

RESCUE EXISTING & INVEST IN NEW SUPPORTIVE HOUSING



INCREASE NYS SUPPORTIVE HOUSING PROGRAM (NYSSHP) RATES - \$148M

NYSSHP – a program begun in the 1980s – provides just \$2,580 per year for individuals; for families, \$3,480. By contrast ESSHI is crafted to provide approx. \$12,500 for services. Nearly 20,000 formerly homeless households are served under NYSSHP, half of whom are solely dependent on it for services funding. NYSSHP should be increased to the same level as ESSHI.

CREATE A FLEXIBLE PRESERVATION FUND – \$50 MILLION

Last year's budget provided funding to preserve and modernize 3,000 units of supportive housing over five years. However, these monies cannot be used because the buildings that need preserving also struggle with decades-old services and operating contracts, which make them too risky for investment. The state needs to create a flexible fund to bring the service and operating budgets of residences scheduled for preservation up to modern levels.

INCREASE ESSHI FUNDING TO \$35K- \$14 MILLION

Sharp increases in the costs of land, labor and materials, combined with higher interest rates, have eaten away at the seven-year-old \$25,000/unit Empire State Supportive Housing Initiative (ESSHI) rate. The state needs to increase the per unit ESSHI rate to \$35,000.

PROVIDE STATE-FUNDED HUMAN SERVICES WORKERS WITH AN 8.5% COLA

Essential human service workers are still vastly underpaid, resulting in huge staffing shortages. The state needs to provide them with an 8.5% COLA to begin to address the gap and keep up with inflation. Meanwhile, the state needs to ensure that workers under OTDA NYSSHP contracts are included by changing the COLA statute language.

INCREASE 30-YEAR-OLD NYS SUPPORTIVE HOUSING PROGRAM (NYSSHP) RATE – \$148 MILLION



NYSSHP, which began in the 1980s, was one of the first programs that paid for services in supportive housing. Funding levels have not significantly increased since that time.

- Since the pandemic, mental health, substance use, and physical health conditions have become more serious and complex.
- Stagnant contract rates lead to salaries that can't compete with fast food and retail, which leads to difficulty attracting and retaining qualified staff.
- Client caseloads increase due to understaffing at a time when tenants need more services, not less.
- For half of the nearly 20,000 units with NYSSHP funding, **NYSSHP remains the sole source of service funding.**
- For formerly homeless and disabled single adults, NYSSHP provides just \$2,580 per year; for families, \$3,480.
- By contrast, the Empire State Supportive Housing Initiative (ESSHI) provides approximately **FIVE TIMES the NYSSHP rate** for services.
- To ensure the ongoing availability of supportive units with services at a critical time, \$148 million is needed to align NYSSHP with ESSHI rates.

INCREASE EMPIRE STATE SUPPORTIVE HOUSING INITIATIVE (ESSHI) FUNDING – \$14 MILLION



ESSHI is New York State's commitment to create 20,000 units of supportive housing across the State in fifteen years. The program is in its seventh year. Sharp increases in the costs of land, labor and materials, combined with higher interest rates, have brought to light the inadequacy of the \$25,000/unit ESSHI rate. The low ESSHI rate has delayed the desperately needed development pipeline, reduced service dollars, and led to an inefficient use of capital funding.

- To close this gap, we recommend the State raise ESSHI rates up to \$35,000/unit.
 - Current NYC 15/15 rates are just over \$35,000 per year for a single adult household: \$17,500 for services + \$18,276 for FY23 rental assistance.
 - All ESSHI contracts now start at \$25,000 per unit and increase 2% in each year of the contract. However, the starting rate has not increased since ESSHI's inception in 2016.
 - After increasing the rate to \$35,000, we recommend a 2% annual increase to the base rate as well to allow the program to keep pace with costs over time.
- The ESSHI rate gap also means more public subsidy is needed, as it limits the amount of private debt a project can sustain.
 - In one example of a very large ESSHI project in NYC, the low rate required the City and State to contribute \$6 million more in public subsidy. Had the deal been underwritten to NYC 15/15 rates it would have been able to leverage a much larger private mortgage.
- The \$25,000 rate is starving services. Underwriting standards used by HCR, which are tied to steadily rising Area Median Income rates, continue to allocate a significant share of ESSHI to operating costs.
 - On Long Island, the share of ESSHI needed to cover operating costs for a supportive housing studio exceeds \$15,000 per year, leaving less than \$10,000 for services.
 - Compare this to \$17,500 for services for single adults in NYC 15/15.
- ESSHI is increasingly unusable in high cost areas just as the affordable and supportive housing crisis is worsening and demand has reached new levels.

CREATE A FLEXIBLE SERVICES & OPERATING FUND TO UNLOCK PRESERVATION CAPITAL – \$50 MILLION



Governor Hochul's enacted SFY 2022-23 budget took the critical first step of funding the capital needed to preserve and modernize 3,000 units of supportive housing over five years. *However, these resources remain inaccessible because the buildings that need preserving also struggle with decades-old services and operating contracts.*

- The supportive housing portfolio in need of preservation is geographically diverse and ranges widely in size, scope, and existing sources of funding. A flexible services and operating fund – starting at \$50 million – would enable multiple financial models that would unlock the preservation capital in last year's budget for 3,000 existing units.
- We recommend ensuring that all preservation projects have baseline service and operating funding at \$35,000/unit, which is also our recommendation for an updated ESSHI rate.

Examples of Preservation Need

There is also a patchwork of programs with inconsistent funding levels across the state, but NYSSHP and OMH are the two largest categories of older supportive housing in need of preservation.

NYSSHP

- Residences funded by New York State Supportive Housing Program (NYSSHP) have social services funded at approximately one fifth of current contracts funded under the Empire State Supportive Housing Initiative (ESSHI).
- Even if NYSSHP increases, these buildings have no consistent source of operations funding to cover debt service on a mortgage or ongoing costs such as utilities, property insurance and maintenance staff.

OMH

- Residences funded by the Office of Mental Health (OMH) recently received increases to social service contracts.
 - There is also language in the last state budget to provide a mechanism for OMH to cover property costs as a “pass-through.”
 - However, there is no mechanism for operations funding to pay debt service on a mortgage.
- Without funding to stabilize the ongoing operations of residences in need of preservation, private investment through Low Income Housing Tax Credits and/or mortgage financing is impossible.
 - This chronic underfunding has resulted in skeletal services and unsustainably low staff salaries, causing up to 50% turnover. Organizations, staff, and especially tenants suffer as providers struggle to do more with less.



INCLUDE THE COLA TIED TO THE CONSUMER PRICE INDEX-U (CPI) AT 8.5% (JULY 2022) AND \$500M INVESTMENT FOR RATE INCREASES DUE TO DECADES OF UNDERFUNDING IN THE SFY 2023-24 FINAL ENACTED BUDGET FOR THE BEHAVIORAL HEALTH SECTOR



THE PROBLEM:

We thank the administration and legislature for their support of the mental health and substance use disorder community-based sector in the enacted SFY 2022-23 state budget. The recognition of the workforce crisis suffered by community behavioral health agencies across the state is appreciated. However, even with these investments the mental health and substance use disorder sector continues to face dire challenges in hiring and retaining a qualified workforce.

CHALLENGES:

WORKFORCE RETENTION:

- According to a survey conducted by this group in October 2022, even with the influx of state funding over the past year behavioral health agencies continue to have a revolving door of staff. The new hire number is almost identical to the number of people that left.

ACCESS:

Behavioral health providers are reducing intakes, implementing waitlists, and closing programs due to the workforce shortage.

- According to the Commonwealth Fund, [more than one-third of adults report](#) having a mental health condition or substance use disorder, but [less than half of adults receive treatment](#) for their condition because of provider shortages, high out-of-pocket costs, and [gaps in coverage and reimbursement](#) for behavioral health services.

INCREASED DEMAND:

Demand for mental health and substance use disorder services is at an all-time high, especially post-pandemic, and New Yorkers continue to suffer under the mental stress and economic hardship brought on by the COVID-19 pandemic.

- The percentage of U.S. adults who reported receiving any treatment for their mental health over the past 12 months rose from 19.2% in 2019 to 20.3% in 2020 and then to 21.6% in 2021, according to a report released Wednesday by the Centers for Disease Control and Prevention's National Center for Health Statistics. September 7, 2022

SUSTAINABILITY AND INFLATION:

Community based behavioral health organizations are suffocating under the weight of increased costs for energy, transportation, maintenance, food, required technology changes, and more.

According to the Consumer Price Index Summary, 10/13/22:

- Increases in the shelter, food, and medical care indexes were the largest of many contributors to the monthly seasonally adjusted all items increase.

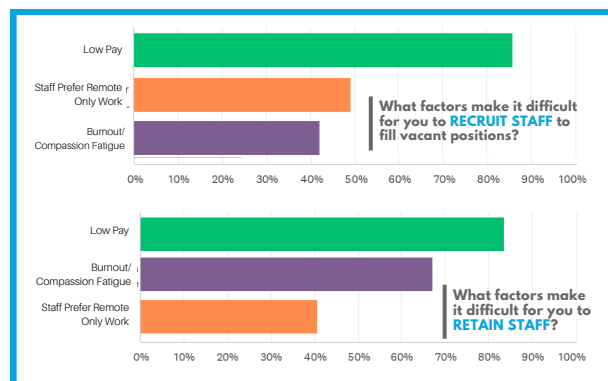
RECOMMENDATION:

COLA

It is imperative that the SFY 2023-24 final enacted state budget include an 8.5% COLA to meet the statutory obligation of the State. Although Governor Hochul included a 2.5% COLA, we ask for your support on an 8.5% in the final enacted budget.

INVEST \$500 MILLION RATE INCREASES FOR MENTAL HEALTH AND SUBSTANCE USE DISORDERS

Include \$500 million rate increase for unrestricted flexible funding to make up for decades of underfunding for the mental health and substance use disorder workforce, services and supports. This funding would be available to Medicaid and contract providers in the adult and children behavioral health sector.



- Children and families are experiencing waitlists, and they are significantly more likely to go to the emergency department and to be hospitalized for mental health reasons since the start of the pandemic.
- Unfortunately, **only about 20% of children with mental, emotional, or behavioral disorders receive care from a specialized mental health care provider.**
- Epidemiological data now show [alarming rates of behavioral health needs among school-age youth.](#)
- There was a **47% increase in opioid overdose deaths** from 2019 to 2021 for all of NYS (excluding NYC).
- NYC experienced an 82% increase in overdose deaths from 2019 to 2021. In just one quarter of 2021, NYC experienced more overdose deaths than in all of 2011. In NYC, there were [1,956 overdose deaths through Q3 2021, 1,517 for the same period in 2020, and 1,072 for the same period in 2019.](#) These are all overdose deaths, although the vast majority are opioid (88% for Q3 2021).
- The index for all items less food and energy (which includes shelter, medical care, motor vehicle insurance, new vehicles, household furnishings and operations, and education) rose 0.6% in September, as it did in August.
- According to NYS DFS, health insurance rates will grow by an average of 7.6% in 2022 for small group market, which cover employers with up to 100 employees (dfs.ny.gov).