



*City Council Preliminary Budget Hearing  
Fiscal Year 2012  
General Welfare Committee  
Thursday, March 24, 2011*

**INTRODUCTION**

Good morning Chair Palma and members of the General Welfare Committee. I'm Seth Diamond, Commissioner of the Department of Homeless Services (DHS). Joining me this morning are Steve Pock, Deputy Commissioner for Fiscal and Procurement Operations, and Lula Urquhart, Assistant Commissioner for Budget and Audit.

Today I'll discuss Mayor Bloomberg's Fiscal Year 2012 Preliminary Budget for DHS and share with you some of the recent State budgetary actions that will have serious consequences on the agency and the people we serve. I've been at DHS as Commissioner for nearly a year now and I'm proud of the relationships we've built with this Committee. I hope to continue to work with you as we confront the many difficult challenges ahead.

**ADVANTAGE**

One of the greatest challenges we face is the elimination of the Advantage program. As you know, the Governor has proposed to eliminate all State and Federal funding for the Advantage rental supplement program. And ten days ago, both the Assembly and Senate concurred with the Governor's plan to terminate the program in their budget proposals.

Before I detail some of the specific issues involved, I want to thank Chair Palma and Committee Members Levin, Brewer and Wills, along with others who joined the Council in Albany on March 8<sup>th</sup> to urge the State Legislature and Governor's Office to continue support for Advantage. This agency has testified before this Committee many times and I recognize we disagree on some aspects of the program. We can agree however, that it is critically important to continue to invest in a vital subsidy that helps those in shelter move back into the community and it is a disservice to homeless New Yorkers to advocate for terminating the program. Thank you for your support and partnership.

I want to take a few minutes to review the history of the Advantage program. Developed in March of 2007 in consultation with the Human Resources Administration (HRA) and in partnership with our State oversight agency, the Office of Temporary and Disability Assistance (OTDA), Advantage is a two-year rental subsidy assisting homeless families and single adults exiting shelter. Last May, the State reaffirmed its commitment to Advantage by approving an enhanced program with a strengthened work requirement and increased client contribution. These changes helped ensure that families and individuals are better prepared for the housing realities as the subsidy phased out. Collaborating with the State from inception, Advantage incorporated both their financial and programmatic support. To be clear, the City could not, and

cannot, afford this program on its own and would not have entered into this agreement without New York State's full commitment. Just as shelter costs are a joint State and City responsibility, the cost of moving people out of shelter is also a shared responsibility.

In fact, the State regulation authorizing the City to offer rental supplements to those in need provides that the State may approve a rental subsidy program only if it determines that sufficient funds are available for reimbursement. The State's withdrawal of funding of Advantage removes the City's regulatory authorization to provide the rental supplement. Indeed, the State's withdrawal of approximately two thirds of funding for the program signals the end of Advantage. The State is fully aware — and has been aware since the program began four years ago — that Advantage is contingent on the State's financing nearly two thirds of the program cost. Thus, in approving the revised program only six months ago, the State re-confirmed both its financial and programmatic commitment to Advantage.

Over 25,000 leases have been signed since Advantage was first used as a tool to move families and individuals from shelters to homes of their own. As you are aware, clients are responsible for paying 30 percent of their income toward the cost of rent in their first year of the subsidy. Advantage pays the balance. In the second year, the contribution requirement increases to 40 percent of income, with the program paying the balance.

By even the most critical evaluation, Advantage triumphs as a bridge to independent living. The best and fairest way to measure the program is to evaluate retention in the community when the subsidy is no longer available – after the two year period ends do people return to shelter? By this standard, Advantage is clearly a success as over 90 percent of those households who stayed in the program remained out of the shelter system one year after their subsidy ended.

DHS has stated many times that some families return to shelter before the subsidy period ends. However, this is not a fair indicator of the program's efficacy because these families return to shelter for other reasons besides their ability to pay rent.

- To date, 21,902 families have exited shelter with Advantage and 1,651 families have returned, less than an 8 percent return rate
- 99 percent did not return within their first year of leaving shelter
- 92 percent did not return within two years of leaving shelter
- 81 percent did not return within 3 years of leaving shelter

No matter how this data is distorted and manipulated to undermine the program and fulfill a misguided agenda, these numbers speak for themselves - thousands and thousands of families have been helped by this program.

The reality we face is that the Governor's proposed budget, as well as the budgets put forward separately by the Assembly and Senate, abruptly end Advantage funding a week from tomorrow, effective April 1. This will affect 15,000 households already living in their own apartments in the community, and another 3,000 voucher holders who will not be able to exit shelter with Advantage. While the City advocated for continued funding for the program, once it became

clear that this was not Albany's intention, we had no choice but to do the responsible thing and begin to notify stakeholders that the program was in jeopardy. We first stopped signing new Advantage leases for shelter clients. With the State unresponsive to our repeated requests for restoration, DHS took the most responsible course of action and notified tenants that their payments would cease. We took these steps reluctantly and should State and Federal funding be fully restored, we will once again resume the program.

### **Impact on the Emergency Shelter System**

As I indicated, there are over 15,000 households currently using the Advantage subsidy. Many of these families only recently enrolled in Advantage and have not had sufficient time to establish themselves in the community. For these families, the State's action is particularly devastating and these parents and children are at greatest risk of returning to shelter.

Advantage was designed to invest in families and individuals who are working - to provide them the rental assistance they need to move towards independence. It provides a powerful incentive for families and individuals to go to work and strong support for those who are employed. It also helps reduce the length of stay of those in shelter and facilitates, with the great work of our providers, a culture of self sufficiency and independence in the shelter system. All of that is at risk without the Advantage program.

In addition, the commitment to Advantage by the State and City represented an investment in permanent housing. Since the shelter residents who received Advantage would have had longer shelter stays without the program, Advantage essentially shifted dollars that would have gone into shelter, thus prolonging homelessness, and spent them instead on permanent housing, a solution to homelessness. Ending Advantage will reverse this: taking permanent housing resources, both money and possibly housing itself, and committing them to transitional shelter. We have worked hard to move the focus of the homeless services system from managing homelessness to solving homelessness. Ending Advantage reverses these gains.

While the change in the culture of the shelter system is the biggest loss when Advantage ends, without a strong and viable subsidy program the City will also be forced to build dozens of new shelters. Advantage assisted over 100 households each week in moving from shelter to the community. While some of those households may make other arrangements and leave shelter, many will remain. As a result, we will need additional places for new shelter entrants, just at the time when the family census begins its seasonal increase.

In fact, we estimate that the loss of Advantage will create a need for 70 new shelters throughout the City. By this time next year, we project the families with children population will grow by over 4,000 to a total of over 13,000 families in DHS' shelter system. Communities throughout the City would be impacted and the increased shelter expenses, combined with increased cash assistance and related expenditures, will cost \$80 million more than maintaining the Advantage program. Preserving Advantage and investing in hard working families leaving shelter makes financial sense, but more importantly leads to the promise of a better life out of shelter for tens of thousands of our City's children.

### **Fiscal Year 2012 Preliminary Budget**

Finally, while I know Advantage is our major concern, I do want to briefly mention some other budget matters.

DHS' current FY11 expense budget is \$1 billion; for next year, FY12, the budget is \$804 million.

Of the \$804 million, \$424 million are city funds, \$192 million are State funds, \$181 million are federal funds, \$4.5 million are grant funding, and \$2.8 million are intra-City funding. The \$804 million budget allocates \$324 million to services for single adults, \$420 million to services for families, and \$60 million to support services.

The DHS Capital Plan for the five year period of FY11 – FY15 is currently \$116 million. Capital projects for homeless families total \$48 million; projects for single adults total \$35 million; \$25 million has been allocated for support services; and \$8 million is designated for City Council funded projects.

Despite current economic challenges, DHS continues to effectively maintain core programs. Through carefully targeted savings of approximately \$18 million in FY12, DHS' reductions focus on performance incentives, programmatic restructurings, and progressive policy rather than on frontline shelter services.

I will point out however, that all of these advances will unfortunately be in jeopardy without Advantage as a mechanism to assist our homeless New Yorkers.

I am available to answer your questions.