



MEMORANDUM

TO:	Human Services Commission
THROUGH:	Aging and Adult Services Commission Trent Rhorer, Executive Director Anne Hinton, Executive Director
FROM:	Phil Arnold, Deputy Director of Administration
DATE:	January 20, 2012
SUBJECT:	FY 12-13 and FY 13-14 Budget Reduction Plan

As in past years, we begin the budget development process with a memo describing a proposed budget reduction plan for the agency for the coming year. We welcome your questions and feedback about this plan. At the next meetings of the Human Services Commission and the Aging and Adult Services Commission, we will present you with a finalized reduction plan proposal and the proposed budget for the entire agency as well.

In December, Mayor Lee presented the latest deficit projections for next year’s City budget and informed departments of individual budget reduction targets. As the City is now operating on a two-year budget cycle, this memo outlines the Human Service Agency’s proposed plan to meet budget reduction targets for both FY 12-13 and FY 13-14.

The instructions from the Mayor are as follows:

- For FY 12-13, the Human Service Agency (HSA) must prepare a reduction plan of \$4,998,519 in ongoing cuts to General Fund (GF) support.
- HSA must present an additional \$4,998,519 of ongoing GF cuts to take effect in FY 13-14.
- HSA must also propose to the Mayor’s Office a contingency reduction plan equal to \$2.5M in GF support and a reduction in positions equal to 1% of the agency’s GF-supported full-time positions. For HSA, this works out to 7 positions.

These budget reduction targets, while lower than in past years, still pose a considerable challenge to the Department of Human Services (DHS) and the Department of Aging and Adult Services (DAAS). The enormity of the budget situation over a number of years means these proposed reductions are coming on top of multiple years of budget cuts. As a result, HSA has limited choices moving forward. In developing the budget reduction plan, HSA leadership has tried to choose those reductions that will have the least impact on services to clients and particularly those reductions that will the least impact on our most vulnerable families and individuals. HSA leadership has used as guidance the budgeting principles developed both by the Human Services Commission and the Aging and Adult Services Commission, as well as a set of principles established by the Mayor’s community-based organization workgroup. In crafting this reduction plan, HSA has also conducted outreach to community-based organizations to ensure that input from the community has been received and incorporated into this reduction plan. This plan was built based on feedback heard at regular meetings the Agency holds with stakeholders, as well

as more than 6 separate community meetings focused on the budget. Meetings were held in December and January with community-based organizations that provide services for the Housing and Homeless division, the Family and Children's Services (FCS) and Child Care divisions, and the programs in the Economic Support and Self-Sufficiency area. DAAS held a meeting for all of its contracting agencies in December.

HSA's proposed Reduction Plan relies on three components: increased revenues from state and federal sources, structural changes to agency staffing or operations based on efficiencies, and contract savings. The proposed Reduction Plan provides for a \$6M reduction in FY 12-13 which is \$1M more than the target request. With that additional \$1M pre-funded in FY12-13, HSA meets the total target over two years even though the proposed reduction measures assigned to FY13-14 are \$1M less than requested.

In case these revenues are not realized as proposed or in case other circumstances arise so as to negatively affect the City's budget, HSA has prepared a list of alternate reductions. Many of these are service reductions that have been presented before these Commissions in the past. A summary list of the services that would be affected is attached.

Reduction Plan: Revenues

In line with the guidelines mentioned above and in keeping with community feedback, HSA's budget proposal is built with a major contribution from several new revenue options:

1. Community First Choice Option (CFCO) (\$5,000,000 in FY 12-13)

This new program, much like the increases to the Federal Medicaid Assistance Percentage (FMAP) during federal stimulus, is a federal program that allows states to receive an increase in federal matching funds for medical services, in this case, home-based and community-based services to persons with disabilities. Under this option, states must make services available under a person-centered plan of care. The California Department of Social Services (CDSS) and the California Department of Health Care Services (DHCS) submitted a final State Plan Amendment (SPA) to the federal Centers for Medicare and Medicaid Services (CMS) on December 1, 2011. The CFCO will increase federal revenues to the City by \$5M in FY11-12 and \$8.6M in FY12-13. HSA did not budget the \$5M in federal revenues in the current year and if the plan is approved, those savings will go directly to the City's General Fund. Additionally, because of the timing, the Mayor's budget deficit plan did not assume these revenues. HSA leadership proposes the inclusion of \$5,000,000 in CFCO revenue to help HSA meet its budget reduction target for FY 12-13. Although CMS has approved the state plan in concept, there is always the risk that CMS may not approve the state's plan.

2. Title XIX Federal Health-related Revenue (\$500,000 in FY 13-14)

HSA is currently exploring several ways in which HSA contractors in the FCS and Housing and Homeless programs might be able to claim expenses to Title XIX Medi-Cal and draw federal revenue for medical case management, outreach and Medi-Cal application assistance that they are already providing to HSA clients. For example, in FCS, HSA believes that we can leverage this funding stream with work being performed by Family Resource Centers, which are co-funded by HSA, the First Five Commission, and the Department of Children Youth and their Families (DCYF) and administered by the First Five Commission. Initial estimates indicate the potential for \$500,000 in new revenue for FY 13-14.

3. Expand County Adult Assistance Programs (CAAP) to Provide Medi-Cal Eligibility After Implementation of Affordable Care Act (\$1,025,000 in FY 13-14)

With the advent of federal health care reform, San Francisco will see a large increase in the number of single adults eligible for Medi-Cal. Many of these clients are currently receiving CAAP or CalFresh. Starting January 1, 2014, HSA anticipates more than \$1M in savings resulting from the expansion of the CAAP program to include Medi-Cal eligibility processes for our clients and the ability of our staff to timestudy to and draw down Medi-Cal revenue.

Reduction Plan: Staffing and Agency Efficiencies

HSA's budget reduction plan also includes the following reductions to agency operations.

1. Position Downgrades (\$500,000 Savings in FY 12-13 and \$250,000 Savings in FY 13-14)

Over the past several years, HSA has been able to achieve about \$400,000 in annual savings through a systematic downgrade of vacant positions in certain areas.

2. Vacate 1235 Mission Street (\$1,225,000 Savings in FY 13-14)

In FY 13-14, HSA plans to end occupancy of the building located at 1235 Mission St. Initial analyses indicate that CAAP, CalFresh, and Records Management staff can be relocated to other HSA buildings.

Reduction Plan: Contract Savings (\$500,000 in FY 12-13 and \$1,000,000 in FY 13-14)

HSA analysis has determined that annual contract underspending might be better captured up front in the budget process. By better forecasting contract spending and possibly building in a budget amount for expected attrition among contractor personnel, HSA can offer these savings to the City now and spare reductions to other needed services.

Contingency Plan (\$2,500,000 in FY 11-12)

HSA will submit a proposed contingency plan of \$2,500,000 in surplus salary and fringe benefits from the current year. Much of this salary and fringe surplus is a result of the slow hiring practices that exist at a citywide level.

State Budget

The reduction plan described above does not account for policy changes in the recently released Governor's state budget proposal. At this time, it is clear that major changes have been proposed for the CalWORKs and IHSS programs. It is unclear if these or any other state budget proposals may increase the size of the City's budget deficit. HSA leadership has and will continue to carefully analyze these proposals and make conservative budget projections to protect the agency's ability to serve its clients.

Recommendation

HSA leadership asks the Commissions to approve the reduction plan described above.

Human Services Agency Budget Reduction Plan

Reduction Targets:	FY11-12	FY12-13	FY13-14
5% Reduction	\$0	\$4,998,519	\$4,998,519
2.5% Contingency	\$2,499,260	\$0	\$0
1% Reduction in General Fund Positions	0	7.1 FTE	7.1 FTE

Proposed Reduction Plan	FY11-12	FY12-13	FY13-14
Community First Choice Options Revenue	\$5,017,664	\$5,000,000	\$0
Position Flex Down	\$0	\$500,000	\$250,000
Title XIX Federal Health Related Revenue	\$0	\$0	\$500,000
Expand CAAP to Provide Medi-Cal Eligibility After Implementation of Affordable Care Act	\$0	\$0	\$1,025,000
1235 Mission Lease	\$0	\$0	\$1,225,000
Contract Savings	\$0	\$500,000	\$1,000,000
Total	\$5,017,664	\$6,000,000	\$4,000,000

2.5% Contingency:	FY11-12	FY12-13	FY13-14
Salary / Fringe	\$2,500,000	\$0	\$0

1% Reduction in General Fund Positions	0	7.1	7.1
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**Human Services Agency
FY12-13 Alternate Reductions**

Alternate Reductions	FY12-13
DHS	
Salary and Fringe from 1% FTE	\$700,000
Jobs Now subsidized employment	\$1,494,206
Working Family Credit (WFC)	\$300,000
Supportive Housing	\$900,000
Transitional Housing	\$68,586
Homeless Resource Centers	\$1,231,049
Single Adult Shelters	\$655,397
Subtotal - DHS	\$5,349,238

DAAS	FY12-13
Office on Aging	\$500,000
IHSS Program	\$2,999,551
Subtotal - DAAS	\$3,499,551

Grand Total	\$8,848,789
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