MEMORANDUM

TO:	**Human Services Commission** **Department of Aging and Adult Services Commission** **Office of Early Care and Education**
THROUGH:	Trent Rhorer, Executive Director, Human Services Agency Shireen McSpadden, Executive Director, Dept. of Aging and Adult Services September Jarrett, Executive Director, Office of Early Care and Education
FROM:	Dan Kaplan, Deputy Director, Human Services Agency
DATE:	August 18, 2017
SUBJECT:	Human Services Agency Budget for FY 17-18 and FY18-19

Overall Budget Picture

HSA's approved budget of $913.8 million for FY 2017-18 is $50.9 million or 5.9% more than the original $862.9 million budget for FY 2016-17. HSA's revenues of $672.1 million in FY 2017-18, are $28.7 million or 4.5% more than FY 2016-17 revenues of $643.4 million. General Fund support of $241.7 million in FY 2017-18 is $22.2 million or 10% more than FY 2016-17 General Fund support of $219.5 million. The increases in HSA's budget are primarily due to: increases in aid costs, the annualized cost of new positions added in FY 2016-17, the increase in the Dignity Fund for seniors and persons with disabilities, and new investments in child care through the Office of Early Care and Education. HSA's budget reflects 2,148.14 FTE positions, which is 51.4 or 2.5% higher than the 2,096.74 FTE positions budgeted in FY 2016-17.

The approved spending plan for FY 2018-19 of $927.6 million is $13.8 million, or 1.5%, more than the original budget for FY 2017-18. The increases budgeted for FY 2018-19 are for aid costs, salary and fringe benefits, and for the Dignity Fund.

Balancing the FY 2017-18 and FY 2018-19 budgets did require corrective actions, primarily in response to the proposed reductions in revenue from the State (detailed below) and the annualized costs of the 98 new positions first added in FY 2016-17 for a partial year. To balance the budget, we reduced several line items with significant patterns of under-spending and also reduced funds set aside for expansions that were not yet fully implemented. The largest of these reductions was to the Agency's overall salary and fringe budget, where we increased the budgeted levels of attrition savings to reflect our current hiring plan and address a pattern of under-spending. Our final budget should not result in any disruption of services for clients. We also, with the support of the Mayor's Office and the Board of Supervisors, still met the need for some critical programmatic enhancements, which are detailed below.

State Budget

The State Budget for FY 2017-18 passed in mid-June includes a number of changes that impact programs administered by HSA. Below, we note the significant changes impacting HSA's budget. HSA largely accounted for these changes in its budget using estimates based on the proposals in the Governor's Budget and in the Assembly and Senate bills. Later this fall, we will receive allocation letters that further detail the impacts.

DAAS

The State's FY17-18 budget resets the amount that counties pay toward In-Home Supportive Services (IHSS) costs—known as the county's maintenance of effort (MOE)—to be higher by a total of $592 million statewide in FY 2017-18. To assist counties in absorbing these new costs, the state budget provides state General Fund assistance totaling $400 million statewide in FY 2017-18. This leaves a statewide increase of $192 million for county IHSS costs, which—in addition to existing FY 2017-18 county IHSS liabilities of $55 million—yields a total of $247 million in new IHSS costs for the counties. Shifts in the allocation of 1991 Realignment revenue mitigate the effects in 2017-18. However, because of the methodology used in allocating new costs and new revenue to each county, San Francisco will experience a net increase in its IHSS costs. In particular, changes to the county MOE will increase San Francisco's share of cost for paying IHSS providers under its local minimum wage ordinance. Costs to all counties will increase further in 2018-19.

The regulations operationalizing the new MOE have not been fully developed yet. At the time that the local budget was created, a net total of $7 million in local General Fund was added to address the state budget change for IHSS. We are continuing to work to gauge the final impacts on San Francisco of the new MOE. We will update our projections this fall as the details of the MOE and the realignment allocations are finalized.

DHS

The State's FY 2017-18 budget reduces funding for CalWORKs by about $139 million, reflecting the caseload's decline as the economy has improved. This reduction is down from proposed statewide cuts of $200 million in the Governor's January Budget and $248 million in his May revision, reflecting a restoration of $109 million by the Legislature. The County Welfare Directors' Association (CWDA) succeeded in arguing that the current, caseload-driven funding methodology requires counties to adjust their staffing and services more quickly than is feasible. Trailing legislation to the budget requires the administration to develop a new budgeting methodology for CalWORKs that reduces the funding swings due to caseload changes. It also establishes a working group to develop an outcomes measurement and system improvement process for CalWORKs.

The State's FY 2017-18 budget also estimates slowed revenue growth for 2011 Realignment's Protective Services Subaccount, resulting in a decrease from the FY 2017-18 original, base budget of $600,000. 2011 Realignment supports counties in their provision of child welfare and foster care services and assistance, adoptions administration and assistance, and adult protective services.

The State's budget also makes several augmentations to Family and Children's Services (FCS). Notably, it provides funding for the continued roll-out of Continuum of Care Reform (CCR), which seeks to increase the foster care system's reliance on family-like settings rather than institutional settings—at a total cost of $180 million statewide to support County Welfare Departments and County Probation Departments. These funds will go toward a new CCR rate schedule, recruitment of foster parents and resource families, streamlining of the foster parent/adoptions process, and child and family team meetings.

Finally, the adopted budget includes $15.5 million in State General Fund to establish the Emergency Child Care Bridge Program, which would begin January 1, 2018. This program intends to solve the problem of a "timing gap" for resource families who typically are on a wait list for several months before receiving child care for foster youth. This gap presents a barrier to prospective resource families who might otherwise take in young foster children.

OECE

The FY 2017-18 budget adjusts CalWORKs child care funding down from FY 2016-17 to reflect the declining caseload. The State budget also increases the Regional Market Rate (RMR) rate paid to child care providers through state contracts. Effective January 2018, the state budget increases the RMR to the 75th percentile of the 2016 regional child care market survey conducted by the state at an additional cost of $8.3 million for six months.

Budgetary Enhancements

The FY 2017-18 and FY2018-19 budgets include a smaller number of enhancements to HSA's operations and services than in recent years, but do reflect sizable new investments in child care and senior services.

DAAS

Additional investments expand nutrition programs and provide community services for seniors, such as veteran services and fitness programs. Specifically, the budget adds a total of $4.8 million, including: $2.3 million for nutrition programs, $0.9 million for community services for seniors and people with disabilities ($0.2 million of which is one-time funding), and $1.6 million in one-time funding for preventing social isolation among LGBT seniors ($0.1 million) and preventing homelessness among seniors and people with disabilities ($1.5 million).

The budget also provides an additional $6 million as a result of the passage of Proposition I last November, a voter-approved initiative that dedicates additional funding to services for seniors and people with disabilities in the Dignity Fund. The $6 million in new funding for FY 2017-18 will provide caregiver support, community services, housing subsidies, legal and financial planning services, nutrition and wellness programs, and veteran services. The FY 2018-19 budget includes a further $3 million augmentation.

OECE

Working together with the Mayor's Office and the Board of Supervisors, the City will make several sizable enhancements through the Office of Early Care and Education. The budget includes $2.1 million in annual funding to clear the waitlist for homeless families on the childcare waitlist. An additional $4 million will be spread over the next two fiscal years for child care provider subsidies to increase access to infant and toddler care for low-income families. The budget also includes $50,000 each in FY 2017-18 and FY 2018-19 for child care center start-up costs.

DHS

Within FCS, the final budget included enhancements related to CCR, including $400,000 of increased state funding for a new CCR rate schedule for families, FFAs, and short-term residential care and an additional $400,000 for HSA staff to convene child and family team meetings. Through the Title IV-E Waiver Project, there will also be also new services for high needs kids, such as $475,000 for establishing a San Francisco site for an intensive residential treatment program for youth with exceptional mental health and placement needs for 45 to 90 days.

FCS was also awarded state funds for the Bringing Families Home (BFH) program for $1.9 million for FY 2017-18 and FY 2018-19, which is a rapid-rehousing initiative that embodies a Housing First approach to assist families who have been identified as homeless, at risk of homelessness, or experiencing housing instability, who are involved in the child welfare system.

HSA's budget includes two new positions in FY 2017-18. The two, new 2905 Eligibility Workers are funded by the Whole Person Care Project, a Medicaid waiver program. The Whole Person Care demonstration in San Francisco will target a subset of the 9,975 homeless adults, conducting outreach partly through the Navigation Centers. The new positions will provide enhanced CAAP and SF Benefits Net outreach and enrollment support at the Navigation Centers.

HSA Position Substitutions

The FY 2017-18 budget also includes the substitutions of 97.5 positions to align them with current uses or repurpose them to meet new business needs. These substitutions will allow us to carry out priority initiatives across the Agency including: building out our communications team, administering the Dignity Fund, creating a data analysis unit in FCS, and piloting a new approach to families in CalWORKs who experience increased barriers to employment.

Division	Number of Positions	Total Salary and Fringe Costs	Estimated General Fund cost
DAAS	20.5	294,651	176,790
DHS	75	534,146	347,292
OECE	2	10,235	6,141
Total	**97.5**	**839,032**	**530,223**

Conclusion

HSA's FY 2017-18 and 2018-19 budgets maintain the growth of the last few years while making targeted investments in new services. As we look towards FY 2018-19, we will continue to monitor the developments in IHSS and CalWORKs at the State-level. We will be working to evaluate the efficiency and effectiveness of recent investments to ensure we maximize the use of our resources in the coming years.