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Progress Report: The Mayor's Social Services Streamlining Plan

IN APRIL 2003 THE BLOOMBERG ADMINISTRATION proposed an overhaul of the delivery and funding of a number of social services, including after-school programs, nutrition services, and job training. Through this structural reorganization, the city would save $75 million annually. The Mayor introduced the plan as part of his Executive Budget for fiscal year 2004, making a distinction in his public comments between the set of cost-savings measures under this reorganization and roughly $600 million in other steps he was proposing as part of his overall gap-closing program.

From a budgetary perspective, the initiatives in the social services restructuring plan were treated the same as other components of the gap-closing plan when the city's fiscal year 2004 budget was adopted in June 2003. Although the various components of the social services plan had yet to be implemented, the corresponding savings—totaling $75 million—were taken from the eight agencies involved.

A review by IBO finds that by the end of 2004, some of the largest components of the streamlining plan had not been implemented and the reductions were restored or the city agencies involved had to make up for the funding cuts in other ways. In 2004, $16 million of the savings were attributable to the measures originally in the plan. Agencies saved another $26.2 million by other means and the remaining $32.8 million was restored. While some parts of the plan have been abandoned, others are just now being implemented. For example, a reorganization of after-school programs, one of the largest components of the plan, is now getting underway and should generate much of the savings as originally projected.

Outline of the Original Plan. The city's streamlining plan involved eight agencies: the Administration for Children's Services (ACS), the Department for the Aging (DFTA), the Department of Employment (DOE), the Department of Health and Mental Hygiene (DOHMH), the Department of Homeless Services (DHS), the Department of Small Business Services (DSBS), the Department of Youth and Community Development (DYCD), and the Human Resources Administration (HRA).

There were five major cost-saving initiatives in the plan: reorganizing after-school programs, expanding the placement of welfare recipients in jobs with city-contracted temporary employment firms, eliminating the Department of Employment, purchasing food in bulk, and centralizing eligibility determination for some services. The plan also included three smaller components: transferring substance abuse programs, the management of AIDS grants, and the child support enforcement office to other city agencies. Under the city's streamlining plan, savings would be achieved by maximizing state and federal aid, replacing costly programs with

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The Social Services Streamlining Plan: Actual Savings Obtained in 2004 from the Plan and Other Actions

Dollars in millions

Plan Components Implemented	Key Agencies	Savings Anticipated from Plan	Savings Obtained from Plan	Savings Obtained by Other Means
Eliminate Department of Employment	DSBS, DYCD	($14.0)	($14.0)	-
Move Substance Abuse Programs	DOHMH, HRA	($2.0)	($2.0)	-
Move AIDS Grant Management	DOHMH	($1.0)	$0.0	-
Move Office of Child Support Enforcement	ACS, HRA	$0.0	$0.0	-
Subtotal		**($17.0)**	**($16.0)**	**-**
Plan Components Not Implemented				
Reorganize After School Programs	ACS, DYCD	($25.0)	-	($15.0)
Place Welfare Recipients with City Contractors	HRA	($15.0)	-	($3.0)
Centralize Food Purchases	DFTA, DHS	($9.8)	-	($1.0)
Centralize Eligibility Determination for Some Services	ACS, DFTA	($8.2)	-	($7.2)
Subtotal		**($58.0)**	-	**($26.2)**
TOTAL		**($75.0)**	**($16.0)**	**($26.2)**

SOURCE:IBO.

less expensive services, and using technology to reduce administrative duplication and costs. (See IBO's May 2003 report on the plan for details of the original proposal.)

The $16 million in 2004 savings that mirrored the plan came from two initiatives—eliminating the employment department and transferring the administration of substance abuse programs. Although the rest of the plan was not implemented by the end of 2004, city agencies achieved $26.2 million in associated savings—but in ways other than originally intended. Nearly 60 percent of the $26.2 million came from replacing city funds with state or federal dollars. A decline in some social service caseloads also contributed to these savings.

Reorganizing After-School Programs. This fall, after a delay of about two years, the city reorganized after-school services provided by the Administration for Children's Services and the Department for Youth and Community Development. Consistent with the original plan, ACS after-school programs were transferred to DYCD and combined with the agency's Youth Development and Delinquency Program (YDDP). DYCD's contract with The After-School Corporation (TASC) was also included in the consolidation even though it was not part of the initial plan. Funding for the three programs was pooled to create a new after-school program named Out-of-School Time (OST), which is not expected to be fully implemented until 2007.

The city anticipated saving a total of $25 million annually from the reorganization of after-school services by replacing current after-school programs with a less expensive program and reducing city funding for these services. The city took $15 million in annual savings beginning in 2004 even though the transfer of ACS after-school programs to DYCD was delayed. To prevent a cutback in the availabiltiy of ACS after-school services, the city has been using an unanticipated increase in state and federal Child Care Block Grant (CCBG) money, funds that could have been avaliable to expand or create new child care programs. The city's allocation of CCBG funds grew in 2004 by about $65 million compared to 2003. While the city has saved $15 million in 2004 and 2005 by replacing city dollars with CCBG funds to maintain ACS service levels, it is not clear that these funds will be made available for the new OST program.

The remaining $10 million in annual OST savings was to come from a direct budget cut to YDDP, which funds a broad spectrum of before- and after-school, weekend, and vacation initiatives. The After-Three Program provides academic support and enrichment services to younger children on school days from 3pm to 6pm. The $10 million in city funds cut from YDDP's budget was completely restored.

Some children may be displaced from their current ACS after-school programs as a result of the consolidation under DYCD. To help with the transition the city has agreed to provide vouchers to those parents whose children cannot be placed in an OST program but who still require after-school services. To the extent that the city's voucher payments for after-school care increase, the $15 million in annual savings attained by the city may be reduced.

Centralizing Food Purchases. The city did not centralize food purchasing for agencies that contract for nutrition services but the proposal is still under consideration. The city found that some agencies, in particular the Department of Homeless Services, already had competitive pricing for food purchases. For others, centralization was more complicated because of differences in the types of meals offered (for instance, after-school programs only provide snacks while senior centers provide entire meals). While the city's streamlining plan focused on the aging and homeless services agencies, the food purchasing policies of ACS and the education department were also reviewed by the Mayor's Office of Operations.

Under the streamlining plan, the city anticipated saving a total of $9.8 million annually from the centralization of food purchases. The largest component, $8 million, was to come from DFTA and the remainder from DHS. Even though this proposal was not implemented, the city obtained roughly $1 million in savings in 2004 by cutting DHS's budget for meals because of a decline in the number of people residing in the city's shelter system. When the food centralization initiative was abandoned and funding restored to the agency's budget, the adjustment reflected the current need for meals based on the smaller shelter population and a newly negotiated meals contract. Of the $1.8 million in city funds initially cut from DHS' budget starting in 2004, $773,000 was restored. A smaller amount of city funds was restored in subsequent years, according to the Mayor's budget office.

The $8.0 million in city funds cut from DFTA's budget starting in 2004 were fully restored for all years. Even though the bulk food purchasing proposal has not moved forward, DFTA has come up with a related initiative that would allow the city to save some money in the future on meals delivered to elderly New Yorkers; last year, 14,635 home delivered meals were provided daily citywide. In 2005, DFTA launched a pilot program in the Bronx that streamlines the delivery of meals to homebound elderly who are unable to prepare their own meals and lack assistance with such preparation. The agency expects to save approximately $500,000 annually under the pilot plan, according to testimony by DFTA's commissioner.

To obtain these savings, the agency reduced the number of contractors operating in the Bronx, gave the remaining contractors a larger service area within the borough and required each of them to provide frozen meals twice a week to at least 30 percent of their clients and hot (ready to serve) meals every day to the rest. Seniors were given the option to choose which meal plan, frozen or hot, they wanted to participate in. In the program's first year, 42 percent of Bronx clients selected the frozen meal option. Based on minutes from a DFTA advisory council meeting, some of the program's savings would come from a reduction of some 50 jobs at senior centers where many of the meals are prepared.

The contracts for the pilot program were renewed for the first six months of fiscal year 2006 to allow an independent evaluation of the program's operation for a year. It is uncertain if the program will be expanded beyond the Bronx.

Eliminating the Department of Employment. As planned, at the start of fiscal year 2004 the city eliminated the Department of Employment and divided the agency's staff and programs between two other city agencies. Originally DOE adult programs were supposed to be managed by HRA. But instead the city moved the adult programs to the Department of Small Business Services during 2004 so that a broader population of adult job-seekers, not just welfare recipients, could continue to be served. DOE's youth programs were transferred to DYCD.

The city realized $14 million in annual savings by eliminating DOE and moving its programs to other agencies. The plan saved $13 million through a complicated exchange of funds that included HRA even though it ultimately did not take over DOE's adult programs. For its employment programs, DHS received $30 million in funds from HRA that came from sources other than the city. In turn, DHS shifted $17 million in city funds to HRA for DOE adult programs. In this way the city saved $13 million and it was expected that HRA could fill its shortfall through its access to other state and federal grants.

It is unclear if the shortfall has been filled. The adult employment programs are primarily funded through the federal Workforce Investment Act (WIA) and relatively large amounts of these funds are often not spent in a given year and are rolled into the next year. For example, the total budget for former DOE programs managed in 2004 by DSBS and DYCD was $162.7 million. This includes about $30 million of the agency's WIA allocation in 2003 that was unspent and carried forward Therefore the total budget for DOE adult and youth programs in 2003—$143.6 million—was about $11 million higher than the budget for these programs in 2004. A similar pattern occurred between 2004 and 2005. These rollovers make it hard to determine the initial baseline.

The city also realized $1 million in annual savings from the transfer of DOE youth programs to DYCD. The latter savings were expected through a reduction in administrative costs. No layoffs were proposed as part of the elimination of DOE.

Placing Welfare Recipients with City Contractors. Another major initiative that was not implemented involved job placements for welfare workers. The city did not expand its practice of placing welfare recipients in jobs with temporary employment firms that have contracts with city agencies. According to the Mayor's budget office, this proposal was largely preempted by the city's agreement with the unions to replace many temporary staff with permanent in-house staff. The city anticipated saving $15 million annually from this initiative. Even though this component of the streamlining plan did not move forward, the city did obtain some savings. The $3 million in city funds cut from HRA's budget starting in 2004 was never restored. This reduction in city spending was accompanied by an annual reduction in state aid of $3 million. Under the original plan, the savings would have been obtained through a reduction in public assistance grant costs when the affected recipients entered the labor force. Instead, the funds saved by the city were not tied to this initiative but resulted from a decline in the public assistance caseload and therefore lower costs. The remaining $12 million cut connected to this initiative was restored for 2004 and beyond.

Centralizing Eligibility Determination for Some Services. The city has not shifted the eligibility determination process for home care and child care to the Human Resources Administration, but the proposal is still under consideration. Currently, the Department for the Aging performs this function for home care and home energy assistance and the Administration for Children's Services for child care. The city's streamlining plan assumed an annual savings of $8.2 million could be obtained by centralizing eligibility determination for these three programs. The idea behind the proposal is that HRA already reviews eligibility for many programs and can use its advanced database systems to do screenings for other agencies at a lower cost.

Even though the proposal to centralize some eligibility determination was not implemented, most of the $8.2 million in city funds that was cut from the three agencies' budgets was not restored. The Executive Budget for 2004 cut $3.9 million from HRA's budget, $3.3 million from ACS's, and $1 million from DFTA's beginning in 2004. Subsequently, $1 million was restored to DFTA's budget but only for 2004. IBO has no information on how these budget cuts were absorbed by ACS, DFTA, and HRA and if there were any service impacts.

Moving Substance Abuse Programs. The city did move from the Department of Health and Mental Hygiene to the Human Resources Administration vocational programs that help recovering substance abusers obtain and retain jobs. Under the city's streamlining plan, $2.0 million in city funds would be saved and replaced with the same amount in new state aid so there would be no loss in funds for the programs. The Executive Budget for 2004 removed $6.5 million in city funds in 2004 and $4.1 million in each subsequent year from DOHMH's budget. It also removed $3 million in federal funds each year. Most of these program funds were then shifted to HRA, except for a cut of $2 million in annual city funding.

Moving AIDS Grant Management. Although the city moved the responsibilities of the Citywide Coordinator for AIDS Policy from the Mayor's Office to the Department of Health and Mental Hygiene in 2004, the anticipated savings have not been realized. Under the streamlining plan, the city expected to obtain $1 million in savings by using federal funds to pay for administration. When transferring AIDS coordination, the city shifted $11.9 million in federal dollars to DOHMH and cut $1 million in city funds, which were later restored.

Moving Child Support Enforcement. At the start of fiscal year 2004 the city began transferring the Office of Child Support Enforcement (OCSE), which was housed under the Administration for Children's Services, to the Human Resources Administration. This was expected to complement the effort to centralize eligibility determination. According to the city's streamlining plan, no savings would be realized with the move of the office. Locating OCSE, which helps single parents collect child support payments, under HRA would allow the office to draw on the agency's technical infrastructure and link information about client's child support to eligibility for other support services.

Consistent with the streamlining plan, $3.5 million in state funds and $36.5 million in federal funds, the bulk of which were for OCSE, were shifted from ACS to HRA starting in 2004. Later, an additional $1.1 million in city funds, $1.3 million in state funds, and $2.6 million in federal funds for OCSE leases and legal staff were shifted from ACS to HRA.

Conclusion. While some of the components of the Mayor's plan to restructure social service delivery in the city have been abandoned and some of the expected savings had to be restored, the effort remains a work in progress. Some elements of the plan are just now being implemented and others may be refashioned. Through 2004, the city saved $16 million under the contours of the plan, and $26.2 million more was saved through other means. But this is well short of the original $75 million goal. Although the budget and organizational impacts of implementing the streamlining plan are becoming clearer, questions about the impact of the changes on the clients and providers of these programs will require more time to answer.

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