

Mayor's Social Service Streamlining Plan: Savings Without Pain?

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SUMMARY

The Mayor's Executive Budget proposes a consolidation and restructuring of the delivery of a variety of social service programs, including after-school care for children, job-training, youth services, and other programs. The Mayor estimates that the plan would save \$75 million by replacing city dollars with federal or state funds, reducing spending on administration (without layoffs), and substituting less expensive services for more costly programs. The Bloomberg Administration has stated that the plan would not diminish the level of services available to New Yorkers.

A review of the restructuring proposal by IBO finds:

- In some programmatic areas, especially after-school care and employment services, the consolidation would likely lead to service cuts.
- Less than half of the plan's savings to the city would come from reducing administrative costs and swapping city funds for federal or state dollars. There are few details about how the administrative savings would be achieved.
- The majority of the savings—about \$39 million—would likely be achieved through service cutbacks or be borne by the nonprofit groups and other agencies that contract with the city to provide the programs affected by the restructuring. The plan includes a direct \$10 million cut in funding for youth services.

The biggest organizational changes under the plan would include a shift of after-school care from the Administration for Children's Services to the Department of Youth and Community Development and the elimination of the Department of Employment and the transfer of its programs to other agencies. In total, seven city agencies would be affected by the restructuring plan.

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INTRODUCTION

The Mayor's Executive Budget proposes to save \$75 million by consolidating and restructuring the delivery of social services by city agencies. The savings would come from replacing city tax-levy dollars with federal funds, reducing spending on administration, and by substituting less expensive services for more costly programs.

Although the Bloomberg Administration has stated that it expects to deliver the same level of services under its plan, IBO finds that in some programmatic areas, in particular after-school care and employment services, the consolidation will likely lead to service cuts. Less than half of the savings to the city under the plan come from administrative savings—there are no layoffs of city workers in the plan—and swaps of city funds for federal dollars. The rest of the savings—about \$39 million—would likely come from service cuts or be borne by the nonprofit groups and other agencies that contract with the city to provide the affected programs.

The biggest organizational changes under the plan include a major shift in after-school programs and the elimination of the Department of Employment (DOE) with its job-training programs shifted to other city agencies. In addition to DOE, six other city agencies are affected by the consolidation: the Administration for Children's Services (ACS), the Department of Youth and Community Development (DYCD), the Human Resources Administration (HRA), the Department of Health and Mental Hygiene (DOHMH), the Department of Homeless Services (DHS), the Department of Employment (DOE), and the Department for the Aging (DFTA).

Savings from Consolidation of Social Services

Dollars in millions

	City Funds	Total Funds
After-School Programs	\$(15.0)	\$(15.0)
Adult Employment	(13.0)	(18.4)
Employment of PA Recipients	(15.0)	(18.0)
Youth Services - Total	(11.0)	(20.4)
<i>YDDP CUT</i>	(10.0)	(10.0)
<i>Employment</i>	(1.0)	(10.4)
Social Services Eligibility	(8.2)	(8.2)
Other	(12.8)	0.1
TOTAL	\$(75.0)	\$(79.9)

SOURCE: IBO.

NOTES: "Total Funds" includes city, state, and federal sources. The "total funds" reductions for adult and youth employment apportion a \$20 million cut in the Workforce Investment Act grant along programmatic lines.

AFTER-SCHOOL PROGRAMS

The Bloomberg Administration has proposed transferring after-school day care services now delivered by ACS to DYCD. ACS currently provides after-school care to about 18,000 children between the ages of 5 and 12 in privately run day care centers and home-based day care programs. DYCD already runs school-based programs in the afternoons, although these programs generally serve older children and tend not to be as structured as the ACS contracted programs. All 18,000 ACS after-school slots would be converted to school-based programs under the auspices of DYCD, resulting in a savings of \$15 million annually.

The replacement of more expensive ACS day care programs with less expensive DYCD services accounts for the bulk of this \$15 million savings. In addition, the agencies expect to see some savings through the consolidation of program administration, although the Mayor's budget office provides few details of how these administrative savings would be derived.

Currently, DYCD school-based after-school services are primarily offered through two models: the Beacon Program and the After-Three Program, which funds about 80 programs run under the direction of The After-School Corporation (TASC). Beacon school-based community centers offer a mix of programs for youth, adults, and families. While Beacon programs are roughly estimated to cost about \$200 per participant annually, the programs generally run more like drop-in centers than a daily class or program.

The TASC programs also operate in city public schools and offer young people academic support and enrichment services. These programs cost \$1,060 per child; \$765 in city funds and the remainder from TASC. The average cost of an ACS after-school placement, by comparison, is estimated by the Mayor's office to be \$3,300. The difference between the TASC and ACS costs per participant can be explained in part by program hours—TASC programs are open 3 pm–6pm only on school days while the ACS programs operate year round, including summer and on school holidays. The city expects to spend about \$2,400 per child after the transfer to DYCD.

As the coordinating agency of the charter-mandated New York City Interagency Coordinating Council on Youth, DYCD is arguably the logical home for after-school programs. According to the Office of Management and Budget (OMB), the city will continue to serve at least the same number of children after the

transfer to DYCD, and that by providing less expensive services, DYCD may be able to reach more children than ACS. Based on that assumption this initiative has no service impact. But this outcome assumes that the DYCD after-school programs can provide the same type of service as ACS day care programs currently do, despite a 27 percent reduction in the per-slot funding. Furthermore, logistical problems such as finding available space in schools and funding cuts elsewhere in the budget may make it difficult to implement this consolidation as designed.

ADULT EMPLOYMENT

The consolidation program would eliminate the Department of Employment. DOE's programs, funding, and staff would be divided between the Human Resources Administration, for adult programs, and DYCD, for youth programs. Funding for Department of Homeless Services programs would also be altered. In the process, city tax-levy funding for adult employment programs would be reduced by \$13 million, and total adult employment funding would fall by \$18.4 million.

The tax-levy savings come from replacing some city funds with federal and state resources. DHS currently spends about \$30 million in tax-levy funds on employment services for homeless clients through its own budget. These funds would be replaced by a \$30 million intracity payment (a city agency buying services from another) from HRA, which has access to a broader range of federal and state grant funds to pay for these services. Out of the \$30 million in intracity payments, \$13 million would be taken as savings. At the agency level, this is effectively a funding swap, and is not expected to have any impact on DHS clients.

Since there is no new state or federal money available to make this swap, overall spending on adult employment programs would fall. The city expects its federal Workforce Investment Act (WIA) grant to fall by about \$20 million in city fiscal year 2004, as a result of policy and funding changes at the federal level. About \$11.1 million of this reduction would be borne by programs serving adults. As a result, the total reduction in adult employment spending—\$18.4 million—is larger than the reduction in city funding.

OMB does not anticipate any service impact from the transfer of adult employment services to HRA. It seems probable, however, that the reduction of \$18.4 million in total funding for adult employment programs will lead to some cut in the level of services offered. In addition, one of the reasons for maintaining

a separate employment department has been to make employment services available to a wide variety of job seekers, not just public assistance recipients, who are HRA's primary clients. Indeed, in February 2002 Mayor Bloomberg authorized the transfer of the adult employment funding for adults who are not welfare recipients from HRA to DOE. Collapsing employment programs back into HRA could affect the provision of services to the broader population of adult job-seekers.

EMPLOYMENT OF PUBLIC ASSISTANCE RECIPIENTS

The city anticipates saving \$15 million in city funds by increasing the number of public assistance recipients placed into jobs with temporary employment firms that have contracts with city agencies. HRA already places some welfare recipients with temporary firms; this initiative represents an expansion of current efforts, rather than a new policy direction. There are two components to the anticipated savings. First, because an individual's public assistance grants is reduced when he or she begins earning wage income, this action will reduce the city's public assistance grant costs by \$3 million annually as recipients enter the paid labor force. State public assistance payments will also fall by \$3 million.

Second, some of the welfare recipients placed with temporary agencies would remain on assistance for up to six months. Their grants would be diverted to subsidize part of their salaries, which would reduce the payments from the city agencies that have contracted for temporary services. In addition, by working across many city agencies, the Mayor expects to achieve economies of scale in the administration of temporary services contracts. The total savings to contracting city agencies is expected to be \$12 million annually.

In fiscal year 2002—the latest year with full data—the city spent about \$72 million on contracts with temporary agencies. Assuming the current spending is at the same level, the \$12 million reduction represents a 17 percent savings in these contract costs.

YOUTH SERVICES

The Mayor anticipates saving \$11 million through reductions in youth services in 2004. There are two pieces to this reduction. First, the budget for the Youth Development and Delinquency Program (YDDP) has been cut by \$10 million. Second, youth employment funds are being transferred from DOE to DYCD, resulting in administrative savings of \$1 million. In addition to these city cuts, reductions in the federal WIA program would

lower youth employment funding in New York City by another \$9.4 million.

Youth Development and Delinquency Program. YDDP is administered by the Department of Youth and Community Development and serves young people ages 6 to 21 through a broad spectrum of before- and after-school, weekend, and vacation initiatives that promote youth development. In 2003, the program's total operating budget is approximately \$28.3 million, so the proposed \$10 million cut in conjunction with restructuring represents more than one-third of the total budget, and half of all city funds. Unlike the other pieces of the restructuring plan, this cut is not a funding swap or consolidation of administrative expenditures. This \$10 million is a straight budget cut, and therefore will reduce services.

Youth Employment. The plan calls for the transfer of \$6.2 million in tax-levy funds for the Summer Youth Employment Program and \$33 million in WIA funds from DOE to DYCD. In the process, the city expects to save \$1 million annually through reductions in administrative costs.

Besides the restructuring, the city anticipates that as a result of the expected reduction in total WIA funding, the federal dollars available for youth employment programs will fall by \$9.4 million. This brings the combined cut to youth employment programs to \$10.4 million in 2004. It is likely that this cut in federal funds will force the city to reduce the youth employment services it offers. In addition, President Bush's proposed budget for federal fiscal year 2004 (which begins three months after the city's fiscal year) would eliminate all WIA employment funding for in-school youth (ages 14-18). This funding stream currently supports the youth employment, career exploration/preparation, and dropout prevention services that are being transferred to DYCD. If the federal funds that the Mayor has earmarked for transfer from DOE to DYCD are eliminated, services would be reduced unless other funding streams are identified.

SOCIAL SERVICE ELIGIBILITY

The Bloomberg Administration anticipates saving \$8.2 million by having HRA consolidate the eligibility review processes for child care (currently done at ACS) and home care and the Home Energy Assistance Program (currently done at the Department for the Aging). HRA is expected to use its advanced database systems to do eligibility screening more cheaply, which accounts for the bulk of the savings. In addition, some clients currently apply for multiple programs at different agencies, and

centralized review will save money by reducing duplicate applications.

It is not yet clear whether the application processes would be physically relocated. If, for example, a senior citizen looking for assistance with energy bills is required to go to an HRA job center to complete the application for heating assistance, the consolidation could lower program usage.

OTHER CHANGES

The plan includes a number of other changes—bulk food purchases and transfer of substance abuse programs, AIDS grant management, and child support enforcement—that represent productivity improvements or funding swaps and which would likely have little or no effect on services.

Bulk Food. DHS, DFTA, and perhaps other social service agencies, will purchase food jointly in order to achieve economies of scale, saving the city an anticipated \$9.8 million annually. The Bloomberg Administration has not yet decided which agency would actually be responsible for purchasing the bulk food.

Substance Abuse Services. The Bloomberg Administration anticipates saving \$2 million by moving vocational programs that help recovering substance abusers obtain and retain work from Department of Health and Mental Hygiene to HRA. The city would substitute state and federal funds for the city funds, so there is no net change in funding for these programs.

The services are actually provided by the Health and Hospitals Corporation, which would continue to do so. Because most of the clients are on or eligible for public assistance, the contract would be paid by HRA rather than DOHMH. According to the Mayor's budget office, individuals who do not qualify for services under state or federal program regulations will receive services paid for with city funds.

AIDS Grant Management. The responsibilities of the Citywide Coordinator for AIDS Policy, which is currently part of the Mayor's Office, would be transferred to DOHMH. The Mayor expects to save \$1 million in city funds by using federal dollars to pay administration costs.

Child Support Transfer. Additionally, the Mayor's plan would shift all funding for the Office of Child Support Enforcement from ACS to HRA. The office helps single parents collect child support. All funding for the child support office would be

transferred: there are no savings associated with this switch. The Bloomberg Administration has proposed moving the enforcement office because it feels that HRA has the technological capacity to provide better service to families.

CONCLUSION

The Bloomberg Administration has stated that it can save \$75 million annually by restructuring social services without affecting service delivery. IBO's review indicates, however, that in some programmatic areas—particularly after-school care and employment programs—the consolidation will likely lead to service cuts.

Less than half of the projected savings from restructuring are a result of reduced administrative costs and funding swaps. The restructuring plan does not include any layoffs of city employees. This leaves about \$39 million of the city funded reductions to be achieved through service cuts or borne by the agencies—most are nonprofits—that contract with the city to provide these services. For example, it is unclear whether contractors will be able to provide the same frequency and level of services to as many children under the lower rate proposed

under the consolidation plan. Additionally, the impact of the city-funded reductions on contract agencies would be exacerbated by the accompanying cuts in federal WIA funding. The city would not see the full impact of the social service consolidation until the funding reductions flow down to the contractors.

END NOTES

¹ HRA includes federal and state funds in its budget for employment services, on the assumption that some of the clients will be eligible for Public Assistance. These dollars partially offset the reduction in federal WIA resources.

² The Governor's Executive Budget proposed cutting the statewide YDDP budget by 10 percent this year—one-third of the city's YDDP budget comes from state funds—but this cut was restored by the Legislature in its enacted budget.

³ The budget shows a net increase of \$10.3 million for DOHMH, but this is the result of a technical adjustment and does not reflect new funding. The city uses Housing Opportunities for People with AIDS (HOPWA) funds to support services for people with HIV and AIDS. Traditionally, the HOPWA funds have not been included in the budget until they have actually been received, but the social service consolidation includes a portion of the HOPWA grant in the out-years. As a result, it appears that spending for these contracts will increase. In reality, the increase in health department's HOPWA funds will be offset by a decrease in funds for the Mayor's office.

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