



Homeless Services United, Inc.

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**Testimony of Catherine Trapani, Executive Director, Homeless Services United, Inc.
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Introduction

My name is Catherine Trapani, and I am the Executive Director of Homeless Services United (HSU). HSU is a coalition of approximately 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.

Background

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 begun to replace poor quality cluster site shelters with purpose built, service rich shelters. In addition to these service expansions, as part of the new investments for Fiscal Year 2018, the administration announced that they would reform rates paid to shelter providers to finally reflect the true cost of responsibly operating shelter programs through a rate reform effort that came to be called "model budget implementation".

"Model Budget" Implementation

When the effort was announced, shelter providers had high hopes that model budget implementation would finally adjust rates paid for services that had remained unchanged since the birth of the modern shelter system in the late 1980s and 90s. This investment was viewed as critical by all concerned. In many cases conditions at shelters had deteriorated due to chronic underfunding of maintenance and audits by the State Office of Temporary Disability and Assistance and the NYC Comptroller documented unacceptable conditions. In addition, salaries for case managers, housing specialists and other direct service staff had been budgeted at amounts so low, that turnover is an ongoing problem resulting in frequent vacancies that translate to higher caseloads and less individualized attention and support for residents. The strain on programs coping with unmet direct program expenses such as these has been exacerbated by the failure to adequately fund administrative overhead that supports the infrastructure of nonprofits.

Real Investments

Because of the urgency surrounding poor shelter conditions, DHS has worked with providers to approve funding to make necessary repairs and clear violations. Further, the “model budget” includes substantial increases to shelter maintenance funding levels to ensure that we are never again in the position where conditions are allowed to deteriorate to the degree we experienced in the last several years. **HSU applauds the Council for working to secure this investment and the work that was done in collaboration with DHS and providers to correct violations and improve shelter conditions.** Because of this work, violations in non-cluster site shelter programs are down over 80%. In some cases, there are still major capital improvements necessary to remedy years of disinvestment or to simply replace systems that require upgrades due to age – these types of repairs require going through a separate budget approval process - but, for general maintenance, things have already greatly improved and we anticipate that this progress will continue with the new investments coming into the system once “model budgets” are fully implemented. In addition to right-sizing budget lines for maintenance, DHS has created a new contingency valued at up to 10% of a contracts value that will allow providers contract authority to pull down additional funds to address a one time “new need” for a facility issue such as a boiler replacement to quickly address problems as they arise. **HSU would like to thank DHS for working with us on this issue; we believe this added contract authority will greatly enhance providers’ ability to address shelter conditions quickly and efficiently.**

In addition to increases in maintenance, DHS chose to bundle contract amendments for “model budgets” with other new investments to the human services sector as a whole such as funding for the second year of a multi-year COLA at 2%, and a much needed increase to the administrative rate up to 10%.

Unfunded Mandates and Liabilities

Unfortunately, enhancements to maintenance and promised funding for the COLA and overhead is where much of the good news about model budgets ends. Despite our optimism, the process has been plagued with delays and missed opportunities. New investments have been limited to what I’ve described above; what was called a “model budget” did not actually include many cost categories that are essential to effective program implementation such as:

- 1) Establishing salary parity across programs
- 2) Addressing wage compression to adjust salaries impacted by the increase to the minimum wage
- 3) Any increase to the fringe rate providers could charge to their DHS contracts above the arbitrary cap of 26% of program costs excluding rent even though the average rate is 37% and DHS’s own fringe rate substantially higher than that
- 4) Enhancements to security budgets
- 5) Increases to program budgets to lower caseloads and enhance services offered to residents
- 6) Rent and other occupancy charges (such as real estate taxes in triple-net leased properties)
- 7) Enhancements to the administrative rate were limited to increases up to 10%, an improvement over the existing rate but still far short of actual expenses

Continued failure to fund these essential components of shelter budgets leave shelter providers scrambling to cover basic costs, make it harder to attract and retain high quality staff and, limit our ability to innovate and enhance services to homeless families and individuals despite new challenges emerging every day such as coping

Catherine Trapani Testimony p.3

with the opioid overdose crisis and providing essential services like medical care, employment assistance and trauma-informed services to residents. **But for the Council's own commitment to quality programs funded by initiatives like the Children and Families in NYC Homeless System and discretionary grants, these kinds of services would go without government support despite the clear need.** I want to thank the Council for supporting this kind of work and request your continued investment in initiative funding until we are able to successfully scale programs and integrate best practices system-wide.

Administrative Processes Must Be Overhauled to Ensure Timely Contracting and Cash Flow

In addition to the problems associated with the "model budget" being incomplete and continuing to underfund critical services, in what is by now likely a familiar refrain coming from HSU, **DHS contract and amendment registration delays continue to plague providers and are expected to continue into Fiscal Year 2019.** While many organizations have seen and improvement in the timely registration of underlying contracts, amendments for COLAs, administrative overhead and model budgets have not been processed for the vast majority of providers. In fact, due to residual delays with registration of amendments from last fiscal year, **many agencies are still awaiting payments for services rendered in FY2017, some are still waiting for payments for services rendered even earlier.** This situation is unacceptable and threatens the viability of our sector.

HSU has worked with Commissioner Banks and his team to address these delays and have launched a finance committee to work through some of these issues but, even though much of the original backlog has been cleared, the slow pace of "model budget" implementation has placed DSS in a position where they must rush through FY2019 budget submissions before model budget negotiations are to complete in the hopes of having registered contracts by the first of fiscal year to avoid another cash flow crisis. In practice, this means that providers are being forced to submit budgets based on existing approved funding levels that date from as far back as 1988 in order to ensure there is a contract registered on July 1st so they can pull down an advance to operate their programs. Once they get the advance, we are told an amendment will be processed to implement the "model budget" but because no one knows what those funding levels will actually be, providers are in a situation where they can't make an informed choice on whether or not they can responsibly continue operating their programs.

HSU is not optimistic this problem will be avoided since "model budgets" have only been approved for 5 homeless services providers; the rest of the community is in some stage of preparing to submit templates, revising previous submissions, waiting for a response or meeting with DSS to discuss it or some other stage of review or approval. This process could be sped up significantly if DHS were to release parameters for what the agency regards as reasonable rates or at least sector-wide averages for cost categories to allow providers to better understand the realm of the possible when filling out the templates provided. Instead, providers are left guessing, submitting, revising and resubmitting templates over and over again until an agreement can be reached never knowing if they are over or underestimating what the agency is willing to fund. The result is a continued cycle of uncertainty and yet another fiscal year when we don't know if we will have sufficient resources to operate our programs.

Additional Investments in Client Centered Services Are Necessary

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 reliable contracting process where we know how much funding we are working with and, a shift from a "one size fits all" mentality of shelter and re-housing of the past years. **With the Mayor's commitment to invest in high-quality, purpose-built shelters, we must return to a**

Catherine Trapani Testimony p.4

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:

Medical Services

Some shelters for adults and families with children have medical clinics co-located with programs. The co-location model allows shelter residents to easily access care, lowering barriers to engagement with medical providers and making treatment for health issues, including opioid addiction more accessible to those most in need. Recently, DHS has tried to move away from this model suggesting that H+H could increase capacity to take on this function. This move deprives clients with an option to receive care on-site and ignores the fact that H+H has no record of providing care of this kind to homeless clients while the existing network of providers is already doing good work. At a time when homeless deaths are on the rise, it is a mistake to move away from proven treatment models. Medical services should be a core component of shelter budgets.

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. We are still waiting for this PEG to be restored.

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. Despite recent investments in shelter, this funding was never restored either.

Rental Assistance and Other Permanent Housing Programs

While not a part of shelter budgets, it cannot be overstated how essential viable pathways to permanent housing are to the success of shelter programs. HSU applauds the City's investment in creating subsidy programs like LINC, CityFEPS and SEPS to move people out of shelters and into permanent housing however, preliminary budget documents seem to show a decrease in funding allocated to rental assistance programs targeted to single adults even though rates of homelessness for this population remain at record highs. In addition, despite promises made over a year ago to streamline rental assistance programs to make them easier to navigate and market to landlords and to extend eligibility to homeless young people using the DYCD Runaway Homeless Youth shelter system remain unfulfilled and unfunded. While we've waited for this "streamlining" to take place, voucher levels have remained stagnant and are no longer competitive in the current market. As a result, families and individuals often find it difficult to locate suitable apartments that they can afford with the voucher amounts provided. The City must deliver on the promise to "streamline" these programs and ensure that funding levels are robust enough to allow shelter residents to afford housing available on the market in NYC today.

Supportive Housing is another critical resource for homeless people living in shelters and on the streets. The New York 15/15 initiative promises 15,000 supportive housing units to be created in 15 years. The first awards have been announced and progress is being made but, there are disparities in rates for scattered site and congregate housing models that could mean that residents of scattered site housing programs won't have access to the level

Catherine Trapani Testimony p.5

of services necessary to remain stable and avoid a return to shelter. Rates for these contracts must be adjusted to ensure that a sufficient number of units are produced with services available to meet the needs of those who will live in them.

Housing financed by HPD also needs to be affordable to and set aside for homeless households. The Mayor's *Housing New York 2.0* plan commits to creating or preserving an ambitious 300,000 units of affordable housing. Unfortunately, just 15,000 or 5% of those units will be made available for homeless households. Furthermore, most of the 15,000 set-aside units will be preservation of existing occupied units and thus not available for move-in by homeless families currently living in shelters. HPD predicts no more than a few hundred units will be available for occupancy by homeless families each year through the life of the Housing New York 2.0 plan. This is unacceptable – HSU is calling for an increase to the total number of housing units for homeless households under this plan to 30,000, with 24,000 of these units financed and created as new construction.

Finally, more needs to be done to fully fund the capital backlog for NYCHA Public Housing so that residents in NYCHA developments have access to high quality homes and to ensure that vacant units can be repaired and leased to families on the waiting list, including homeless households in need of a permanent home.

Additional Investments in Nonprofit Infrastructure Are Necessary

In addition to these investments in housing and services, in order to ensure nonprofit homeless services providers can function. Investing in the true costs of operating nonprofits will shore up the safety net and avoid the need to navigate labor intensive model budget exercises. HSU strongly supports the following investments in FY19:

- Going forward, the City should include trend factor/cost escalation formula (including cost-of-living adjustments) in all new human service procurements for the duration of the contract to ensure rates keep pace with expenses over time
- Develop a framework to increase all Health and Human Services contracts and all new procurements up to minimums detailed below:
 - 15% indirect cost rateⁱ
 - 37% fringe rateⁱⁱ (including a 15% increase for employee health insurance)
 - 10% increase for occupancy costsⁱⁱⁱ
 - 10% increase to casualty and liability insurance^{iv}

We are asking that the City Council include the parameters described above in its March Response to the Mayor's Financial Plan.

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.

ⁱ NRC KPMG report due out soon will clarify and standardize the city's position on indirect; meanwhile we recommend 15%

ⁱⁱ Based on Bureau of Labor Statistics December 2017 Guidance

ⁱⁱⁱ NRC KPMG report due out soon; meanwhile we recommend 10%

^{iv} See endnote iii