



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 22, 2010
SUBJECT:	Consideration and Approval of FY 2010-2011 Budget and Budget Reduction Plan

With this memo, I submit to you a summary of the budget for Fiscal Year (FY) 2010-2011 for the Department of Aging and Adult Services (DAAS). As you are well aware, the City and County of San Francisco faces another tremendously difficult budget year. The City and County faces a budget deficit of \$466 million dollars, while the state budget deficit totals \$20 billion.

For the FY 10-11 budget, due February 22<sup>nd</sup>, 2010, the Mayor's Office has instructed departments to put together reduction plans totaling 30% of General Fund support, with 20% in reductions acting as a general reduction plan and 10% reductions acting as a contingency list. This reduction of 30% of General Fund support will require a budget reduction package totaling \$28.4 million. DAAS is able to reach these targets through reductions in the current fiscal year (FY 09-10) as well as the budget year (FY 10-11).

Prior to the development of the current package, DAAS was anticipating the need to make steep cuts in some of those program areas that contain a large percentage of General Fund support. Within DAAS, these areas include nutrition programs, community services, naturalization services, Alzheimer's day care resource centers, and transportation, among others. Fortunately, DAAS has been able to identify sources of revenue and to change some of our time studying practices in ways that allow DAAS to leverage additional federal revenue. At the same time, HSA anticipates that some increases in revenue related to federal stimulus may be extended into FY 10-11. HSA has been able to identify slightly more than \$18.5 million in increased revenue or savings that we do not believe will result in actual cuts to ongoing services.

The following memo outlines the budget reduction package DAAS has put together for your approval.

## **Revenue and Savings**

- **FMAP Increases (\$8,583,028 GF in FY 10-11)**

HSA anticipates that the increases seen in Federal Medicaid Assistance Percentage (FMAP) revenue in FY 09-10 will be extended through FY 10-11. FMAP is the share of Medicaid expenditures paid by the federal government. The American Recovery and Reinvestment Act (ARRA) increased California's FMAP from 50 percent to 61.59 percent, meaning that the federal government now pays about 62 cents for every dollar of Medi-Cal services used. This calculation affects aid payments in IHSS and thus provides DAAS with additional revenue. The FMAP increase is currently in effect from October 1, 2008, through December 31, 2010.

- **Aid Savings – State In-Home Supportive Services (IHSS) Wages (\$6.7M GF in FY 09-10)**

At the state level, California proposed for FY 09-10 a reduction of state support for IHSS Independent Providers (IP) wages. In anticipation of State participation in the wage rate dropping from \$12.10 to \$10.10, the Mayor's Office provided local funding in order to keep the wage rate flat. This reduction of support has been delayed, however, as a result of court hearings. Due to the delay in implementation, there is a FY 09-10 general fund savings of \$6.7M which is included in the Department reduction plan.

- **DAAS Aid and Contract Savings (\$400,000 GF in FY 10-11)**

This savings is a result of anticipated under spending in the overall DAAS Aid Budget. Staff will be closely monitoring monthly expenditures and will continue to coordinate with program staff to realize and capture Aid savings.

- **IHSS Consortium Contract Savings (\$400,000 GF in FY 09-10)**

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 referrals coming from the Department.

- **IHSS Public Authority Monthly Health Care Premium Increase (\$891,789 GF in FY 10-11)**

Health premiums for the IHSS providers employed through the Public Authority will be increased to \$25 per member per month. Under this proposal, the City will continue to provide \$282 in health coverage per member per month.

- **Legal Services (\$100,000 GF in FY 10-11)**

In Spring 2010, DAAS will issue a new RFP for legal services. Due to funding restrictions, community-based organizations responding to that RFP will be required for the first time to provide a 15% cash match as a part of the contract agreement. The intent of this change is to maintain the current level of client services while reducing the general fund support to the program.

- **Elder Abuse Prevention Savings (\$70,000 GF in FY 09-10; \$30,000 GF in FY 10-11)**

This item reflects contract savings from the Institute on Aging related to the Forensic Center, a joint program of the Institute on Aging, San Francisco Police Department, San Francisco District Attorney's Office, and DAAS Adult Protective Services. Under spending in the current year is the result of a late start in program implementation. Now that the Forensic Center is in place, the Department is better able to project a full year's budget for FY 10-11, and we anticipate that the budget can be reduced by \$30,000.

- **Public Conservator Revenues (\$250,000 GF in FY 09-10 and \$250,000 FY 10-11)**

Projected increases in Public Conservator revenues will bring in additional \$250,000 in General Fund annually.

- **Case Management, Community Services and Health Promotion Revenue Increase (\$300,000 GF in FY 09-10 and \$600,000 GF in FY 10-11)**

DAAS is anticipating increased revenue of \$300K in the current year and \$600K in the budget year by mandating that all community-based organizations currently contracting to provide case management, targeted community services programs and health promotion time study to CSBG. In the past this program has been mandatory and then became voluntary. In light of the worsening budget situation, DAAS management is once again mandating the program in an effort to access all available funding sources. HSA finance staff will provide training and technical assistance needed to implement this program. Failure to implement this program will result in a direct reduction of the contract as a way to recapture the revenue not earned. In addition, HSA contract staff will be negotiating with contractors to provide all required time study details with their invoices.

### **Reductions in Service**

This proposal does not include any reductions in service in DAAS programs.

### **Next Steps**

We recommend approval of this package today so as to forward to the full Commission on Aging and Adult Services.