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**Testimony of United Neighborhood Houses
Before the Joint Fiscal Committees of the New York State Legislature**

Human Services Budget Hearing for the Fiscal Year 2018-19

Honorable Catharine M. Young, Chair, Senate Finance Committee
Honorable Helen Weinstein., Chair, Assembly Ways & Means Committee

Honorable Sue Serino, Chair Senate Committee on Aging
Honorable Donna Lupardo, Chair, Assembly Committee on Aging

Honorable James Tedisco, Chair, Senate Committee on Children & Families
Honorable Ellen Jaffee, Chair, Assembly Committee on Children & Families

Honorable James Tedisco, Chair, Senate Committee on Social Services
Honorable Andrew Hevesi, Chair, Assembly Committee on Social Services

Honorable Marisol Alcántara, Chair, Senate Committee on Labor
Honorable Michele Titus, Chair, Assembly Committee on Labor

**Submitted by Kevin Douglas, Co-Director of Policy & Advocacy
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United Neighborhood Houses (UNH) of New York is New York’s association of settlement houses and community centers. Rooted in the history and values of the settlement house movement begun over 100 years ago, UNH promotes and strengthens the neighborhood-based, multi-service approach to improving the lives of New Yorkers in need and the communities in which they live. UNH’s membership includes 38 organizations employing 13,000 people at over 650 sites across the five boroughs of New York City to provide high quality services and activities to over 750,000 New Yorkers each year.

Typical settlement house services range from early childhood education and after-school, to youth employment and college access, to adult education and workforce development, to behavioral health services, homelessness prevention and older adult services. Essentially, our members provide “one-stop” shopping for all community members—be they children, youth, immigrants, older adults, or working families.

New York can only succeed when all its residents do, and smart investments in the State’s human services can help individuals and families thrive, and promote the health and wellbeing of our neighborhoods and communities. Unfortunately, while there are some positive developments in the Governor’s budget, by in large the cuts and missed opportunities in this budget threaten the health and economic viability of tens of thousands of New Yorkers.

Among the positive aspects of Governor Cuomo's budget are proposals to improve our election systems, expand tuition assistance for hard-working immigrant youth, crack down on sexual abuse and harassment, and expand the Empire State After School Program. However, these proposals are tempered by cuts in Adult Literacy Education, Advantage After-School, Naturally Occurring Retirement Communities, the Nonprofit Infrastructure Capital Improvement Program (NICIP), and inaction on a number of issues impacting the nonprofit providers of these services, including a failure to: account for the rising minimum wage in state contracts, provide cost of living adjustments, and update indirect rates.

UNH recommends that the Legislature work with the Governor to take the following actions in the FY 2018-19 budget:

Children & Youth Services

- Invest an additional \$24m in the *Child Care Development Block Grant* (CCDBG) for a total of \$617m
- Support funding and eligibility expansion of the *Empire State After-School Program* at \$45m
- Restore \$2.5m and invest an additional \$2.5m in *Advantage After-School* for a total of \$22.3m
- Invest \$4m in the *Summer Youth Employment Program* (SYEP) for a total of \$44m

Older Adult Services

- Restore \$2m and invest an additional \$1m in the *Naturally Occurring Retirement Communities* (NORC) program for a total of \$7.05m

Community Services

- Restore \$2.45m and invest an additional \$2.55m in the *Settlement House Program* for a total of \$5m
- Restore \$1m and invest an additional \$8m in the *Adult Literacy Education* (ALE) program for a total of \$15.3m
- Invest \$10m in a new *Family Literacy* pilot program

Nonprofit Human Service Providers

- Restore \$20m and invest an additional \$80m in the *Nonprofit Infrastructure Capital Investment Program* (NICIP) for a total of \$100m
- Invest \$23m in nonprofit human services contracts to cover the mandated increase for the *State minimum wage*
- Modify all nonprofit human service contracts to include a 15% *indirect rate*

Additional information about each of these recommendations follows.

Children and Youth Services

Child Care Development Block Grant

Early childhood education is an essential resource for families that not only makes it possible for parents to work and strengthen their families' financial future, but also provides a building block for their children's success in school and the workplace. Demand for child care is incredibly high; throughout the State, most counties provide child care subsidies to less than 1/5th of eligible families. While the Governor's Executive Budget proposes restoring the \$7m cut from child care subsidies last year, it does not begin to expand access to more families.

In order to start immediately addressing the child care crisis in New York, UNH recommends a new \$24m investment, which would restore the state's funding level to FY2017 level, adjusted for inflation. In addition, the State should take a number of steps to expand access to child care including:

- Reinstating the 75th percentile formula to establish reimbursement rates expected to change in October 2018 to ensure that all children have equal access to high-quality care;
- Allocating funds to assist child care centers and group family day care providers that receive child care subsidies to cover increased wage costs as the new minimum wage standard is implemented across the state;
- Directing a portion of the State's economic development funding dollars to child care subsidies in recognition of the connection between the workforce's needs and economic development success;
- Increasing funding for the Child Care Facilitated Enrollment Projects in order to expand access to subsidies available to working families at higher income eligibility levels;
- Expanding and adjusting the Child and Dependent Care Tax Credit to be allocated on a monthly or quarterly basis in order to help low-income families who live paycheck to paycheck.

Empire State After-School Program

The Empire State After-School program launched last year provides after-school programs to 35,000 children and youth in localities with high poverty levels. However, the initial RFP did not allow settlement houses and other community-based organizations to apply for the funding. This year, in addition to a \$10m expansion, Governor Cuomo proposes allowing community-based organizations to apply directly for this funding. UNH strongly supports this reform. Community based organizations have strong ties to their neighborhoods and have implemented innovative models for quality after-school programs for years. Their multi-service approach and long-standing expertise position them as well-suited to offer programming through the Empire State After-School Programs.

Advantage After-School

With over one million youth across the State eligible for, but not able to participate in afterschool, Advantage After-School is an important resource. Currently, Advantage offers approximately 15,000 elementary, middle school and high school students across the State with youth development programming in the three hours after the school day ends. Programs are operated in public school buildings by community-based organizations including many settlement houses.

Perplexingly, although the Governor proposes an expansion to the Empire State After-School program, he also proposes a cut of \$2.5m to Advantage After-School. This cut will result in the loss of after-school programming for 3,600 children across the State. It is important to note that the Governor's Empire State After-School program does not cover all districts across the state—in fact, there are currently over 100 Advantage After-School programs operating in counties not covered by the Empire State program and at risk of closure if this cut is made. UNH recommends restoring the \$2.5m Advantage After-School cut and investing an additional \$2.5m to expand access throughout the State.

Summer Youth Employment Project (SYEP)

SYEP offers youth aged 14 to 20 around the state with subsidized summer jobs leading to critical soft-skills development and exposure to the workforce. Program demand is high, with more 6,000 youth across the state, outside of New York City, applying but unable able to take part in the program in the summer of 2015 due to insufficient funding. In NYC, during the summer of 2017, 70,000 youth—less than half of those who applied—were able to take part, while the other 77,000 youth were turned away. This program is extremely popular with youth, their families and the worksites they are placed at, and

research on SYEP in New York City has also shown that youth who participate in the program have decreased probabilities of mortality and incarceration, and higher rates of school attendance and passage of the NYS Regents examinations.

Despite the benefits of SYEP, the Executive Budget only proposes an increase from \$36m to \$40m, which just keeps pace with the cost of the increased State minimum wage. UNH recommends an additional 4m enhancement to create 3,000 additional summer youth employment opportunities across the State in 2018.

Older Adult Services

Naturally Occurring Retirement Communities (NORC)

NORCs are housing developments or neighborhoods that were not originally designed for older adults but have naturally become home to a significant density of older adults over time. NORCs coordinate support from housing, social service, and health care providers to promote the health and stability of older adults concentrated in apartment buildings and housing complexes, as well as in slightly lower-density neighborhoods and rural areas (Neighborhood NORCS).

In 2016, the State updated the legislation governing the NORC program to allow for the expansion of services. In addition, the FY 2016-2017 budget also augmented the NORC-Supportive Service Program (NORC-SSP) to allow NORCs to request and receive up to \$200,000 for programming—a \$50,000 increase from the previous limit. In response to these developments, the New York State Office for the Aging (NYSOFA) issued a Request for Applications (RFA) in December 2016, and announced awards in August 2017. Under this procurement, nine existing NORC programs were not awarded renewed contracts, potentially leaving the seniors in those housing developments and neighborhoods without supportive services. After significant concerns were voiced by legislators and community members alike, NYSOFA withdrew the RFA in October 2017, essentially freezing the NORC program and provider system in place until a new RFA is issued. This decision adversely impacted three organizations which will not receive funding to operate new NORC services in their communities, despite submitting successful applications to the State.

UNH recommends that in addition to restoring the \$2 million cut to the NORC program proposed by the Governor, an additional \$1 million should be invested to honor the legislature's intent of increasing award sizes for current providers, as well as creating capacity for at least 15 new NORC programs to open throughout the state.

Community Services

Settlement House Program

The Settlement House Program provides flexible funding for innovative community-based child, youth, immigrant and older adult services in settlement houses across the state, including in Albany, Syracuse, Rochester, Buffalo, Westchester, Utica, and New York City. Sample activities and services funded by this program include:

- Job training and placement programs for the unemployed.
- A paratransit driver for adult day program serving seniors with dementia and Alzheimer's disease.
- Treatment and counseling services for sexually abused children under the age of five.
- Culturally competent anti-domestic violence services and counseling for immigrant communities.
- Intake and referral services for youth requiring medical services, HIV information, mental health counseling, and drug prevention education.

The Settlement House Program remains one of the few sources of flexible funding for community-based organizations serving the needs of their communities and yet funding has fallen over the years. When the RFA for the Settlement House Program was first released in 2009, contract awards ranged from \$75k to \$160k based on organizational budget size, but as a result of reductions in funding, the most recent round of contracts ranged from just \$20k to \$45k.

UNH recommends that in addition to restoring the \$2.45 million cut to the Settlement House Program proposed by the Governor, an additional \$2.55 million should be invested in order to enable Settlement Houses respond to the evolving needs of their communities.

Adult Literacy Education

The Adult Literacy Education (ALE) program is the only source of State funding specifically available to community-based organizations, libraries, and the public university system. ALE is used to provide English and High School Equivalency preparation classes, as well as case management, referral, and other support services. New York is home to 3.5 million adults who lack English language proficiency, a high school diploma, or both. In NYC alone, the figure is 2.2 million and according to a 2016 survey of providers, typically 50,000 individuals are on waiting lists to access adult literacy classes at any given time.

State investment in adult literacy can help New Yorkers better compete in the job market, support their children in school, experience better health outcomes, and more fully engage in the civic and social lives of their communities. According to research done by the Community Service Society, for every NYC resident who earns a high school diploma or its equivalent, there is a net economic benefit to the City of ~\$324,000 over their lifetime due to their increased earnings and tax contributions and reduced utilization of public benefits. Yet despite these benefits, and recent changes in federal policy that will make it significantly harder for NYS to utilize federal Workforce Innovation and Opportunity Act (WIOA) dollars to educate individuals with beginning skills levels and/or who lack a documented status, the Governor's Executive Budget proposes a \$1m reduction in ALE funding.

In order to strengthen community integration and the competitiveness of the State's workforce, UNH recommends, the State restore the \$1m proposed cut and invest an additional \$8m to offset the anticipated consequences of WIOA changes.

Note: While ALE is not a part of the human services budget, English language and high school equivalency classes are an essential part of the human services continuum of services that prepare people for community integration and economic success.

Family Literacy

Educational deficits jeopardize family economic security and educational success for too many New York families. Only 38% of NYC 3rd to 8th graders are considered proficient in English Language Arts, and just 36% are proficient in Math. Many of these children will eventually leave high school prematurely, without the full range of skills necessary to succeed in post-secondary education or the job market. In addition, NYS is home to 3.5 million adult residents who lack English proficiency and/or a high school diploma. As a result, these New Yorkers earn significantly less than their peers, putting economic success for them and their families out of reach.

Family Literacy programs are designed to involve a whole family in their collective educational and economic success. By engaging both children and their parents (or other adult family caregivers) in a collaborative and mutually reinforcing learning process, families are better equipped to gain the skills

they need to succeed. Although Family Literacy models vary, typical aspects of Family Literacy include: 1) Interactive literacy activities between parents and children; 2) Training for parents regarding how to be the primary teacher for their children and full partners in the education of their children; 3) Parent literacy training that leads to economic self-sufficiency; 4) An age-appropriate education to prepare children for success in school and life.

An investment in family literacy programming will empower generations of family members to achieve educational goals, family stability, and economic security. UNH recommends that the State fund a \$10 million initiative in FY2019 which will allow for approximately 32 community-based organizations to expand or launch family literacy programs for roughly 900 families throughout the State, as well capacity-building grants for an additional 16 organizations.

Note: Family Literacy could conceivably be supported through either OCFS or NYSED divisions, or some combination thereof.

Nonprofit Human Service Providers

New York State's nonprofit human services sector is a critical partner in delivering services to New Yorkers on behalf of the State in a more effective and cost-efficient manner than the State itself could deliver. From early childhood education, to homelessness prevention, to case management for older adults, the provision of these services keeps New Yorkers healthy, thriving, and engaged in the civic and economic life of their communities.

Unfortunately, the ability of nonprofits to consistently deliver the highest quality services in a cost-effective manner is continually compromised by a business environment that threatens their financial viability and stifles innovation. For many nonprofits, the business environment consists almost entirely of contracts with local, state, and federal governments—the terms and execution of which pose challenges to their organizational health. From under-funded services, to late payments for services rendered, to conflicting regulations, to onerous paperwork and audits, government contracts force nonprofits to endure financial losses, sap organizational morale, and divert critical human capital toward addressing financial crises instead of developing innovative approaches to meeting their communities' needs. In FY2019 and beyond, there are three actions the State must take to support the sector:

- ✓ Renew the Nonprofit Infrastructure Capital Investment Program (NICIP) at \$100m and expand eligibility for nonprofit human service providers operating in publicly owned facilities
- ✓ Bring State human services contracts in line with federal guidance of at least a 10% indirect cost rate and implement a plan to move to 15%
- ✓ Modify State human services contracts to account for scheduled increases in the State minimum wage

Nonprofit Infrastructure Capital Investment Program (NICIP)

UNH was proud to have partnered with the Human Services Council, UJA Federation of New York, the Governor's Office, and the NYS Legislature to create the Nonprofit Infrastructure Capital Investment Program (NICIP) in the FY2016 budget. This initial investment of \$50m was designed to allow nonprofit human services providers to make critical upgrades to program sites, ranging from roof and brickwork, to boiler replacement, to accessibility enhancements.

Unfortunately, the funding excluded providers located in government-owned sites from applying, such as those based in the New York City Housing Authority. While in FY2017 NICIP was modified to

allow such providers to apply for technology enhancements, they were still barred from physical infrastructure improvements, despite having the same needs as those located in privately-owned spaces. Funding was again renewed in FY2018, but at the reduced level of \$20m. Over 635 applications were submitted to the NICIP program, and though 580 were deemed eligible for scoring by DASNY, just 237 were awarded funding. The total value of applications - \$300m – far exceed the \$120m available in NICIP. Unfortunately, the Governor’s executive budget eliminates funding for the NICIP altogether.

UNH recommends that the State restore and expand funding for NICIP at \$100m in the FY2019 budget and lift the restriction bars nonprofit human service providers located in publicly owned buildings from applying.

Minimum Wage

While UNH supports the slated minimum wage increase to \$15.00/hour by 2019 in NYC, nonprofit human services providers funded by government contracts will not be able to pay these higher wages without commensurate contract adjustments to cover the costs, as well as funding to address the wage compression issue: the challenge of front-line staff wages rising to similar levels of their immediate supervisors. These supervisory staff will require wage adjustments in order to appropriately value and incentivize their work.

UNH appreciates that the Governor and legislature recognized these challenges in the direct care workforce, authorizing a 6.5% wage increase over two years, but we do not understand why this recognition and funding was not extended to the rest of the nonprofit human services workforce. The estimated cost of complying with the minimum wage increase (not including compression or a further cost of living adjustment) for the nonprofit human services workforce in FY2019 is \$23 million. UNH urges the Governor and legislature to make this investment in FY2019 and in future years as required.

Increase Indirect Contract Rates

In December 2013, the federal Office of Management and Budget issued guidance requiring states that utilize federal funds in pass-through contracts with nonprofit providers to include an indirect cost rate of at least 10% on those contracts. Though states were given one year to comply (December 2014), New York has still not acted to comprehensively address this issue and adjust all relevant contracts to the de minimis rate of 10%. In reality, rates of less than 15% fail to cover the true cost of providing services—everything from paying the rent and utilities to an organization’s finance and human resources functions. The estimated cost of these adjustments in FY2019 is \$43 million. UNH recommends that the State come into compliance with federal guidance by making this investment, and in fact should go further, extending a 15% rate to all contracts, regardless of original funding source.

Thank you for the opportunity to submit this testimony. UNH looks forward to working with the New York State legislature to build a budget that strengthens neighborhoods and supports all New Yorkers. I am happy to take questions now or through email at kdouglas@unhny.org.