

## Nonprofit Sector Investments

### Overview of Adopted Budget

The Fiscal Year (FY) 2018 Adopted Budget includes new funding totaling \$134 million in FY18 (\$89 million City funds), reaching over \$330 million (\$241 million in City funds) by FY22 for the nonprofit sector. This investment provides resources to help ensure the nonprofit human service sector can deliver high-quality services to vulnerable New Yorkers.

The package of investments included in the Adopted Budget will achieve four key objectives:

1. Undertake a model budget (i.e. rate adjustment) process for program areas whose budgets have not been systematically assessed against programmatic outcomes and cost, in addition to standardizing rates across targeted programs.
2. Provide additional funding for indirect rates to ensure that city agency policies are fully funded at a minimum of 10%.
3. Provide a 6.12% wage increase to about 90,000 contracted employees of the human service sector.
4. Continue work with the nonprofit human services sector to create a high-quality health benefits package available through MetroPlus.

This investment is in addition to about \$300 million that this Administration has invested in the human services sector prior to FY18, including rate adjustments for homeless shelters, EarlyLearn, Beacons, and DFTA case management, as well as a \$15 wage floor and wage adjustments for 90,000 employees of human service contracts.

### Model Budgets & Rate Standardization

The Adopt 18 Budget identifies four new program areas that will receive additional funding for the next phase of rate adjustments:

- **Adult Protective Services** – Increase case manager salaries for contracted Adult Protective Services staff to equalize salaries across HRA and DFTA case management contracts. (\$1.6M in FY18 growing to \$3M by FY20)
- **Preventive** – Undergo a model budget process for ACS Preventive Services to develop appropriate budget parameters. (\$10M FY18+)
- **Runaway Homeless Youth Shelters** – Standardize rates across shelters. (\$2.5M FY18+)
- **Senior Centers** – Undergo a model budget process for DFTA Senior Centers to develop budget parameters. (\$10M FY18+)

The Adopt budget also includes additional funding for the homeless shelter rate adjustments, bringing the total investment for homeless shelter rates to \$146 million (\$80 million City), by FY20.

In the coming weeks, the Administration will engage city agencies and providers to initiate the rate review and rate standardization process (the “model budget” process) for the identified program areas. The model budget review processed can be summarized as follows:

1. **Review current budgets:** Understand the existing budgets by doing a detailed analysis into current line-item budgets and spending.
2. **Review existing rate standards and/or model budgets:** Agencies and stakeholders will consider whether existing parameters reflect agency priorities, align with best practices, foster positive outcomes, and translate well into provider performance accountability.
3. **Create draft rate reform parameters:** The creation of rate reform parameters requires going through each budget line and opening a discussion about the function of that line (the outcomes and services it produced), whether there are applicable governing regulations that need to be taken into account, and justified reasons for variation.
4. **Review of Rate Reform Parameters:** Once draft rate parameters are created, they should be compared to existing budgets and opened up to further review from program and provider staff.

The City intends to make future investments in additional program areas, while being mindful of the uncertainty created by proposed federal budget actions. Among other areas, the City will target after school programming and programs for street homeless individuals.

### **Indirect Rates**

While many agencies have a policy of a 10% indirect rate for nonprofit providers, the actual average reimbursement is about 8%. This additional funding would fully support a 10% indirect rate for providers, at a minimum, without sacrificing direct programmatic expenses. This includes applying the indirect rate to the wage adjustment funding (the \$15 wage floor and almost 9% wage increase added during the de Blasio administration). At full implementation in FY22, investment totals \$110 million, of which \$88 million is city funds.

OMB will work with city agencies to develop a process for implementing the indirect rate increases. Further information will be released at a later date.

### **Wage Adjustments**

The Adopted budget includes funding totaling \$93 million by FY20 provide a 6.12% wage adjustment to contracted employees of the human service sector. This wage adjustment is in addition to 2.5% wage increase announced in 2015, and the \$15 minimum wage announced in 2016.

### **MetroPlus**

The City will continue to work with the sector to develop a health insurance plan through MetroPlus that can provide quality health care coverage for employees and achieve significant financial savings. MetroPlus will offer a comprehensive plan of medical, behavioral health and pharmacy services at prices lower than many of the current plans offered to the sector. The MetroPlus program will provide access to concierge customer service dedicated for the non-profit sector. An additional proposal is being developed to offer to employees who live outside the NYC area serviced by MetroPlus.