



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.