



TO:	Aging and Adult Services Commission Finance Committee
THROUGH:	Anne Hinton, Executive Director, Department of Aging and Adult Services
FROM:	Phil Arnold, Deputy Director of Administration
DATE:	January 21, 2011
SUBJECT:	Consideration and Approval of FY 11/10 DAAS Budget Reduction Plan

I. Introduction

The Mayor's Office has given the Human Services Agency (HSA) its first instructions, and the agency staff has begun to develop the FY 11/12 budget and budget reduction package. As in past years, this memo outlines the Department of Aging & Adult Services' proposed budget reduction plan for FY 11/12. This proposal represents an initial attempt to meet the Mayor's reduction targets. The Mayor has not reviewed or approved any of these proposals. The purpose of this Finance Committee meeting is to present the reduction package in some detail. We welcome your questions and guidance about specific items and the agency's budget strategy as a whole. This meeting will also provide an opportunity for you to hear input and suggestions from contractors and members of the community.

On February 9th, staff will present to you the entire DAAS budget for FY 11/12. That presentation will include information on any position changes (including substitutions and reassignments) proposed for FY 11/12, any projected changes in fixed costs, if known, and any changes proposed for workorders with other departments as well as information regarding the department's potential reorganization of functions.

The entire 20% reduction is directed at the Human Services Agency budget as a whole and not allocated between the two departments. HSA staff worked to identify discrete reductions and savings at the HSA agency-level and at the Department of Aging & Adult Services and Department of Human Services departmental-levels. The following reduction target details will note where the reductions and savings were made. The Human Services Commission will review and approve the reductions and savings items related to HSA and DHS.

II. Economic Climate

As you are well aware, the City of San Francisco and the Human Services Agency face another tremendously difficult budget year. With the expiration of some labor givebacks from previous

years, increases in health and retirement, and the loss of critical federal revenues, the City is projecting a FY 11/12 budget shortfall of \$380M.

In addition, the City and HSA may well face some very difficult cuts as a result of the Governor's proposed state budget for FY 11/12. HSA is still working closely with the County Welfare Directors Association (CWDA) and other groups to better understand the ramifications of state budget proposals and possibly influence the budget reductions and policy changes that are ultimately signed into law by the state Legislature.

III. Mayor's Office Agency-wide Target

On December 1st, the Mayor's Budget Office presented department heads with budget instructions for

FY 11/12. These instructions asked each department for reductions totaling 20% of the department's General Fund support. HSA's reduction target totals \$18.7M. Of this, half (\$9.3M) is the basic reduction required and half is considered a contingency reduction package. The first 10% will be loaded into the budget system as part of our formal budget submission to the Controller on February 22, 2011. The 10% contingency package will be submitted to the Mayor's Office separately, for the Mayor to determine their loading into the budget system later in the process.

In addition, 2.5% of the basic 10% GF reduction (\$2.3M) needs to be made up of current year (FY 10/11) reductions. Our list of reduction items totaling that amount was due to the Mayor's Budget office by December 21, 2010 and is detailed below.

IV. HSA Budget Strategy

HSA continues to focus on budget reductions that would have the least possible impact on core services to clients. In the Mayor's instructions to departments, he stressed the importance of seeking out administrative efficiencies, consolidation of programs and functions, and any ways of restructuring services so as to save money while also preserving the quality of services we provide to the public. Both the Aging and Adult Services Commission and the Human Services Commission have also advised the department's leadership of the importance of preserving core functions for the City's most vulnerable residents. As in past years, HSA has also worked extremely hard to identify any opportunities for new revenues to support our programs.

V. 2.5% Reduction Target

As described above, the Mayor's Office has asked HSA for a mid-year reduction package of \$2.3M. Fortunately, in developing this package, HSA was able to take advantage of savings from under-spending in contracts and aid payments. The following list details the HSA, DAAS, and DHS cuts that were provided to the Mayor's Office in December.

HSA

- **Housing Pipeline Projects Surplus (\$741,287 GF)**
These funds represent one-time savings in Local Operating Subsidies for Housing Pipeline projects achieved in FY 10-11.
- **IHSS Consortium Contract Savings (\$200,000 GF in FY 10/11)**
Based on current year spending, the IHSS Consortium is anticipating closing out this Fiscal Year with under-spending in the contract, largely due to a decrease in hours needed to provide the service.
- **Aid Savings From Shift of PAES Clients to Jobs Now 2 (\$63,300 GF)**
In FY 10-11, the Workforce Development Division was able to shift a group of PAES clients to subsidized employment opportunities that were part of the city's Jobs Now 2 initiative. As a result, the agency was able to generate PAES aid savings.
- **Working Families Credit Prior Year Savings (\$300,000 GF)**
HSA is able to take advantage of a prior year surplus in this program, a local companion to the federal Earned Income Tax Credit.

DAAS

- **IHSS Public Authority Monthly Health Care Premium Increase (\$148,975 GF in FY 10-11)**
Health premiums for the IHSS providers employed through the Public Authority would be increased from \$3 to \$10 per member per month. Under this proposal, the City would continue to provide the remaining \$298 in health coverage per member per month. This proposed reduction of \$148,975 represents 1.1% of the total \$12,978,708 GF health benefit budget.

DHS

- Various DHS related reductions and savings (\$879,713)

VI. 7.5% Reduction Target

HSA

- **Flex Class Downgrades (\$357,500 GF)**
Savings can be generated through downgrading of vacant entry-level positions to better match needed job duties.
- **IT Equipment & Services (\$159,332 GF) and IT Workorder Services (\$81,990 GF)**
Delayed IT projects to improve data backup capability and increase utilization of higher speed fiber connections provide one-time savings from FY 10-11.

- **Real Estate Work Order (\$ 38,475 GF)**
HSA has reduced lease expenditures effective July 1, 2011.
- **Ancillary Services (\$24,000 GF)**
Savings can be generated due to reduced use of ancillary services in economic support programs.
- **Special Project Surplus (\$1,625,000 GF savings in FY 11/12)**
This proposed cut is the liquidation of a special project account whose initial intent of funding IHSS staff has been met through the regular agency-wide salary budget.

DAAS

- **IHSS Consortium Contract Savings (\$100,000 GF in FY 10/11 and \$300,000 GF in FY 11/12)**
This proposal would realign the IHSS Consortium contract closer to the actual amount of need, based on the past several years of actual expenditures. Also included in this reduction are administrative reductions as well as realignment of funds as a result of the Consortium successfully receiving grant funds. Also, there is an additional \$100,000 GF reduction in FY 10/11 due to an increase in projected savings.
- **Revenue Increases for the Representative Payee Program (increase revenue by \$327,180 in FY 11/12)**
DAAS staff is currently exploring the possibility of charging fees for Representative Payee services. Per the Social Security Administration, the authorized monthly fee is the lesser of 10% of the monthly benefit or \$35. At this point, it appears that approximately 779 clients may fit the financial threshold, generating an estimated total of \$327,180 in new revenues. Once the Commission approves the budget, DAAS staff would initiate the process of preparing an ordinance for approval by the Board of Supervisors in order to receive the authority to make this change.
- **IHSS Public Authority Monthly Health Care and Dental Premium Increase (\$865,427 GF in FY 11-12)**
Health premiums for the IHSS providers employed through the Public Authority would remain at the increased level (\$10) and the dental premium would be increased from \$1 to \$10 per member per month. The current monthly coverage for the dental premium is \$1 for individual coverage, \$2 for 1 dependent, and \$3 for a family. Under this proposal, the City would continue to provide \$298 in health coverage and \$18.06 in dental coverage per member per month. Currently, the total funding for the dental benefit program in the budget is \$3,093,354 all funds, of which 50% is local general fund. This proposed reduction of \$400K GF represents 25% of the total dental benefit budget.

DHS

- Various DHS related reductions and savings (\$3,168,942)

VII. 10% Contingency Plan

As mentioned above, the items described below make up the 10% contingency package requested by the Mayor's Office.

DAAS

- **Case Management Program Reduction (\$268,000 GF in FY 11-12)**
This reduction would be an across the board cut of \$413,000 that would impact about 270 consumers and the loss of 2,680 service hours. This also takes into account the approximately \$145,000 of revenue no longer being generated due to the loss of time-study hours. The case management program would continue to have \$1,960,602 in funding.
- **Transitional Care Case Management Program Reduction (\$86,902 GF in FY 11/12)**
The impact of this reduction would be the loss one case manager position equaling about 791 hours of services to 67 consumers who are transitioning from acute hospitalizations back to the community.
- **Community Services Program Reduction (\$275,000 GF in FY 11/12)**
This reduction would be an across the board cut of 10% to all community services providers. DAAS program staff would work with providers to implement plans that result in doing the least harm to consumers. There would continue to be \$2,557,992 in funding in the community services program.
- **Community Based Services Program (CBSP) Reduction (\$238,383 GF in FY 11-12)**
This proposal would mean the elimination of the general fund backfill to the formerly funded State CBSP programs of Respite, Brown Bag, Alzheimer's Day Care Resource Center, and Senior Companion; only the general fund backfill to the Linkages program would continue. The net impact of this cut would affect approximately 463 clients spread across the program who are currently receiving services such as food assistance, day care services, and respite care.
- **Nutrition Programs (\$600,000 GF savings in FY 11/12)**
This reduction in general fund would result in the loss of approximately 141,825 meals annually, or an average cut of 567 meals a day from the congregate meals program, or approximately 7.7% of all meals served. This reduction may incur a minimal loss of Nutrition Services Incentive Program (NSIP) funds.
- **Hoarders and Clutterers Reduction (\$100,000 GF savings in FY 11/12)**
This reduction in general fund would result in approximately 251 consumers losing support group services directly related to hoarding and cluttering. There would continue to be \$91,380 supporting the program.

- **IHSS Public Authority Dental Benefit Elimination (\$1,146,677 GF in FY 11-12 or \$1,546,677 GF if premium increase proposal detailed above is not adopted)**
Dental premiums for the IHSS providers employed through the Public Authority would be eliminated, affecting approximately 8,200 workers, their dependents and families. Staff would assist the Public Authority in providing information on other low-cost, or subsidized, dental plans that employees may avail themselves of.
- **IHSS Public Authority Monthly Health Care Premium Increase (\$332,448 GF in FY 11-12)**
Health premiums for the IHSS providers employed through the Public Authority would be increased from \$10 to \$15 per member per month. Under this proposal, the City would continue to provide \$293 in health coverage per member per month. This proposed reduction of \$332,448 represents .8% of the total \$39,947,061 health benefit budget.
- **Legal Services Reduction (\$200,000 GF savings in FY 11/12)**
This cut would potentially eliminate three staff attorneys that provide access to legal advice and resources to approximately 644 seniors and 4,150 units of legal services.
- **Naturalization Program Reduction (\$200,000 GF savings in FY 11/12)**
This would reduce the contracts of five naturalization providers and would result in fewer seniors being served. Approximately 1,410 seniors would not receive services that aid in their completing and filing of naturalization applications and/or assist in preparing them to pass citizenship tests.
- **Transportation Program Reduction (\$400,000 GF savings in FY 11/12)**
The impact of this cut would be a decrease of approximately 22,222 one-way rides to senior centers and grocery shopping trips. Remaining funds would still provide 32,261 one-way rides in these programs.

DHS

- Various DHS related reductions and savings (\$5,330,595)

Next Steps

If approved by the Department of Aging and Adult Services Commission and submitted to the Mayor, the 2.5% package and the 7.5% package detailed in this memo will be entered into the city budget system by February 22, 2011. The 10% contingency package will not be entered into the system, but submitted separately to the Mayor's Office for further review. We recommend that the Finance Committee give preliminary approval for this reduction package at today's meeting; a vote on final approval would be scheduled for the February 9th meeting after the Commission has heard community input and learned about the full DAAS budget.

Attachment

