City and County of San Francisco **Human Services Agency**

Edwin M. Lee, Mayor

Department of Human Services
Trent Rhorer, Executive Director

MEMORANDUM

TO:	Human Services Commission
THROUGH:	Trent Rhorer, Executive Director
FROM:	Dan Kaplan, Deputy Director, Human Services Agency
DATE:	February 16, 2017
SUBJECT:	Department of Human Services and Human Services Agency Proposed Budgets for FY17-18 and FY18-19

Through this memo, we present to you for review and approval the FY17-18 and FY18-19 budgets for the Department of Human Services (DHS) and the Human Services Agency (HSA) Administration. In developing this budget, HSA used as guidance the budgeting principles established by both the Human Services Commission and the Aging and Adult Services Commission, as well as overarching budget goals set by the Mayor to address fiscal sustainability, accountability for results, and government responsiveness to our clients and community.

As was described at the Human Services Commission meeting on January 26, the budget outlook this year is not as positive as it has been in the last several years. While we are not yet being asked to make reductions that would impact our service levels, slowing revenue growth and increasing expenditures are resulting in both a citywide and statewide deficit that require corrective actions.

HSA worked diligently to maintain critical client aid and services. Overall, the budget proposal prioritizes core functions, minimizes service impacts, incorporates efforts to improve clients' experience, leverages new revenue options, and re-purposes vacant positions and funds.

Reduction Plan

Despite projected revenue growth, the City continues to face a structural deficit. The Mayor's Office has requested budget reductions of 3% for both FY17-18 and FY18-19. HSA's 2-year budget submission must include an ongoing reduction in General Fund support of $1.5 million each year. Unlike in prior years, where HSA was able to leverage State and Federal revenues to meet budget reduction targets and grow programs, many of these revenues are declining or flat in the coming year. Reductions in the Governor's budget are estimated to reduce the following allocations to the City: CalWORKs -$6.5M; CalFresh -$1.0M; and 2011 Realignment -$0.6M.

The Mayor's Office has expressed a willingness to provide a reserve fund to address the declines in CalWORKs revenue should the budget allow for it. In addition, HSA does anticipate an increase in revenues related to closing out Medi-Cal expenditures in FY15-16 and related to parts of Continuum of Care Reform that HSA will administer with existing FCS staff. These revenue solutions – along with efficiencies in our spending– will allow us to manage the proposed budget reductions and shortfalls.

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DHS and HSA Administration Budget for FY17-18 and FY18-19

The following describes the major developments across DHS in the coming year.

HSA's proposed FY2017-18 budget of $532.1 million is $19 million or 3.7% more than the FY2016-17 budget of $513.1 million. HSA's revenues of $449.7 million in FY 2017-18, are $5.2 million or 1.2% more than FY 2016-17 revenues of $444.4 million. General Fund support of $82.4 million in FY 2017-18 is $13.7 million or 20.0% more than the $68.7 million in FY 2016-17. The proposed FY2018-19 budget is the same as the proposed FY 2017-18 budget with the exception of adjustments made for the costs associated with the annualization of new positions, MOU cost of living increases, and any mandated growth in fringe benefits and services.

The documents that follow the memo provide additional information about new position proposals, proposed substitutions, program details, and charts and graphs detailing the DHS budget.

Major Budget Proposals

SF BenefitsNet and SF BenefitsNet Operations

SF BenefitsNet, the integrated Medi-Cal and CalFresh programs, have undergone significant growth in the last several years to address the enormous caseload growth in Medi-Cal and, to a lesser extent, the growth in CalFresh. In the FY2017-18 budget, HSA is proposing a small number of substitutions and reassignments that reflect the continued evolution of the integrated structure. The SF Benefits Net Operations team will be restructured, with the proposed substitution of 1-0923 Manager II to 1-0931 Manager III to oversee the whole division and substitution of 2-2917 Program Support Analysts to 2-0923 Manager IIs who oversee multiple units of clerical staff that support several divisions in the agency ($92,736 AF). This structure will clarify and streamline reporting of a division with 140 positions that supports the operations of the call centers and eligibility workers across HSA.

There is also a continued focus on outreach efforts for the Medi-Cal and CalFresh Program. As part of this, HSA proposes to work with the Mayor's Office on Housing and Community Development to support hosting an attorney ($100,000), with knowledge of immigration law, at our 1235 Mission St. office in order to counsel immigrant clients about their rights and respond to their concerns around accepting public benefits. This legal advice will be particularly important in responding to the new federal administration. HSA also will ask for $85,000 to continue work done to outreach to the Chinese community in San Francisco, replacing an outreach grant that expires this year.

Workforce Development and CalWORKs

The Workforce Development (WDD) and CalWORKs Programs have added a significant number of contracted programs over the last several years, including contracts for the CalWORKs Housing Support Program, CalWORKs Expanded Subsidized Employment efforts, and the IPO (Interrupt, Predict, Organize) initiative. As a result, there is a need to strengthen the contract monitoring, oversight, and processes of the more than 50 Welfare-to-Work contracts. WDD is proposing several substitutions (1-2917 Program Support Analyst to 1-1824 Principal Administrative Analyst and 2-9704 Employment

Training Specialist IIIs to 2-2913 Program Specialists with a cost of $28,360) to create a more robust contract monitoring and oversight team that will work closely with HSA's Contracts division.

Family & Children's Services (FCS)

There are major statewide changes being implemented through California's Child Welfare Continuum of Care Reform (CCR), also known as AB 403 Group Home Reform, which seeks to transition from the use of group homes for children in foster care to home-based and residential care and supports. CCR roll-out began January 1, 2017. To support CCR implementation, FCS is expanding on an intensive residential treatment program ($480,000) that would serve children and youth with exceptional mental health, behavioral, and placement needs for 45 to 90 days. This program began as a multi-county site in Petaluma and is designed to provide 24-hour out-of-home support and a safe environment to stabilize risky behaviors before transitioning the youth back to residential treatment or home-based care. This expansion would be for a site located in San Francisco.

FCS also intends to bolster services to the Child Protection Center (CPC) because of a state requirement that the CPC transition from unlicensed, fewer than 24-hour service delivery to a licensed, 72-hour facility. The CPC is the county's intake center for children who have been removed from their homes and have not yet been placed in a new foster care placement.

Administration

The Planning division is proposing to substitute 1-1823 Senior Administrative Analyst to 1-0922 Manager for the Innovation Office and 2-Vacant Positions to 2-9254 Communications Officers for the Communications Office. Additional substitutions in HR, IT, and other support groups are proposed in the budget mainly to reflect current job duties and work being performed by incumbents in those positions.

Required Action and Recommendation

With this memo, we request approval of the proposed FY17-18 and FY18-19 budgets for the Department of Human Services and the Human Services Agency.