



Mark Farrell, Mayor

Department of Aging and Adult Services  
Shireen McSpadden, Executive Director

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 13, 2018
SUBJECT:	Department of Aging and Adult Services (DAAS) Budget for FY 2018-19 and FY 2019-20

Through this memo, we present to you for review and approval the FY18-19 and FY19-20 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 23, the budget outlook this year is similar to last year. 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 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.

**Reduction Plan**

Despite a strong economy, the City continues to face a deficit amidst slowing revenue growth and increasing expenditures. The Mayor’s Office has requested budget reductions of 2.5% and 5% for FY18-19 and FY19-20, respectively. HSA’s 2-year budget submission must include reductions in General Fund support of \$1.3 million in FY18-19, and \$2.6 million in FY19-20. Unlike in prior years, where HSA was able to leverage State and Federal revenues to meet the target and grow programs, many of these revenues are declining or flat in the coming year. Overall, HSA projects declines in its CalFresh and CalWORKs revenues, offset by increases in its Medi-Cal and 2011 Realignment revenues, leaving no new growth. HSA plans to meet its reduction target with savings in its overall salary and fringe budget, recognizing that some savings are projected to be available after maintaining current staffing levels and covering mandated salary and benefits increases.

**DAAS Budget for FY18-19 and FY19-20**

The Department’s proposed \$319.9 million budget for FY18-19 is \$22.8 million or 7.7 %

more than the original FY17-18 budget of \$297.1 million. The Department’s revenues of \$159.9 million in FY18-19 are \$6.8 million or 4% less than FY17-18 revenues of \$166.7 million. The increased costs and decreased revenues are primarily driven by the In-Home Supportive Services (IHSS) Maintenance of Effort. The proposed spending plan for the FY19-20 budget is the same as the FY18-19 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: \$18.7 million in FY18-19 and a cumulative increase of \$43.9 million in FY19-20 over the current projection for the FY17-18 MOE of \$99.1 million. These increases reflect three factors: (1) an annual inflationary increase to the full Maintenance of Effort of 5% in FY18-19 and 7% in FY19-20, (2) the local share of the cost of increasing IHSS independent provider wages from \$14 / hour to \$15 / hour in FY18-19 and from \$15 / hour to an estimated \$15.50 / hour<sup>1</sup> in FY19-20 in line with the City’s minimum wage law, and (3) a reduction in the State general fund available to offset counties’ increased costs as part of the State’s agreement to help counties transition to the new maintenance of effort.

<b>IHSS MOE Changes</b>	<b>FY18-19 Change over FY17-18</b>	<b>FY19-20 Change over FY18-19</b>	<b>FY19-20 Cumulative Change over FY17-18</b>
(1) Inflationary Increases	\$5,600,000	\$8,300,000	\$13,900,000
(2) Minimum wage increases	\$7,800,000	\$7,000,000	\$14,800,000
(3) Reductions in State General Fund	\$5,300,000	\$9,900,000	\$15,200,000
<b>Total Change</b>	<b>\$18,700,000</b>	<b>\$25,200,000</b>	<b>\$43,900,000</b>

The City accounted for this anticipated cost growth as part of its deficit projections. HSA is not being asked to finance these costs from within its own existing budget; the need will be addressed and funded as part of the City’s overall balancing plan for FY18-19 and FY19-20.

### Dignity Fund

In keeping with the legislation, the FY18-19 budget will include an additional \$3 million in new Dignity Fund appropriation and the FY19-20 budget includes a further \$3 million in new funding -- or \$6 million cumulative above FY17-18 -- for 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 FY18-19, the City’s 2.5% CODB for community-based organizations will require approximately \$980,000 of the new growth appropriation. The CODB rate for FY19-20 is yet to be determined, but is expected to be a similar amount. DAAS will continue to work with the Dignity Fund Oversight and Advisory Committee to develop an allocation plan to expand existing services for the remaining growth funds.

<sup>1</sup> After the FY18-19 increase to \$15 / hour, San Francisco’s minimum wage will increase each subsequent July 1 at the same rate as inflation. Per the Controller’s Office, the current estimate for inflation in FY19-20 is 3.33%.

## **Proposal to Support Residential Care Facilities for the Elderly**

DAAS seeks to improve accessibility for lower-income individuals to San Francisco's already-limited capacity at Residential Care Facilities for the Elderly (RCFEs) by supplementing their cost-of-care payments. Cases of Alzheimer's and related dementias stand poised to rise over the coming decade. These diseases will render independent living untenable for many of those individuals coping with them, and necessitate expanded capacity of RCFEs, which are licensed to care for residents suffering from dementia. These non-medical facilities provide rooms, meals, supervision, storage and distribution of medication, and assistance with basic activities. DAAS proposes to, through a contract with a community-based organization, cover the difference between an individual's contribution of Social Security Income (SSI) to their cost of care, and the RCFE's daily bed rate. This initiative would ensure the availability of three emergency placement beds and 20 long-term beds at any given time, and cost \$1,090,392 and \$1,214,592 for FY18-19 and FY19-20, respectively.

DAAS will work with the Mayor's Office to find support for this proposed enhancement.

### **Position Changes**

DAAS proposes the following positions changes in the FY18-19 and 19-20 budgets:

- 7 position substitutions to align positions with current client needs and to achieve agency-wide and department-wide parity with other similar classifications as responsibilities have changed or grown.
- Reassign 4 positions to different programs within DAAS to meet changing requirements of program service delivery and align with current usage.

The net cost of the position substitutions is \$84,519 (\$57,340 General Fund) and is offset by savings in other areas.

### **Required Action and Recommendation**

With this memo, we request approval of the proposed FY18-19 and FY19-20 budgets for the Department of Aging and Adult Services.