MEMORANDUM

TO:	Aging and Adult Services Commission
THROUGH:	Shireen McSpadden, Executive Director
FROM:	Daniel Kaplan, Deputy Director of Administration, Human Services Agency (HSA)
DATE:	February 15, 2019
SUBJECT:	Department of Aging and Adult Services (DAAS) Budget for FY 2019-20 and FY 2020-21

Through this memo, we present to you for review and approval the FY 2019-20 and FY 2020-21 budgets for the Department of Aging and Adult Services (DAAS). 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 DAAS Finance Committee meeting on January 30, the budget outlook this year is similar to previous 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 a citywide deficit that requires corrective action.

HSA works diligently to maintain critical client aid and services. Overall, the budget proposal prioritizes core functions, minimizes service impacts, and seeks to leverage new revenue options.

Reduction Plan

The Mayor's Office has requested budget reductions of 2% and 4% for FY 2019-20 and FY 2020-21, respectively. HSA's two-year budget submission must include reductions in discretionary General Fund support of $0.77 million in FY 2019-20, and $1.53 million in FY 2020-21. HSA also projects declines in its CalFresh (-$1.3 million) and CalWORKs (-$0.9 million) revenues. These declines are offset by increases in its Medi-Cal (+$1.3 million) and IHSS Administration (+$0.7 million) funds. HSA also plans to advocate for a change in state policy with the new administration that would allow HSA to seek additional federal revenue for its Medi-Cal administrative costs when it spends beyond its state allocation. HSA plans to meet the balance of the revenue shortfall and its reduction target with these revenues.

DAAS Budget for FY 2019-20 and FY 2020-21

The Department's proposed $369.7 million budget for FY 2019-20 is $35 million or 10.5% more than the original FY 2018-19 budget of $334.7 million. The Department's revenues of $233.4 million in FY 2019-20 are $8.3 million, or 3.7%, more than FY 2018-19 revenues of $225.1 million. The increased costs are primarily driven by the In-Home Supportive Services (IHSS) Maintenance of Effort. The proposed spending plan for the FY 2020-21 budget is the same as the FY 2019-20 proposal, with the exception that adjustments were made for the costs associated with mandated growth in salaries, fringe benefits, and other services, including the IHSS Maintenance of Effort and Dignity Fund.

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

Major Budget Proposals and Enhancements

IHSS Maintenance of Effort

HSA projects an increase in costs to its In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) of: $26 million in FY 2019-20 and an additional $11.1 million in FY 2020-21, for a cumulative increase of $37.1 million in FY 2020-21. For FY 2019-20, this projection is very similar to what was included in our budget for FY 2019-20 as part of the two-year budget passed last July; however, the new figure now reflects the increase in IHSS provider wages to $16.50 an hour, in line with the City's minimum compensation ordinance and the decrease in the base IHSS MOE proposed in the Governor's budget. The costs in FY 2020-21 reflect the application of the proposed 4% annual inflation factor (down from 7%) and a wage increase under the minimum compensation ordinance to $17.50 an hour.

Dignity Fund

In keeping with the legislation, the FY 2019-20 budget will include an additional $3 million in new Dignity Fund appropriation, with the FY 2020-21 budget including a further $3 million in new funding–or $6 million cumulative, above FY 2018-19, for program enhancements. A portion of the growth will be used to support cost-of-doing business (CODB) increases for DAAS contracts supported by the Dignity Fund, in keeping with the citywide rate. For FY 2019-20, the City's 2.5% CODB for community-based organizations will require approximately $980,000 of the new growth appropriation. The CODB rate for FY 2019-2021 is yet to be determined, but is expected to be a similar amount. In conjunction with the Dignity Fund Oversight and Advisory Committee, DAAS will finalize the Fund's Service and Allocation Plan (SAP) during the remainder of FY 2018-19. The SAP will then guide the department's allocation of new growth funds over a 4-year period, as outlined in the Dignity Fund legislation.

Implementation of the Housing Conservatorship Program

DAAS is proposing two new positions in the Office of the Public Conservator (PC) – one 2940 protective services worker and one 2944 protective services supervisor – to oversee cases that will be referred through San Francisco's local implementation of SB1045's Housing Conservatorship program, and to grow existing, innovative, community-based conservatorship programs. In combination, these programs will expand the PC's ability to help manage high-level users of City services with acute mental health needs.

The Public Conservator (PC) proposes to use these new positions, along with two existing protective services workers, to create a specialized unit of deputy conservators who carry reduced caseloads and are focused on providing high intensity services to clients that are living in community settings. The new unit will be a crucial part of the local implementation of SB 1045, which creates a new type of conservatorship to help people who are unable to care for themselves due to a specific combination of serious mental illness and substance use disorder. The new law's intent is to allow for conservatorship even when a person's illness is primarily caused by or exacerbated by a substance use disorder, making the standard of "grave disability" hard to prove. A local ordinance to implement this bill was introduced late last year, and it is anticipated that the Board of Supervisors will vote on the implementation by March 2019. DAAS is working in collaboration with the Mayor's Office and Senator Wiener's Office to move clean-up legislation at the state-level forward as well, which will likely increase the number of Housing Conservatorship referrals that the PC receives.

In addition to implementing a new Housing Conservatorship model, the specialized unit of deputy conservators will have the responsibility for operating two other innovative programs. One, the Community Independence Participation Program (CIPP) is for individuals with acute mental illness who do not contest their conservatorship and who are able to live safely in community-based settings including supportive housing. The other program, the Post-Acute Permanent Conservatorship (PACC), promotes psychiatric stability for those who are able to discharge to the community directly from an acute setting such as hospital or jail and can live safely in community settings when adherent to their psychotropic medication regimen. Both programs require the deputy conservators to provide high intensity case management and oversight services in order to ensure the safety, stability and well-being of the clients.

The total cost of these new positions is $210,827 in FY 2019-20 of which $52,707 is the General Fund share, and $264,610 in FY 2020-21 of which $70,591 is the General Fund share.

Response to Recommendations of the Assisted Living Workgroup

The Long Term Care Coordinating Council Assisted Living Workgroup recently released a report on the need for and availability of assisted living for low-income persons in San Francisco. This report includes findings on factors that impact the supply of assisted living as well as sources of consumer demand and unmet need. The key findings include the following:

- Small facilities are disappearing at a fast rate and are unlikely to return. The decline in ALF capacity has primarily occurred through the closure of the small facilities that have been more affordable and accessible for low-income persons.
- Cost is – and will continue to be – a significant barrier. Estimates suggest the monthly breakeven rate per board and care home bed is, at minimum, well over two times higher than the $1,058 state-set rate for Supplemental Security Income (SSI) recipients residing in assisted living. Moreover, larger facilities tend to charge closer to $3,500 to $5,000, and this cost increases greatly for specialized care needs.
- The City is a key funder of ALF placement. Through DPH and DAAS programs, the City supports 586 placements at an overall cost of about $11.2 million per year. It is in the best interests of both the City and ALF operators to work together towards sustainability to ensure this critical resource remains available and clients are able to flow through systems of care.
- There is unmet need for low-income ALF placement in San Francisco. Available waitlist data suggests at least 103 individuals have expressed a need for subsidized ALF placement through the DPH placement program, the DAAS-funded Community Living Fund program, and the state's Assisted Living Waiver program.

Based on these findings, the group identified strategies to support the availability of affordable assisted living in San Francisco:

- Sustain existing small businesses by supporting business acumen skills to empower and support the viability of small ALFs, and developing a workforce pipeline to provide trained caregiver staff with time-limited wage stipend .
- Increase access to existing ALF beds by increasing the rate for City-funded subsidies to ensure the City is able to secure ALF placement for low-income individuals
- Increase the number of City-funded subsidies to increase availability of affordable ALF placement for low-income individuals
- Develop new models by piloting the co-location of enhanced services and affordable housing to develop alternate resources for people on the verge of needing assisted living but able to live in the community with more intensive and coordinated supportive services. Make space available for ALF operators at low cost to reduce a major operating expense and allow the City to more directly impact the resident population (e.g., support low-income ALFs).
- Enhance the state Assisted Living Waiver program by increasing use of existing ALW slots by individuals and facilities and advocating for expansion of the program to increase the number of Assisted Living Waiver slots.

DAAS intends to work with the Mayor's Office, DPH, OEWD and other stakeholders to further examine the feasibility of these recommendations and to identify opportunities to implement them through this year's budget process.

Position Changes

DAAS proposes the following positions changes in the FY 2019-20 and FY 2020-21 budgets:

- 9 position substitutions to align positions with current department uses, as well as to increase operational efficiency and effectiveness of client services.
- 6 positions are in the County Veterans' Services Office (CVSO) and represent new classifications created to address specialized recruitment needs within the CVSO. The new classification includes requirements specifically related to administering veterans' benefits and requires accreditation by the California Department of Veterans Affairs within six months of employment.
- Reassign 4 positions in order to accurately reflect how the positions are funded.

The net cost of the position substitutions is estimated at $34,018 ($26,194 General Fund) and is offset by savings in other areas.

Required Action and Recommendation

With this memo, we request approval of the proposed FY 2019-20 and FY 2020-21 budgets for the Department of Aging and Adult Services.