MEMORANDUM

TO:	**Human Services Commission** **Department of Aging and Adult Services Commission** **Office of Early Care and Education**
THROUGH:	Trent Rhorer, Executive Director
FROM:	Dan Kaplan, Deputy Director, Human Services Agency
DATE:	September 29, 2016
SUBJECT:	Human Services Agency Budget for FY 16-17 and FY 17-18

Overall Budget Picture

HSA's approved budget of $862.9 million for FY 2016-17 is $75.0 million or 8.0% less than the original $937.9 million budget for FY 2015-16. HSA's revenues of $643.5 million in FY 2016-17, are $5.8 million or 1.0% less than FY 2015-16 revenues of $649.3 million. General Fund support of $219.5 million in FY 2016-17 is $69.2 million or 24.0% less than FY 2015-16 General Fund support of $288.7 million. The decreases in HSA's budget are primarily due to the shift of approximately $140 million from HSA to the new Department of Homelessness and Supportive Housing, offset by increases across many other HSA programs. HSA's budget reflects 2096.74 FTE positions, which is 29.01 or 1.4% higher than the 2067.73 FTE positions budgeted in FY 2015-16.

The approved spending plan for FY 2017-18 of $877.0 million is $14.0 million or 1.6% more than the original $862.9 million budget for FY 2016-17. The increases are primarily due to increases in aid costs, the annualized cost of new positions added in FY 2016-17, and funding of a proposed Dignity Fund for seniors and persons with disabilities.

Creation of Department on Homelessness and Supportive Housing

As part of the budget process, the Mayor created the Department of Homelessness and Supportive Housing (DHSH) comprised of programs formerly within the HSA, the Department of Public Health, and the Mayor's Office of Housing and Community Development. HSA transferred 60 positions to the new department. This included 35 positions formerly in its Housing and Homeless Program, 9 positions from the County Adult Assistance Program (CAAP) that administers the City's Homeward Bound program, and 16 positions from the HSA's central administrative divisions, primarily its Fiscal and Contracts offices. HSA also transferred approximately $135 million for contracted services, work ordered services, and other non-personnel expenditures that DHSH will now administer. Overall, these shifts represented about 15% of the Agency's expenditure budget and less than 3% of its positions.

HSA will continue to have a financial relationship with the new department. In the budget, HSA established a number of new work orders with the DHSH to facilitate continued claiming of DHSH services to state and federal revenue streams for clients served by both departments. These services include housing provided to CalFresh clients participating in employment and training programs and housing for former foster youth who have exited care. Since HSA continues to administer CAAP, it will also continue to determine the amount of savings in aid to homeless clients under the Care Not Cash Program and transfer those savings to the Homelessness and Supportive Housing Fund, formerly the Human Services Care Fund. The expenditures from the fund will be overseen by DHSH.

State Budget

The state budget 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.

DHS

To address the continued impact of the Medi-Cal expansion on county's Medi-Cal eligibility programs, the State provided an additional $169.9 million ($57 million General Fund) in FY 2016‑17 to counties. This is a significant increase statewide, which will help begin to address the pressures San Francisco and other counties have felt as a result of implementation of the Affordable Care Act. Once the eligibility system is stabilized, the state will conduct time studies to inform a new Medi‑Cal county administration budgeting methodology.

Overall, the State's FY 2016-17 budget reduces CalWORKs expenditures, with $180 million in augmentations offset by $310 million in savings—largely due to a declining caseload. In terms of augmentations, the budget repeals a provision of state law known as the Maximum Family Grant (MFG) policy, which prevented CalWORKs families from receiving assistance on behalf of a child born while the family was on aid. The repeal of the MFG policy is effective January 2017. Second, the budget increases the maximum monthly CalWORKs grant by 1.43%--effective October 2016. Finally, the budget provides $47 million statewide (an additional $12 million over the FY 2015-16 amount) to the Housing Support Program in order to support families who are homeless or who are at imminent risk of becoming homeless. HSA anticipates an increase in its Housing Support Program as a result of this growth.

The State's budget also makes several augmentations to Family and Children's Services (FCS). Notably, it provides funding to implement the 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 $170 million statewide.

OECE

The FY 2016-17 budget adjusts CalWORKs child care funding down by $25 million statewide due to a declining caseload and other changes. The budget also increases the rate paid to child care providers under CalWORKs—known as the Regional Market Rate (RMR). Effective January 2017, the budget increases the RMR to the 75^{th} percentile of the 2014 regional child care market survey conducted by the state at an additional cost of $19 million for six months.

DAAS

The FY 2016-17 budget includes $18 million in statewide In-Home Supportive Services (IHSS) funding in order to exempt certain providers from the workweek limitations implemented as a result of new federal Fair Labor Standards Act regulations.

Budgetary Enhancements

The FY 2016-17 and FY 2017-18 budgets include a number of significant enhancements to HSA's operations and services. Overall, the enhancements include 96 new positions across HSA and an array of new investments in services for San Franciscans.

DHS

Within the Economic Support and Self-Sufficiency Division, the final budget included the CAAP Redesign proposal as well as new positions to address caseload growth in SF Benefits Net (26 positions). The budget increases investment in the IPO (Interrupt, Predict, Organize) Initiative through HSA's Workforce Development Division. IPO, which serves justice-system involved young adults with subsidized employment placements, will expand to three cohorts of clients per year. These funds were also made ongoing, increasing from one cohort funded on an ongoing basis in the budget. Due to continuing projected growth in CalWORKs revenue in San Francisco, as result of statewide underspending of CalWORKs funds, the CalWORKs program added enhancements focusing on expanding supportive services and personalized case management for the families facing the most complex challenges. It also added a position to improve coordination with the Office of Economic and Workforce Development, which manages additional workforce and training funds for the City. Finally, beginning in FY 2017-18, the budget provides $1.4 million to preserve employment services for homeless clients that will lose federal grant funding this year.

Within FCS, the final budget included enhancements related to CCR, such as funding for an intensive residential treatment program for youth with exceptional mental health/behavioral and placement needs and a position to support a component of CCR called Resource Family

Approval (RFA). The RFA provides uniform assessments, training, and support to all caregivers in the foster care system. FCS will also add an analyst position to continue to develop and administer policies and protocols to safely serve Commercially Sexually Exploited Children, another statewide program. Finally, enhancements related to the Title IV-E Waiver Project were included, such as an East Bay center for comprehensive visitation services, two positions for the development of an in-house Workforce Development unit, and three administrative positions to provide additional management and support.

The budget also adds $500,000 to ensure continued quality placements for Edgewood's Vincente Campus', which is the only residential group home facility in San Francisco.

DAAS

Additional investments expand meals programs, housing subsidy programs and employment programs for seniors. Specifically, the budget adds $6.5M to: expand the nutrition program, provide additional staffing in the Public Conservator's Office to support the new partnership with the Department of Public Health (DPH) for the Community Conservatorship Program, pilot a new home care project, increase wages at community-based organizations in the Case Management program, develop a senior employment program, and continue support for senior housing subsidies, among other augmentations. Also, the DPH contract with Brilliant Corners for scattered site housing and the Adult Day Health Care contract with Steppingstone were transferred to DAAS for programming.

In addition, the budget adds nearly $4.9 million in FY 2016-17 and more than $4.4 million in FY 2017-18 to support the expansion of services for seniors and persons with disabilities. A significant amount of this funding is used to backfill onetime nutrition funding, and would significantly expand the senior housing subsidy program, pending results of the November election's revenue measures. The budget also provides ongoing funding in support of the new home care model currently in development, which would assist clients who are just over the income limits for IHSS eligibility.

Finally, as noted above, the budget assumes passage of a November ballot measure that will create a Dignity Fund, dedicating additional funding to programming for seniors and persons with disabilities, and includes $6 million in the fund in the FY 2017-18 budget.

OECE

The budget provides additional funding to support child care providers and expand the availability of child care. In terms of supporting providers, the budget added $2.8 million in FY 2016-17 and $3.2 million in FY 2017-18 in citywide operating grants in order to support child care wage increases and help state-contracted providers reach basic levels of quality. An additional $500,000 was provided to support child care facilities.

In terms of the availability of child care, the budget provides an additional $1.9 million in FY 2016-17 and $1.75 million in FY 2017-18 primarily to expand the availability of Early Head Start, City Child Care slots, and ACCESS homeless child care slots as well as increase the rates paid to City Child Care and ACCESS providers.

As part of the transition of the Public Education and Enrichment Fund (PEEF) from the First Five Commission to OECE, the office received 5 positions to support its efforts to design a comprehensive 0-5 early child education system. Outside of PEEF, the office added 3 new positions to support its priorities.

HSA Administration

The budget includes a sizable expansion in the Agency's IT division (9 positions) to build out new Digital Services and Business Intelligence teams. The budget also supports the addition of two contract managers to address growth in contracts, an expansion of the Innovation Office, and an addition of two positions in the Planning division to perform analysis for the CalFresh and DAAS programs. The Board provided $300,000 in FY 2016-17 and in FY 2017-18 for rental subsidies for fire displaced victims, which will be administered by the Agency's emergency response team.

Conclusion

Overall, the Agency's budget continues to grow as a result of the Mayor, the Board, and the State investing in improving and expanding services for low-income and vulnerable people across San Francisco. HSA looks forward to implementing the service enhancements funded in its budget in partnership with community organizations and other stakeholders. We will also be evaluating closely the efficiency and effectiveness of these investments to support future budget planning and program development.