

**Testimony of Steven Banks, Commissioner  
Department of Social Services**

**Before the New York City Council General Welfare and Contracts Committees  
Oversight: Model Budget**

**June 21, 2018**

Good morning Chairpersons Levin and Brannan, and members of the General Welfare and Contracts Committees. My name is Steven Banks and I am the Commissioner of the New York City Department of Social Services (DSS). In this capacity, I oversee the Human Resources Administration (HRA) and the Department of Homeless Services (DHS). Joining me today is DSS Chief Program Planning and Financial Management Officer Ellen Levine.

Thank you for inviting me to appear before you today to discuss one of the critical reforms adopted following the comprehensive 90-day review of the delivery of homeless services: rate rationalization for homeless shelter services in order to ensure that shelter providers are resourced to be true partners with us in making reforms to improve homeless services. As we developed the funding parameters for the specific components of the services that our partners provide, a model evolved: hence the term “Model Budget.”

DHS has invested more than a quarter of a billion dollars annually in our not-for-profit shelter providers to address decades of disinvestment and to modernize the outdated rates they had been paid for too long. This has been done to ensure they are able to deliver the high-quality services homeless New Yorkers deserve as they get back on their feet.

The challenge of homelessness did not occur overnight and it won't be solved overnight. Following a 90-day review of homeless services in 2016, we developed, and are currently implementing, comprehensive reforms to transform the City's approach to providing homeless services and shelter.

The review was guided by these goals: providing quality services to vulnerable clients, efficient use of City resources, and achieving cost effectiveness by avoiding duplication. The review resulted in 46 reforms that built on the initiatives that the Administration had already started to undertake in order to prevent and alleviate homelessness. This included reinstating comprehensive rental assistance programs, allocating historic funding for civil legal services for tenants, and a bold commitment to the preservation and creation of what is now 300,000 units of affordable housing.

With the exponential increase in the shelter population, including a 115 percent increase from 1994 to 2014, it had become increasingly difficult for DHS to adequately oversee and monitor providers, ensure

safe, clean, and secure conditions, and provide necessary services to clients. As such, we began our work to enhance shelter services immediately, which has resulted in the following:

- A shelter repair scorecard to track improvements in shelter conditions that is posted on the Mayor’s Office of Operations website each month;
- An enhanced shelter repair program that has remediated 12,000 violations in shelters and reduced shelter violations by 84 percent — with many of the remaining conditions requiring capital repairs that are being funded — through nearly 34,000 inspections in 2016 and 2017, and another 5,333 inspections through April of this fiscal year;
- Enhanced social services programs within shelters, including restoring HRA domestic violence services at DHS shelters that had been eliminated in 2010; and
- Augmented shelter security with the New York City Police Department (NYPD) now overseeing shelter security, including implementation of 200 hours of enhanced training developed by the NYPD for all new and in-service DHS Peace Officers, and the creation of a new DHS Peace Officers tactical training facility at the Bedford Atlantic Men’s Assessment Shelter.

Our *Turning the Tide on Homelessness* plan, announced last year, puts people and communities first. The plan has four core pillars: preventing homelessness in the first place whenever we can; bringing people in from the streets 24/7; rehousing people who become homeless; and transforming the haphazard approach to providing shelter and services that has been used over the past nearly four decades.

Specifically with respect to shelters, through *Turning the Tide*, we will shrink the footprint of the DHS shelter system by 45 percent by ending the use of decades-old stopgap measures at 360 shelter locations, like cluster shelter sites that began to be used in the Giuliani Administration and commercial hotel rooms that have been used on and off since the 1960s. Instead, we plan to open an ultimately smaller number of 90 new, high-quality, borough-based shelters to help families and individuals stay connected to the anchors of life—such as schools, jobs, health care, families and houses of worship—as they get back on their feet. The process of opening these shelters will involve community engagement and we have committed to notifying communities no less than 30 days prior to the siting of any shelter.

While we have much work to do to address the decades-old challenge of homelessness, through implementation of the four pillars of our plan, we are moving in the right direction as evidenced by these results so far:

- The DHS shelter census for 2017 remained roughly flat compared to 2016 – this is the first time in more than a decade that the DHS census has remained level.
- We’ve gotten out of 100 shelter locations bringing our shelter footprint from the 647 buildings we reported in the *Turning the Tide* plan a year ago to our current use of 547 buildings – a 16 percent reduction in one year.
  - Including reducing the use of clusters by nearly 50 percent, by ending the use of [nearly 1,700 cluster units](#) in this 18-year program.
  - And siting 20 new borough-based shelters, with 13 already operating.

- Evictions by Marshals have dropped by 27 percent and more than 70,000 New Yorkers have been able to stay in their homes – while we expanded tenant legal services and rent arrears payments.
- We have helped 1,815 people come in from the streets and get access to transitional programs or permanent housing. Today, these 1,815 individuals remain off the streets.
- We have created and are implementing rental assistance programs and restoring Section 8 and New York City Housing Authority priorities which through March 2018, which have helped 87,300 children and adults move out of, or avert entry into, shelter.

It is the fourth pillar of our plan that will be the focus of my testimony today: transforming the haphazard approach to providing shelter and services that has built up over nearly four decades as New York City's response to the Right to Shelter court orders.

In order to address underinvestment in maintenance, security, and services, the City's 90-Day Review reforms include a commitment to rationalizing shelter provider rates for contracted sites. Beginning in April of 2016, following the adoption of the recommendations from the 90-Day Review, DHS worked with various stakeholders, including representatives from the shelter provider community and oversight agencies, to develop a set of parameters and guidelines – this became the “model”. In 2017, an audit by the State Comptroller's Office included a note commending DHS for developing the model budget tool.

The model budget exercise uses a set of templates to assist in evaluating all aspects of the provision of shelter (maintenance, staffing, client services, etc.), that are specific to shelter capacity and shelter type to determine a facility's appropriate annual budget. Aligned with our move away from the previous one-size-fits all approach, the model accounts for different populations: Families with Children, Adult Families, and Single Adult Shelter; various Single Adult shelter types including Mental Health, Substance Use, Employment, Assessment, and General Population; and the relative size of a shelter – providing staffing and funding for services based on each of these elements, crosschecked with the site's specific capacity and line item costs, which produces an overall per diem and annual budget. The models reflect ongoing priorities identified by the Department and the State Office of Temporary and Disability Assistance (OTDA) regarding shelter repairs, and are reflective of State requirements contained within the New York Codes, Rules and Regulations (NYCRR) Part 900 and Part 491, as well as City regulations and statutes, as appropriate.

The model covers both personnel costs (PS) and “other than personnel” costs (OTPS). The model uses the site's capacity to produce an overall site per diem (the daily rate per household or individual) that is translated to an annual budget. The per-diem is built from various components of the model, which standardizes rates to provide consistent and sustained support for quality services. These rates are calibrated for shelter size and include maintenance, client supplies, food, transportation, and shelter administration. Another component of the model is the establishment of staff-to-client ratios for direct service staff (e.g. caseworkers, supervisors, housing specialists, social workers, peer specialists, recreation staff and residential aides) across all contracted shelter providers along with the funding, so that providers can meet and maintain these ratios for their individual shelter capacity.

Indeed, the models are flexible enough that, with proper justification, providers are able to adjust specific line items ensuring the budget meets all necessary requirements and appropriately reflects the unique operation of that particular shelter. That said, a site's budget cannot go above the total model per diem and generally may not exceed the bottom line within a category.

While other components of the shelter budget are not subject to the same parameters because they are unique to each site, they are part of the model in the sense that they are part of each provider's budget and are based on impartial, documented standards.

The key shelter costs unique to each site include rent, utilities, insurance, and security. Appropriate rent values are determined by analyzing a number of factors including, but not limited to: the Housing and Urban Development (HUD) small-market Fair Market Rent (FMR), comparable sales in the neighborhood, comparable price per square foot in the neighborhood, current published unit rental rates in the neighborhood, current use of the building, rehabilitation costs, average per-diem for comparable shelter (capacity and population), and capacity needs. Rates for utilities and insurance are based on documented actual costs. Security levels are determined in consultation with the NYPD and take into account factors such as access control, vertical shifts, and lines of sight.

Another component of the model budget is a new, unprecedented way of addressing approved one-time new needs. An example of this would be a one-time cost to replace a boiler that could not be accommodated within the regular maintenance and repair budget. The new contracts establish a separate budget line for each site that allows providers to access DHS's system-wide repair fund after the new need approval process without requiring an additional contract amendment.

In the current exercise with our shelter providers to make the contract adjustments for the model, funding for rent, utilities, insurance, and security is included in individual providers' contract amendments to the extent that funding is required to bring them to the standard or required levels. The FY18 - FY 20 cost-of-living (COLA) and minimum wage adjustments and the increase in the citywide not-for-profit indirect cost rate are also included in these amendments.

Beginning with funding added in the FY 17 Executive Budget Plan, we have dedicated unprecedented resources to reform the rates as well as develop the structure to provide standard and equitable funding to not-for-profit social service providers to deliver the services our homeless clients rely on as they get back on their feet. This includes deploying social workers in family shelters as part of the First Lady's NYC Thrive initiative, as well as increasing funding for providers for shelter maintenance and repairs. This \$236 million investment in our not-for-profit sector will result in better facilities and services for our clients, and is in addition to the \$163 million we spend annually for health and mental health services across the system.

In July 2017, DHS began using a template for the model budget to phase in the rate reform for existing shelter providers through a process that includes individual negotiations with providers, a budget amendment process, and individual budget approval by OTDA. The model budget has been used for providers proposing new shelter sites as well.

DHS developed “quartiles” to manage the workload, with providers with budgets furthest below the model in the first quartile. All contracts within an individual provider’s portfolio are being negotiated and processed at the same time to avoid duplicative work for the providers. There are 46 providers and 139 sites that are in the model budget and amendment process now. This does not include new sites or contracts that previously were adjusted for the model because they were in a contract negotiation phase at the time the model process began. These contracts are already within the model.

Once providers have submitted a budget proposal using the standard template, the DHS Shelter Program Budget Office compares the proposed budgets to the model and then negotiates along with DHS program staff using this tool. This is a process that is completed in close consultation and partnership with each provider. The process then continues with recommendations for the budget changes going to the DSS Finance Office and the NYC Office of Management and Budget (OMB) for approval. After the approvals are in place, the contract moves into the amendment phase, which includes legal and procedural checks, culminating in registration with the Comptroller’s office.

Before today’s hearing, we sampled the contracts that have been approved and we want to give you a sense of “where the money goes”. Out of our sample, 18 percent of the new funding is for direct care services including case workers, housing specialists and counseling; 14 percent is for maintenance; 11 percent for indirect cost increases; and 30 percent for security. On average, the sites in the lowest quartile that have approved budgets are receiving nearly \$1 million in annual increases, not including the FY 18 COLA.

We’ve also worked closely with our not-for-profit partners to update performance evaluation so that, together, we can raise the bar for the supports that we provide to homeless New Yorkers at all of our shelter locations citywide. We look forward to continuing that collaboration as we proceed with the implementation of our new performance management approach. The new shelter performance approach includes an important management evaluation process to help both the agency and our providers measure some of the most critical indicators that tell us if our investments are paying off. We could not necessarily expect previously under-resourced providers to immediately meet the standards but the model budget is intended to make sure that our investments and our expectations are aligned. Similar to the model budget process, we held meetings with representatives of not-for-profit agencies, incorporated their feedback, and we are now excited to be rolling out a new approach that will help our providers manage towards our common goals.

We have heard positive feedback from many of our providers. They tell us that they want to have access to information to manage and improve their services. The challenge of homelessness didn’t occur overnight and it won’t be solved overnight, but our City’s comprehensive strategies are taking hold and we are committed to continually finding ways to do better for the New Yorkers we serve.

After the work that we did to develop this shelter provider budget model for what are arguably the most complicated contracts that we manage between the two agencies (DHS and HRA) and DSS, we turned our attention to Adult Protective Services (APS). APS has contracts for protective services and for community guardian programs and funding was added in the FY 18 Adopted Budget for HRA to improve

staff retention and provide parity with other similar service programs, such as the case management program at the Department for the Aging.

For adult protective and community guardian programs serving New York City's most vulnerable adults, including clients facing abuse, neglect, or exploitation, unstable staff retention has had an impact on implementing and monitoring essential services. Some of these services are emergency, health-related, or life-saving. When staff members leave a position, caseloads increase for other workers, until vacancies can be filled, creating a cycle of overtaxed workers looking for relief, as well as potential gaps in services or coverage. The funding increase is intended to address these issues and thus improve client functioning as the relationship between case manager and client may be an important factor in maintaining clients in the community, reducing risk of institutional care and/or related outcomes such as length of stay as well as emergency room visits.

HRA and the APS contractors negotiated the individual amendment values over the course of FY18; all budgets have been finalized and approved, including indirect rate adjustments, and are in the process of being amended and submitted to the Comptroller for registration.

At the core of these budget reforms for our DHS and HRA providers we are maximizing a client-centered and cost-effective prevention-first focus to avert homelessness whenever possible and to transform the City's approach to services. While we still have much work to do, we are continuing to make progress in addressing the cumulative impact of years of underinvestment.

Thank you again for this opportunity to testify and I welcome your questions.