basic needs. A better educated, motivated, and trained staff could increase move outs and reduce recidivism by addressing the complex needs of the most chronically homeless clients who account for a disproportionate share of shelter resources.

### **Client Centered Services: Jobs, Education and Physical and Mental Health Services**

If we are to truly help the New Yorkers who come to us for assistance to resolve their housing crisis, we must be prepared and equipped to help meet their needs. This means a shift from a “one size fits all” mentality of re-housing of the past years. **With the Mayor’s commitment to invest in high-quality, purpose-built shelters, we must return to a client centered model of service delivery.** Shelters must be equipped with the funding and resources to deliver a diversity of services to match diversity of causes that lead the client’s homelessness. This includes:

#### Employment & Education

Employment specialists and education and GED specialists provide a unique connection for our clients to see a permanent way out of homelessness. In FY11, as part of a PEG exercise, DHS (now DSS) removed employment specialist from shelter budgets. It was counterproductive and counter intuitive to cut the staff services that directly impact the likelihood that a client, who is able to work, will obtain a job that enables them to move from shelter.

#### Recreation Services

Due to a FY10 PEG, we saw the final chipping away of critical recreation services for adults and families. Prior to entry into adult or family shelters, many clients have had few positive experiences with socializing and participating in a healthy community. Shelter recreation programs are a relatively low cost investment in homeless people that provide healthy socialization and communication skills that benefit clients in shelter and when they exit. Recreation programs address cycles of violence and create safe forums for disclosure and exploration of alternatives to lives consumed by abuse, violence and shame.

**A Call For Action:** The Mayor and the City Council must make significant reinvestments in non-profit providers to realistically address the homeless crisis.

#### **We are calling for the following measures to be enacted in the FY 2018 budget:**

- Increase all human service contracts by 12% across the board.
- Additionally, reform rates for the provision of shelter services, retroactively to cover all FY2018 contracts to provide for:
  - Budget increases in the maintenance and repair, capital or rent budget lines of the City shelters, including non-profit operated, as necessary to immediately repair all of the dangerous or substandard conditions.

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- An increase to the DSS administrative overhead rate to account for the true costs of operating shelter programs.
  - In order to make rate reform lasting and meaningful, annual cost escalation clauses tied to the consumer price index or similar metrics should be added to all current and existing contracts to account for rising costs related to rent, real estate taxes, transportation, utilities, water/sewer and insurance.
- Financial support for a living wage and more systematic career ladder opportunities for the lowest-paid non-profit human services workers.
- Protect shelter budgets fixed costs such as rent and debt service, from future cuts related to PEGS or performance incentive programs, and ensure that baseline funding is sufficient to meet operations and staffing needs.
- Conduct a thorough assessment by DSS, and other relevant City and State agencies of the maintenance and capital needs of all shelters, along the line with recommendations of the recent Department of Investigations report. Included must be a public plan for resolving the maintenance and capital needs.
- Invest in key service components such as employment, education and recreation services to ensure homeless families and individuals receive the services and care they deserve.

Thank you for your time and commitment to addressing the needs and concerns of homeless and at-risk New Yorkers and those who serve them.