



**New York State Assembly
Public Hearing on the
Impact of the 2009-10 State Budget on the Programs and Services of the Office of
Temporary and Disability Assistance (OTDA)
December 15, 2009**

Testimony of Ted Houghton, Executive Director
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Good morning. My name is Ted Houghton, and I am the Executive Director of the Supportive Housing Network of New York. The Network represents over 180 nonprofit providers and developers who operate nearly 40,000 supportive housing units throughout New York State. The Network is the largest supportive housing membership organization in the country, with the largest, best-managed and most innovative supportive housing stock in the nation.

Supportive housing – affordable apartments linked to on-site services – is the proven, cost-effective and humane way to provide stable homes to individuals and families who have often had great difficulty remaining housed. The people we house and serve – people with mental illness, AIDS, substance abuse, physical disabilities and other barriers to independence – are typically frequent users of expensive emergency services like shelters, hospitals, prisons and psychiatric centers. Because placement into supportive housing has been proven to reduce use of these services, supportive housing usually saves the State more money than it costs to build, operate and provide services in the housing. This has been proven, time and time again, by dozens of peer-reviewed academic studies.

While members of the Network are concerned about cuts made or threatened to many programs that fund supportive housing and homelessness prevention, I am going to concentrate most of my comments on one particularly important funding stream, the Office of Temporary and Disability Services (OTDA) SRO Support Services funding.

Frankly, providers, advocates and many of our government partners were surprised, mystified and appalled that SRO Support Services was singled out for cuts in the recent Deficit Reduction Plan, while many other programs and constituencies were spared. The State has always increased investment in SRO Support Services to fund new units that open each year, in order to end people's homelessness and reduce spending on emergency services. We are extremely concerned about the immediate effects of this cut, and the ramifications for the program next year. To cut supportive housing is to concede defeat, and cease our efforts in the fight to end homelessness.

OTDA SRO Support Services

OTDA's Single Room Occupancy (SRO) Support Services Program provides funding to 13,939 units of supportive housing across New York State. The funds from this program, approximately \$2,400 per year per unit, help nonprofits pay for on-site case management, front-desk security and other essential services that keep formerly homeless, disabled individuals stably housed in permanent apartments. In New York City, OTDA's funds leverage a 50% match from city government for 10,211 units; OTDA pays for the entire cost of the program in 3,728 units across the state.

Impact of DRP on SRO Support Services Budget

In the recent Deficit Reduction Plan negotiations, the New York State Legislature agreed to a 12.5% cut to all SRO Support Services funds unspent as of November 1, 2009. Materials from the Division of Budget presented this as a \$1.3 million cut. All advocates, legislators, legislative staff and agency staff took DOB at its word and understood it to be a cut of that size.

But because OTDA contracts begin to be drawn down only after the beginning of the City fiscal year and the calendar year, none of the funds had been distributed by the State (though a significant portion had already been paid by the City to contracted providers). The 12.5% cut was applied to the full base of \$19.6 million, resulting in a cut of \$2.5 million.

This cut will have dire consequences for the tenants in supportive housing.

- If OTDA concentrates this cut entirely in NYC, it will trigger an equal reduction in City contributions, turning it into a 25%, \$5 million cut to the level needed to fully fund these units.
- If the cut is spread across the state, programs in NYC will receive a \$1.4 million state cut (matched by a similar city cut for a total of \$2.8 million). An additional \$1.1 million will be cut from programs across the state outside of New York City.

Impact of the Cut

Existing SRO units across the state will face funding shortfalls in the 13,050 units that are already open. In a number of buildings where primary service funding comes from SRO, providers will no longer be able to offer formerly homeless tenants the support they need to remain housed.

- They will be forced to lay off front desk staff and reduce security coverage.
- Providers may instead reduce case management staff, going from caseload ratios of 1:30 to 1:48. This will reduce staff's ability to see tenants regularly and make services less effective.
- A number of providers will convert supportive units to market-rate and/or units for non-special needs tenants. Hundreds of individuals will become homeless in the first 90 days alone.

According to known research, additional costs to the State and localities that must provide shelter, detox, hospital and psychiatric care will equal about \$16,000 per person displaced per year. A previous estimate that used existing data on service costs and tenants' needs found that the accumulated additional costs would equal approximately 3.5 times the amount of the cut, or

approximately \$9 million. Much of this would manifest itself in additional Medicaid expenditures, but much would accrue to localities.

In addition, **889 new units** of supportive housing are now at risk of opening with inadequate service and operating funds, or of not opening at all. These include 587 new units in New York City, nearly one-third of them built under the NY/NY III Agreement. Without this anticipated service funding, residences that could not provide supportive services would rent instead to tenants without special needs.

Case managers, front desk staff and other service staff at both existing and new buildings that lose SRO funding would lose their jobs. Because most supportive housing providers hire formerly homeless and disabled individuals for a substantial percentage of these jobs, many of these employees will also become homeless themselves. Every 100 units of supportive housing produce approximately 15 full-time jobs.

Loss of Public Capital investment

A successful supportive housing program requires three funding elements: (1) capital for bricks and mortar, (2) operating support to properly maintain the building and make up for tenants' very low incomes, and (3) funding for supportive services to residents. By removing one of these elements, after funding the others, the State wastes its investment and breaks its promise to the community.

If this mid-year cut is not mitigated, in addition to cutting services to thousands of tenants in existing supportive housing residences, 20 supportive housing residences with nearly 900 units will not receive the service funding they need to house and serve formerly homeless individuals with disabilities. The State and other public sources have already invested over \$200 million to build or substantially renovate ten of these residences. It is penny-wise and pound foolish to leave them standing empty or turn them over to mainstream or market-rate tenants for want of the \$2.5 million that is needed to serve the population for whom they are intended.

Impact on Tax Credit Investors

Furthermore, the cut will send a clear signal to private investors in federal Low Income Housing Tax Credit investors that they can no longer trust the State and City promise to provide adequate operating and service subsidies. In the current tax credit environment, it is no exaggeration to say that this will severely curtail future tax credit investment in supportive housing. Nationwide, tax credit investors already have three projects looking for buyers for every one that gets funded. Complicated projects that serve extremely low-income tenants dependent on rent subsidies are already challenged to find investors; the State cutting funding will negatively affect providers' ability to build new supportive housing units.

Funding Supportive Housing in Next Year's Budget

As damaging as the cut made last week is, the ramifications for next year's budget are even more unsettling. Each year, SRO Support Services funding grows in order to fund new units opening each year. These units are years in the planning, with hundreds of millions of dollars invested to build them. This investment is justified because the individuals and families served in the

housing are in such need and cost the public so much. Without SRO Support Services funding, we cannot house these needy families and individuals, and this justification no longer holds.

Recommendations

We ask you to help us ensure the continuing viability of supportive housing by doing the following:

- Provide OTDA flexibility on how it achieves its deficit reduction target passed in the recent DRP. While the legislation and the Division of Budget grant OMH, OASAS and OMRDD maximum flexibility in imposing cuts, as long as they each achieve the overall dollar figure reduction goal in the law, OTDA is constrained to make cuts to very specific budget lines. With flexibility, OTDA could achieve equivalent savings without harming programs, in the same way OMH has been able to.
- Ask Governor Paterson to protect SRO Support Services in the Executive Budget proposal. To fund existing supportive housing units, as well as more than 1,000 new units opening statewide in 2010-11, SRO Support Services will need to be funded at \$22 million in SFY2010-11.
- Ask Governor Paterson to ensure that NY/NY III service funding at OCFS, DOH AIDS Institute, OASAS, OMH and OTDA is maintained, so that the State keeps its promise to the City, as outlined by the NY/NY III Agreement.
- Hold a joint hearing with other relevant committees on the State's progress in developing its share of the 9,000 units promised by the NY/NY Agreement. The halfway point of the ten-year agreement will be June 2011. By that time, the State and City will have built just 16% of the total units, and just 35% of what their development target should have been at the halfway mark. We hope you can help us get this important program back on track, so that we can reduce spending on expensive and less effective emergency interventions as soon as we can.

Conclusion

The State has always seen investment in supportive housing as the permanent solution for homelessness and other housing instability. Supportive housing has allowed the State to reduce psychiatric inpatient and shelter beds, and decrease spending on expensive emergency Medicaid spending. Supportive housing will be essential to the success of Rockefeller Drug Law reform, and to responding to the recent federal decision that found adult homes to violate the law. Expanding access to supportive housing is the only way the State can reduce public spending without decreasing the quality of life for disabled people and the neighborhoods in which we live. I hope you will work with us to protect the state's investment in supportive housing this year and in the future.