



TO:	HUMAN SERVICES COMMISSION
THROUGH:	TRENT RHORER, EXECUTIVE DIRECTOR
FROM:	PHIL ARNOLD, DEPUTY DIRECTOR, ADMINISTRATION
DATE:	FEBRUARY 12, 2009
SUBJECT:	FY 09-10 BUDGET PROPOSAL

INTRODUCTION

On January 14th and January 29th the Department of Human Services (DHS) presented the Human Services Commission with a proposed budget reduction plan for Fiscal Year 2009-2010. As currently detailed, the plan will reduce DHS expenditures by \$14.8M in General Fund dollars over the next 18 months. These reductions would be achieved through a combination of current year savings, one-time savings, on-going savings, and new revenue to offset General Fund reductions.

If the Commission accepts the proposed budget reduction plan for Fiscal Year 2009-2010, the DHS budget for FY 09-10 will total \$491.2M, which is a decrease of \$27.1M from the current budget. The Department’s FY 09-10 budget and related program detail are described below.

FY 09-10 BUDGET AND PROGRAM DETAIL

The proposed FY 09-10’s budget includes the following changes:

- Decreases in salary and fringe amounts due to the elimination of positions, offset by increases in salary and fringe from the annualization of FY 08-09 cost of living increases (a net decrease of \$9.6M);
- Decreases in aid payments and aid support for Foster Care and CalWORKs (\$8.1M);
- Decreases in contracts with community-based organizations (\$7.6M); and
- Decreases in professional services, interdepartmental work order services, and capital maintenance (\$1.8M)

In developing the budget for FY 09-10 DHS staff allowed for the following developments:

- *The Annual Appropriation to the Human Services Care Fund.* Beginning in April 2004, the Human Services Care Fund was established to provide permanent housing and supportive services to formerly homeless CAAP clients. The annual appropriation to the Fund is determined by a formula, which is a function of the reduction in the number of homeless CAAP recipients as compared to a base year. In FY 09-10, the Care Fund is projected to be \$13,738,420, which will support 1,321 units of housing. To date, the department has placed 2,490 formerly homeless clients in housing. Given current projections of the homeless CAAP caseload, it is likely that the Department will be able to place additional Care Not Cash

clients into housing as attrition occurs in existing buildings. However, there continues to be unmet demand for additional permanent housing units.

- *Streamlined Welfare-to-Work Services.* In a continuing effort to streamline client services and enhance client accessibility, DHS is shifting the employment services of the Personal Assisted Employment Services (PAES) program in CAAP to Workforce Development. This change will result in \$700,000 in savings due to staff reductions. Organizationally, the CalWORKs and Workforce Development divisions have also been consolidated to create additional administrative and program efficiencies. These programs and the Child Care program will be managed jointly under the Welfare-to-Work Services division.
- *Changes to CAAP Aid Payments.* With this change, CAAP Aid payments will commence based on the date of eligibility determination rather than the date of application. Generally, eligibility determination takes approximately one week. Under this new procedure, all newly approved clients who would currently receive 6 days of backdated aid would forego approximately \$76 in backdated aid. Should eligibility processing time take longer than seven days, clients would receive retroactive payment as of the eighth day. This new procedure would not reduce on-going monthly aid payments. This will affect approximately 1000 clients per month. This action saves \$1.1M in General Fund dollars.
- *Continued Focus on Improving Child Welfare Outcomes.* DHS continues to implement policies and procedures to promote safety, permanency and well-being for children in care. The Department is making progress coordinating case management and team decision making, and increasing the use of standardized assessment and decision-making tools, family finding and SSI advocacy.
- *Cuts to Housing and Homelessness Programming.* The program's proposed budget of \$82.8M represents a \$3.4M decrease from the current year. This decrease is due to reductions in shelter hours, services in supportive housing, and neighborhood resource centers. The cuts will not result in the loss of any existing units of housing or shelter beds.
- *Declining Caseloads in Family and Children's Services.* The program's proposed budget of \$124.8M represents a \$12.2M decrease from the current year. Major decreases are the result of staffing reductions consistent with recommended child welfare services caseload standards and the reduction of managerial and administrative positions (\$2.9M); cuts to contract services (\$2.1M); cuts to ancillary services (\$0.4M) and changes in Foster Care aid (\$4.9M). There will also be a \$1.8M reduction in the budget for the state-supported Transitional Housing Program (THP-Plus) housing fund, but this reduction will not result in any loss of service, as DHS neither received nor spent a \$1.8M increase over its FY 07-08 budget. As of August 2008, the Department has also been able to leverage state and federal funds to provide San Francisco foster families participating in the Special Care Increment Initiative with an average monthly increase of approximately \$200 per foster child.

FY 09-10 INITIATIVES ABOVE BASE BUDGET

DHS is still working with the Mayor's Office on potential new initiatives or the expansion of existing initiatives. Any new funding will be provided by the Mayor's Office and is not currently funded in this proposed budget.

- *Housing Pipeline.* In addition to hotel units supported by the Human Services Care Fund, DHS provides operating and supportive service funding to other Master Lease hotels and City-funded supportive housing developments. The department has recently begun several new supportive housing projects, including projects targeting specialized populations.
- *Federal Stimulus Package.* Congress is currently negotiating a \$838 billion stimulus package that may include increased revenues for some DHS programs. DHS is working closely with the Mayor's office to determine how any increased revenues at the state and city level will have an impact on our clients or our services.

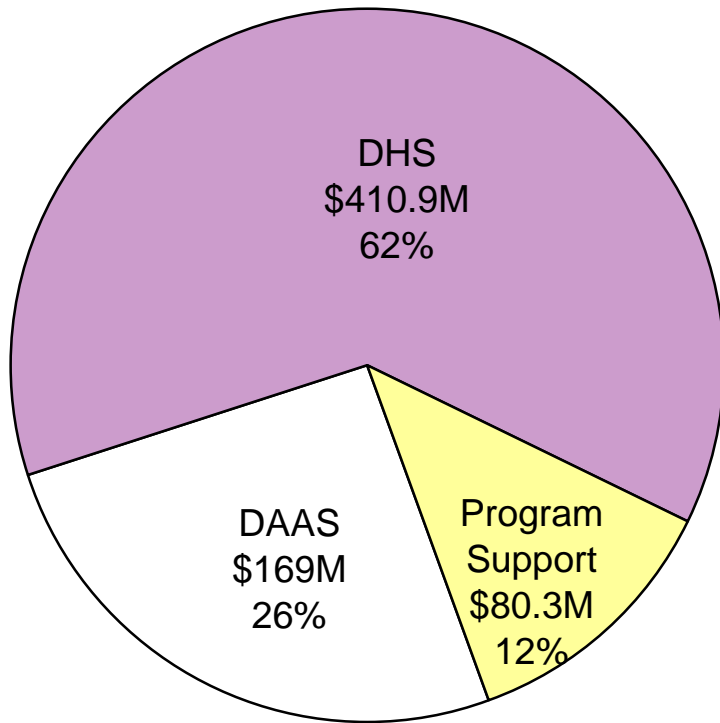
POSITIONS

For FY 09-10, DHS has proposed to eliminate 62.5 positions, in addition to the 66 positions that were eliminated mid-year in FY 08-09. In total, over two fiscal years, FY 08-09 and FY 09-10, DHS has eliminated 163.5 positions. The proposed budget also contains reassignments and reclassifications for positions working out of class or positions that will see a shift in function.

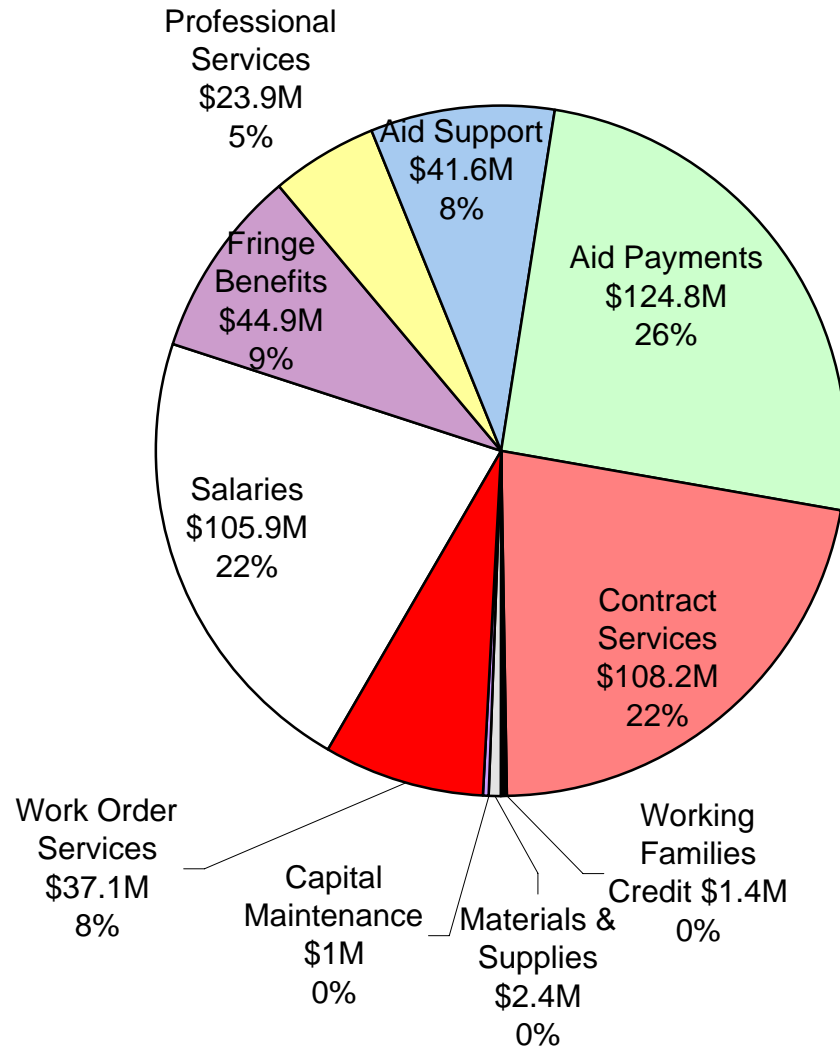
RECOMMENDATIONS

DHS recommends that the Human Services Commission approve the proposed Fiscal Year 2009-10 Budget.

**HSA FY 09-10 Proposed Budget
\$660.3M**



**DHS FY 09-10 Proposed Budget by
Character (Includes Program Support)
\$491.2M**

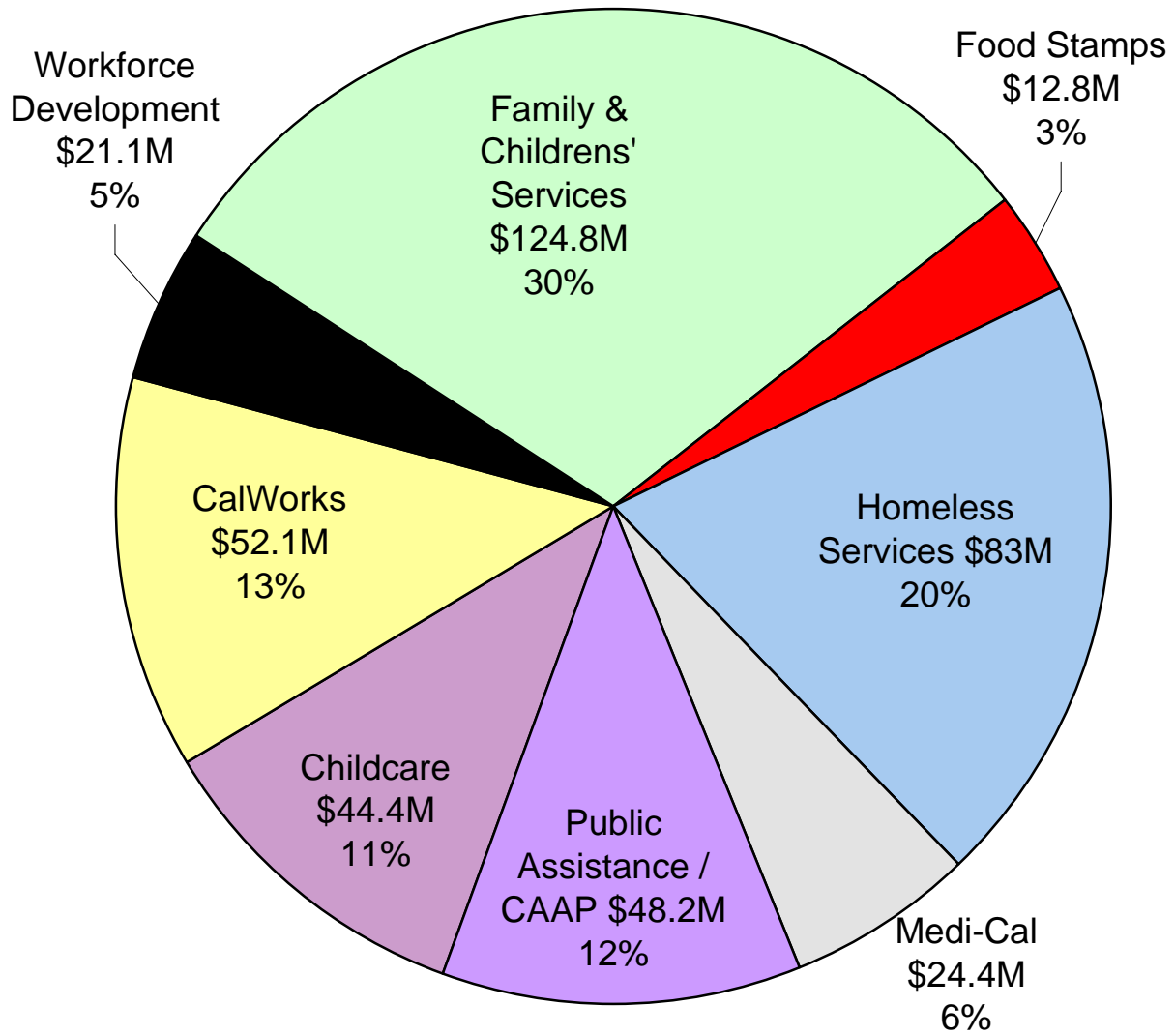


DHS Budget by Program	FY 08-09 Original	FY 09-10	
		Proposed	\$ Change
Childcare	\$46,104,624	\$44,428,031	(\$1,676,593)
CalWorks	\$54,602,810	\$52,133,100	(\$2,469,710)
Workforce Development	\$22,095,573	\$21,070,072	(\$1,025,502)
Family & Childrens' Services	\$137,005,258	\$124,818,219	(\$12,187,039)
Food Stamps	\$12,893,388	\$12,789,620	(\$103,769)
Homeless Services	\$86,676,642	\$82,988,848	(\$3,687,794)
Medi-Cal	\$23,981,731	\$24,426,139	\$444,408
Public Assistance / CAAP	\$50,138,205	\$48,242,905	(\$1,895,300)
DHS Total	\$433,498,231	\$410,896,933	(\$22,601,299)
Program Support	\$84,808,758	\$80,267,017	(\$4,541,742)
Total	\$518,306,990	\$491,163,949	(\$27,143,040)

DHS Budget by Character	FY 08-09 Original	FY 09-10	
		Proposed	\$ Change
Salaries	\$114,315,169	\$105,925,460	(\$8,389,710)
Fringe Benefits	\$46,057,240	\$44,850,351	(\$1,206,889)
Professional Services	\$24,882,131	\$23,910,002	(\$972,130)
Aid Support	\$43,455,426	\$41,591,661	(\$1,863,765)
Aid Payments	\$131,123,345	\$124,824,852	(\$6,298,493)
Contract Services	\$115,727,868	\$108,166,163	(\$7,561,705)
Working Families Credit	\$1,400,000	\$1,400,000	\$0
Materials & Supplies	\$2,370,970	\$2,370,970	\$0
Capital Maintenance	\$1,282,997	\$1,033,563	(\$249,434)
Work Order Services	\$37,691,844	\$37,090,929	(\$600,915)
Total	\$518,306,990	\$491,163,949	(\$27,143,040)

DHS Budget by Sources	FY 08-09 Original	FY 09-10	
		Proposed	\$ Change
Federal	\$210,168,989	\$203,368,466	(\$6,800,523)
State	\$89,788,213	\$85,986,441	(\$3,801,773)
Realignment	\$63,869,000	\$63,869,000	\$0
HSC Fund	\$13,596,803	\$13,738,420	\$141,617
Grant	\$26,264,044	\$25,772,412	(\$491,632)
General Fund	\$102,658,660	\$87,169,946	(\$15,488,714)
Work Order Recoveries	\$11,961,280	\$11,259,265	(\$702,015)
Total	\$518,306,990	\$491,163,949	(\$27,143,040)

**DHS FY 09-10 Proposed Budget by Program
(Does not include Program Support) \$410.9M**

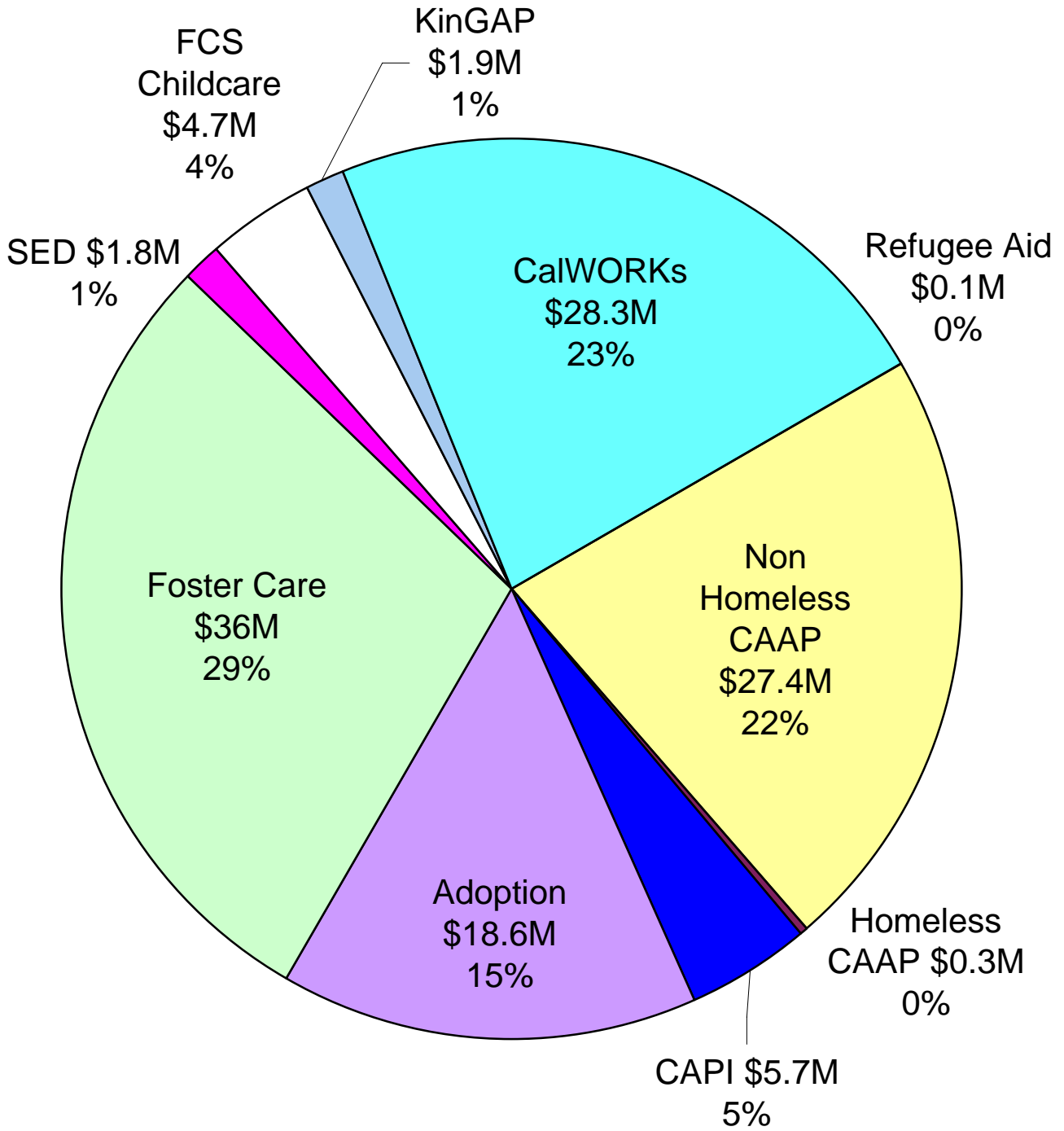


Budget by Program by Character			FY 08-09	FY 09-10	Difference
			Original	Proposed	
CalWorks	001	Salaries	14,252,214	13,102,941	(1,149,274)
	013	Fringe Benefits	5,212,763	4,962,464	(250,299)
	021	Professional Services	81,179	81,179	0
	036	Aid Support	775,000	775,000	0
	037	Aid Payments	29,524,923	28,382,910	(1,142,014)
	038	Contract Services	1,011,115	1,011,115	0
	040	Materials & Supplies	2,662	2,662	0
	081	Work Order Services	3,742,954	3,814,830	71,876
CalWorks Total			54,602,810	52,133,100	(2,469,710)
Childcare	021	Professional Services	0	0	0
	036	Aid Support	39,166,043	37,596,313	(1,569,730)
	038	Contract Services	4,315,448	4,208,585	(106,863)
	081	Work Order Services	2,623,133	2,623,133	0
Childcare Total			46,104,624	44,428,031	(1,676,593)
Family & Childrens' Services	001	Salaries	28,698,012	25,929,838	(2,768,175)
	013	Fringe Benefits	9,742,891	9,608,980	(133,911)
	021	Professional Services	2,102,880	2,001,997	(100,883)
	036	Aid Support	2,423,080	2,029,045	(394,035)
	037	Aid Payments	67,851,481	62,984,274	(4,867,207)
	038	Contract Services	20,972,548	17,079,876	(3,892,672)
	040	Materials & Supplies	62,046	62,046	0
	069	Capital Maintenance	0	0	0
081	Work Order Services	5,152,321	5,122,164	(30,157)	
Family & Childrens' Services Total			137,005,258	124,818,219	(12,187,039)
Food Stamps	001	Salaries	9,011,545	8,951,029	(60,517)
	013	Fringe Benefits	3,255,031	3,211,779	(43,252)
	021	Professional Services	27,000	27,000	0
	038	Contract Services	449,177	449,177	0
	040	Materials & Supplies	5,000	5,000	0
	081	Work Order Services	145,635	145,635	0
Food Stamps Total			12,893,388	12,789,620	(103,769)
Homeless Services	001	Salaries	1,704,377	1,406,182	(298,195)
	013	Fringe Benefits	585,322	569,969	(15,353)
	021	Professional Services	5,000	5,000	0
	036	Aid Support	25,000	25,000	0
	038	Contract Services	82,198,035	78,916,865	(3,281,170)
	040	Materials & Supplies	6,157	6,157	0
	069	Capital Maintenance	0	0	0
	081	Work Order Services	2,152,751	2,059,675	(93,076)
Homeless Services Total			86,676,642	82,988,848	(3,687,794)
Information Technology	001	Salaries	5,801,579	5,760,046	(41,533)
	013	Fringe Benefits	1,497,087	1,497,087	0
	021	Professional Services	4,712,586	4,652,586	(60,000)
	040	Materials & Supplies	1,213,682	1,213,682	0
	060	Capital Maintenance	249,434	0	(249,434)
	069	Capital Maintenance	0	0	0
	081	Work Order Services	1,876,513	3,143,080	1,266,567
Information Technology Total			15,350,881	16,266,481	915,600
Medi-Cal	001	Salaries	13,020,883	13,347,422	326,539
	013	Fringe Benefits	4,794,094	4,794,094	0
	021	Professional Services	402,000	402,000	0
	037	Aid Payments	5,745,938	5,723,808	(22,130)
	040	Materials & Supplies	18,815	18,815	0
	081	Work Order Services	0	140,000	140,000
Medi-Cal Total			23,981,731	24,426,139	444,408

Budget by Program by Character			FY 08-09	FY 09-10	Difference
			Original	Proposed	
Program Support	001	Salaries	21,527,379	19,179,209	(2,348,170)
	013	Fringe Benefits	14,011,541	13,460,683	(550,858)
	021	Professional Services	14,170,932	14,239,949	69,017
	038	Contract Services	139,110	139,110	0
	040	Materials & Supplies	947,666	947,666	0
	060	Capital Maintenance	712,000	712,000	0
	069	Capital Maintenance	0	0	0
	06F	Capital Maintenance	321,563	321,563	0
	081	Work Order Services	17,627,686	15,000,355	(2,627,331)
Program Support Total			69,457,878	64,000,536	(5,457,342)
Public Assistance / CAAP	001	Salaries	12,788,132	10,760,001	(2,028,130)
	013	Fringe Benefits	4,449,906	4,327,078	(122,828)
	021	Professional Services	402,388	218,568	(183,820)
	036	Aid Support	911,303	911,303	0
	037	Aid Payments	28,001,002	27,733,861	(267,142)
	038	Contract Services	502,455	310,455	(192,000)
	040	Materials & Supplies	103,782	103,782	0
	069	Capital Maintenance	0	0	0
	081	Work Order Services	2,979,237	3,877,857	898,620
Public Assistance / CAAP Total			50,138,205	48,242,905	(1,895,300)
Workforce Development	001	Salaries	7,511,048	7,488,792	(22,256)
	013	Fringe Benefits	2,508,605	2,418,217	(90,388)
	021	Professional Services	2,978,166	2,281,722	(696,444)
	036	Aid Support	155,000	255,000	100,000
	038	Contract Services	6,139,980	6,050,980	(89,000)
	039	Working Families Credit	1,400,000	1,400,000	0
	040	Materials & Supplies	11,160	11,160	0
	081	Work Order Services	1,391,614	1,164,200	(227,414)
	Workforce Development Total			22,095,573	21,070,072
Grand Total			518,306,990	491,163,949	(27,143,040)

DHS FY 09-10 Proposed Aid Payments

Budget \$124.8M



FY 09-10 Proposed HSA Budget: GF vs Non GF \$660.3M

