

City and County of San Francisco



Gavin Newsom, Mayor

Human Services Agency

Department of Human Services
Department of Aging and Adult Services

Trent Rhorer, Executive Director

TO:	HUMAN SERVICES COMMISSION
THROUGH:	TRENT RHORER, EXECUTIVE DIRECTOR
FROM:	PHIL ARNOLD, DEPUTY DIRECTOR FOR ADMINISTRATION
DATE:	JANUARY 14, 2009
SUBJECT:	FY 2009-2010 BUDGET REDUCTION PLAN

INTRODUCTION

Budget reductions in the current and coming fiscal years pose significant challenges for the Human Services Agency (HSA) and the Department of Human Services (DHS). Over the past several years, HSA has faced state funding reductions and local budget deficits, and the Agency has had to decrease some spending. Fortunately, in past years, the Agency has been able to close budget gaps with only minimal staff layoffs and no reductions in services. However, in the wake of a worldwide economic crisis, the City and County of San Francisco has seen a steep decline in local tax revenues, requiring budget reductions of a much larger magnitude. In the current budget year and in preparation for the next fiscal year, we have already eliminated 71 positions resulting in 65 layoffs. The final budget proposal will include additional position eliminations that will likely result in additional layoffs. In addition, we will also be forced to reduce the services that we are able to provide to our clients. The timing of these cuts is especially unfortunate because the economic downturn will almost surely also result in increased need on the part of our clients and a higher demand for the Agency's services.

In developing the budget for FY 2009-10, DHS is adhering to the Commission-approved budget principles, as follows:

- Preserve programs and services that meet basic human needs, including: housing/shelter, food and nutrition, access to health care, income support and protection/safety;
- Minimize reductions to services and programs that leverage outside revenue;
- Maintain client services that are necessary to achieve mandated outcome objectives;
- Develop business process improvements and program efficiencies in order to reduce costs; and
- Consider program effectiveness when making budget reductions in specific programs or initiatives, without regard to whether service is provided by the Department or by a community-based organization.

CURRENT YEAR REDUCTIONS

In the current year, Fiscal Year 2008-2009, the City is facing a deficit of almost \$125 million. In order to close the current year gap, the Mayor has directed all City Department to decrease their City General Fund expenditures. HSA's share of the city-wide reduction is over \$6 million. To meet this target, HSA has

developed a mid-year reduction plan, with reductions in the Department of Human Services (DHS) and also in the Department of Aging and Adult Service (DAAS). HSA has also eliminated 71 positions, resulting in mid-year staff layoffs. In an effort to minimize the impact of budget reductions on clients and client outcomes, HSA has focused in the current year on preserving essential services. As a result, some new programs that had not yet begun implementation have been suspended, scaled-back, or postponed.

REDUCTION PLAN FOR FY 2009-2010

The Controller and Mayor's Budget Office project a citywide deficit of \$575 million for next fiscal year. This projection may increase depending on circumstances at the state level. For now, the Mayor has asked City departments to prepare plans for a total budget reduction of 25% of General Fund support for FY 09-10. The target budget reduction established by the Mayor's Budget Office for the Human Services Agency (DHS and DAAS) totals \$21 million; of this target, DHS is responsible for approximately \$14 million in reductions. DHS has prepared a budget reduction plan for your review that partially meets this target; the following proposal would reduce the DHS General Fund budget by \$10.8 million in several areas:

- **Administrative Reductions and Restructuring**
(\$2,525,008 Total Funds, \$1,345,487 General Fund)

Cuts to administrative functions allow HSA to preserve essential services and minimize the impact of cuts on client outcomes. Specific reductions for FY 09-10 include cuts to professional services contracts for staff training and security services, as well as the elimination of administrative positions. HSA will also discontinue our quarterly newsletter and our annual event recognizing staff achievements. In addition, we are proposing changes to the Department's welfare fraud and investigations operations.

- **County Adult Assistance Programs (CAAP) Restructuring**
(\$3,112,756 Total Funds, 2,689,543 General Fund)

The CAAP Program is restructuring its PAES employment services and will save \$1,500,000 total funds, \$1,275,000 General Fund. CAAP will also make changes to the way in which aid payments are made, which will yield savings totaling \$1,100,000. Other program cuts, including the elimination of the PAES dental program, total \$512,756 total funds, \$314,543 General Fund. With these cuts, HSA has focused on maintaining those services that meet basic human needs, while taking advantages of potential efficiencies and business process improvements that might reduce costs.

- **Workforce Development Reduction in Non-Essential Services**
(\$1,194,243 Total Funds, \$1,194,243 General Fund)

Reductions in the Workforce Development programs have been made with an eye towards preserving essential services, instead reducing those services that are less central to the department's mission. The Working Family Credit program will be reduced by \$1,000,000 from \$1,400,000 and will now provide these locally-funded credits only to first-time users. In addition, the Office of Economic and Workforce Development work order will be reduced by \$194,243.

- **Program Changes in Family and Children's Services**
(\$6,593,298 Total Funds, \$4,884,927 General Fund)

The Family and Children's Services division has seen declining caseloads over the past several years. Reducing staff, consolidating units, reducing non-core services, and scaling back programs will allow for savings and more targeted services for children and families. At all times, HSA has sought to maintain the services that are necessary to achieve mandated outcome objectives for children and families. Staff

reductions total \$3,113,094 total funds, \$1,572,576 General Fund. We expect that reducing non-core services will total \$1,760,000 in savings from total and General Funds. Scaling back program expansions and other efficiencies saves \$1,720,204 total funds, \$1,552,351 General Fund.

ADDITIONAL BUDGET REDUCTIONS

The DHS reduction plan as presented above provides \$10.8 Million in General Fund reductions for FY 09-10, including the programmatic and administrative reductions already noted, and a credit for current year (FY 08-09) reductions. The plan still falls three million dollars short of the Department's target, so DHS staff members are continuing to develop and analyze reduction proposals. These proposals may include staffing and service reductions in the Housing and Homelessness division, CalWORKs, Child Care, and/or other programs.

Proposed changes include restructuring, taking advantages of efficiencies made possible through a continued focus on housing over shelter, and further reductions in administrative and program staff.

SERVICE IMPACTS

DHS is committed to providing the highest quality of service to San Francisco's families and individuals. The Department has focused on preserving core services and sought to make reductions that will have the least impact possible on clients and client outcomes. However, it is simply not possible to make the kinds of reductions the agency is being asked to make without suffering a reduction in services for clients. Throughout these reductions, our aim is to minimize the negative impact on our clients.

NEXT STEPS

This draft budget reduction plan to meet our FY 2009-10 budget target is presented to the Commission and the community for review and discussion. We will use the feedback we receive from the Commission and our community partners when we prepare a more complete and detailed plan that will be submitted to the Commission at the next Commission meeting on January 29th. Final Commission approval of the DHS FY 2009-10 will be sought at a February Commission meeting in order to meet the deadline to submit the budget to the Mayor's Office by February 20th.

Department of Human Services FY 2009-10 Draft Budget Reduction Proposals

Line #	Item	CBO/Vendor Name	FY09-10 Total Funds Reduction	FY09-10 GF Share of Reduction
1	Administrative Support Staffing Efficiencies	N/A	\$1,209,649	\$665,307
2	Administration Contract Services	Various	\$450,000	\$247,500
3	Administration Investigations Program	N/A	\$865,359	\$432,680
4	CAAP Aid Payments - Revise timing of check distribution	N/A	\$1,100,000	\$1,100,000
5	CAAP PAES shift to WDD Brokerage Service	N/A	\$1,500,000	\$1,275,000
6	CAAP Services at Glide	Glide	\$112,756	\$98,543
7	CAAP PAES Dental Service	DPH	\$400,000	\$216,000
8	FCS Reduce All County Funds Foster Care (9X) Caseload	N/A	\$200,000	\$200,000
9	FCS Foster Care Rate Enhancement	Aid	\$1,560,000	\$1,560,000
10	FCS Staffing Alignment to reflect Caseload Trends	N/A	\$3,113,094	\$1,572,576
11	FCS CWS Claiming Category Revisions	Various	\$48,000	\$48,000
12	FCS Family Support Services Restructuring	Various	\$1,436,979	\$1,269,126
13	FCS Respite Services Restructuring	Family Support Services of the Bay Area	\$235,225	\$235,225
14	WDD Working Families Credit Program	N/A	\$1,000,000	\$1,000,000
15	WDD Office of Economic and Workforce Development Work Order	N/A	\$194,243	\$194,243
16	Credit for Current Year Reductions	N/A	\$759,243	\$759,243
17	TOTAL		\$14,184,548	\$10,873,443