



Council Member Helen Rosenthal  
*Chair, Committee on Contracts*

FISCAL YEAR 2018 POLICY BRIEF - **UPDATED UPON BUDGET ADOPTION**

# RIGHT-SIZE HUMAN SERVICES CONTRACTS

## SECTOR IN CRISIS:

- The City relies on contracted nonprofits to provide a vast range of essential services for more than 2.5 million New Yorkers.
- For over a decade, these services have been chronically underfunded and now the organizations that provide them are on the brink.

## FY18 ADOPTED BUDGET:

### ✓ On the path to fully funding human service contracts.

- Adds a **2% Cost of Living Adjustment** for human services workers for each of the next three years
- Includes a **\$17.6 million** investment to increase the Indirect Costs reimbursement rate
- Commits to **right-sizing human services contracts across the board**, starting with senior centers, Adult Protective Services, Runaway and Homeless Youth, & foster care preventive services.

## NONPROFITS IN CRISIS

**Over 180,000 workers provide services to more than 2.5 million New Yorkers.** It's only through contracting with nonprofits that the City is able to provide foster care, senior centers, home care for the disabled, day care, after-school programming, homeless services, and more.

But reimbursement rates for these contracts have stagnated for over a decade, failing to keep up with the rising cost of rent, supplies, and health insurance. Salaries for workers have lagged behind a rising cost of living.

In practice, this means that nonprofits and the services they provide are strained:

- *Foster care preventive services providers operate on 2008 funding levels and experience 35% turnover in staffing on an annual basis.*
- *A senior meals provider provides 54,600 meals annually that its contract with the City requires but doesn't pay for.*
- *A homeless services provider reports having to turn down a contract to expand services because the contract simply didn't cover the costs of providing the services.*

**This all adds up to a human services sector in crisis.** 52% of New York nonprofits report that local contracts do not cover the full cost of the services they are required to provide. Almost one in five --18% -- of providers are fiscally insolvent.

## *RECENT ADVANCES*

Rather than continue to pass the buck, this Mayor and this Council have taken the issue head on.

- **In 2015, the Mayor made crucial investments in human service workers. For many workers, these were the first wage increases they'd seen in years**
  - After six years without any wage increases, the Mayor provided a 2.5% cost of living adjustment and funded a \$15 wage floor for human services workers that contract with the City in FY 2015.
- **This Administration also started the process of fundamental reform by beginning to right-size human services contracts.**
  - The Administration spent nearly a year with the providers of Beacon after-school programs to identify and fully fund the services and deliverables agreed to in their contract.
  - The Administration also spent a year with homeless services providers to similarly identify and fully fund the necessary services and deliverables agreed to in their contract. This ended up being a \$36 million investment.

## *MAJOR PROGRESS FOR FISCAL YEAR 2018 AND BEYOND*

The Fiscal Year 18 Adopted Budget builds on this track record of success.

- **The City continued its investments in workers and the nonprofits themselves.**
  - This year's budget includes funds for a Cost of Living Adjustment for human services workers of 2% in each of the next three fiscal years, beginning in FY18. This comes to 6.12% wage increase by FY20, a **\$93 million** investment.
  - Transitioning to a 10% Indirect Cost reimbursement rate represents a major and sustained investment in human services providers, starting with an increase of **\$17.6 million** in FY18 and totaling **\$88 million** by FY22.
- **The City committed to right-sizing human services contracts across the board.**
  - Over the course of the next few years, the City will work to right-size all human services contracts.
  - In FY18, model budgeting will be used to right-size three key sectors, with investments of **\$10 million** for Administration for Children's Services prevention services contracts, **\$10 million** for senior centers, and **\$1.1 million** for services for Runaway Homeless Youth to make it possible.
  - The FY18 budget also includes **\$1.6 million** to eliminate a salary disparity between Adult Protective Services and Department for the Aging case workers.
- **Support for human services workers is a social justice issue.**
  - We must break the cycle of underinvestment and properly value the extraordinary work that human services workers--80% of whom are women and people of color--do in serving New Yorkers.