MEMORANDUM
PLACER COUNTY HEALTH AND HUMAN SERVICES
Adult System of Care

TO: Honorable Board of Supervisors

FROM: Thomas M. Miller, County Executive Officer
Bekki Riggan, Principal Management Analyst

DATE: March 8, 2011

SUBJECT: Presentation Regarding Health and Human Services and Veterans' Services

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ACTION REQUESTED: Receive a presentation on Health and Human Services and Veterans' Services budgets and potential fiscal challenges from the Governor's Proposed FY 2011-12 State budget.

BACKGROUND:
Historic Trends
In California, health and human services are provided and funded by Federal, State and County governments. In many program areas, services are provided by one level of government, while the funding and program eligibility rules are determined by another level of government, leaving no single entity with the ultimate responsibility and authority for providing services. As the State-mandated provider of last resort for "safety net" services to the community, Placer County Health & Human Services Department (HHS) must maintain an "open door" and offer access to all constituents who meet specific program criteria – which are often defined by the State and Federal governments.

In 1991, in response to a budget shortfall, the State enacted a major change in the State and local government relationship referred to as Realignment. The key components were the transfer of programs from State to county control in the areas of social services and physical and mental health services; a change in the program cost-sharing ratios between the State and county; and increased sales tax and vehicle license fee revenues dedicated to the counties to pay for these changes. The logic behind this experiment in governance restructuring was that decentralizing program delivery and authority would improve fiscal incentives, promote program innovation and efficiency, and improve program response to local conditions.

Although the logic for realigning program responsibilities may be sound, as the administrators of Federal and State programs, counties are left highly vulnerable to underfunding of these mandated services. For example, the State currently funds costs to counties for providing these services based on 2001 costs rather than on the actual costs. For Placer County, this translates into roughly $5-6M per year in unfunded costs that must be borne by the County's constrained discretionary revenues or that must be re-designed out of service delivery. In addition to this chronic underfunding, the State has also deferred and delayed millions of dollars in mandated payments owed to Placer County in response to the severe State budget deficits since FY 2007-08.

These funding challenges are further exacerbated for Placer County by its tremendous growth in population throughout the last decade and by the persistent downturn in the economy. Placer County has experienced a 28 percent population growth since 2000 (from 248,400 to 347,100), with 88 percent of that growth occurring in its incorporated cities. Given the counter-cyclical nature of safety net services, and that HHS must provide services to all eligible constituents whether they

reside in the incorporated or unincorporated areas of the County, an economic downturn of the magnitude we're experiencing has resulted in a dramatic increase in demand for services, particularly in the following program areas:

- In-Home Supportive Services;
- Community Clinic Medical Care;
- CalWORKS;
- Food stamps (Cal Fresh);
- Emergency Cash Aid;
- General Assistance; and
- Women, Infants and Children (WIC) Nutrition Program.

Current Condition & Service Impacts

Although HHS has historically sought the most cost-effective approach to providing services, the Department began a concerted effort in FY 2007-08 to eliminate all non-essential services, leverage all available Federal and State funding where feasible, and expand the use of private-sector contracts and community-based partnerships. However, given the dramatic increases in service demand, strategic use of reserves and other resources was necessary in order equip the department for the shifts in demand, cover the cost increases for the County's mandated share of service provision, and minimize the impact to the County's most vulnerable constituents from the cuts at the State level.

Accordingly, the Board of Supervisors authorized a phasing in of additional resources totaling $14.1M between FY 2006-07 and 2010-11 to partially close what would have otherwise been a funding gap of $35-40M. The components of the $14.1 in additional resources are as follows:

1) Phased increases in General Fund contribution (totaling $9.9M);
2) Phased use of reserves specifically designated for caseload growth (totaling $2.7M); and
3) Use of American Recovery and Reinvestment Act funding ($2.1M over two years).

In addition, this funding approach allowed for the implementation of the Department's strategy to leverage additional Federal and State funding. Although the leveraging ratios between programs vary, on average each dollar of General Fund invested leverages three dollars of intergovernmental revenue. The overall effectiveness of this strategy is evidenced in the Department's FY 2010-11 Final Budget that demonstrates a 4.9% increase in its gross budget (from $163.8M to $171.8) with a 4.2% decrease in County General Fund contribution ($34.2M to $32.8M).

Through its good planning, Placer County has been able to maintain its mandated safety net services. However, the extended nature of the economic decline has taxed its ability to continue this level of funding, and delays and reductions in services have occurred during this time. The Department continues to perfect its intergovernmental leveraging strategy in order to decrease future reliance on County General Fund to the greatest extent possible.

FY 2011-12 State Budget

The Governor's budget identifies $26.4 billion in proposals to address a $25.4 billion deficit and provides for a $1 billion reserve. It attempts to solve the budget gap through $12.5 billion in expenditure reductions, borrowing and funding shifts, the extension of four temporary tax increases set to expire in 2011, and further realignment of programs and services from State to county responsibility.

In the first phase of the Governor's proposed realignment, counties would assume additional responsibility for providing a variety of programs broadly-defined as public safety programs, including:

fire and emergency response; court security; managing low-level felony offenders and individuals on State parole; juvenile justice programs; adult protective services; child welfare and foster care services; mental health services; and substance abuse treatment services.

The second phase of the Governor's realignment proposal focuses primarily on implementation of national health care reform. It is assumed that costs for indigent health care will shift from the counties to the State and that the State will assume responsibility for future costs associated with health care programs including California Children's Services and In-Home Supportive Services. It is further assumed that the counties will acquire complete responsibility for Cal-WORKS, Food Stamp administration, child support, child care programs and public health programs.

Following is a chart depicting those programs targeted for restructure and realignment under the Governor's proposal. The funding and caseload figures represent current program levels and are subject to change pending the results of the June Special Election and the refinements imposed through the legislative process.

Health & Human Services
2011-12 State Realignment Proposal

Program	Funding	Caseload	Program Description
Adult Protective Services (APS)	$400,000	986	Investigates reports of abuse or neglect of elderly and disabled persons, and provides brief services when needed.
Child Welfare Services	$10.1 million	1500	Investigates reports of abuse or neglect of children, and takes appropriate action.
Mental Health Services	$5.6 million	2784	Provides services to adults and youth with severe mental health issues, including hospitalization, residential care, medication, and out-client services.
Mental Health Services - Children	$4.1 million	175	Delivers Federally-mandated mental health services to special education students.
Substance Abuse Treatment	$2 million	470	Provides treatment services for substance use disorders through Drug Medi-Cal, and specialized services for pregnant women are provided. Drug Court programs are also included.

June Special Election – The Governor's proposal assumes that the Legislature will approve the programs to be realigned as well as the underlying funding structure in March to allow sufficient time for the ballot measures to be prepared for a special election in June 2011. Funding for realigned programs will rely on voter approval of a five-year extension of the 1.15% increase in VLF and the 1% sales tax increase. Should the Governor's proposals fail to receive voter approval, an additional $13.5 billion in cuts statewide could be required, which the LAO believes may translate into an additional $1.2 billion in further reductions to HHS programs and services statewide.

While the Governor's office has indicated that the State would remain responsible for funding after the five-year tax extension sunsets, the lack of a dedicated funding source beginning in year six could result in an unknown impact to counties. California State Association of Counties (CSAC) and counties are working with the State to craft a proposal to address funding and other protections beyond that period.

Veterans' Services Office

Historic Trends

Placer County's Veterans' Services Office is a four-person office recently located to the Sunset Building in Rocklin. It was established by the Board of Supervisors to promote the interests and entitlements of veterans, their dependents and survivors through counseling, education, claims assistance and advocacy.

Since FY 2005-06, the Department's State revenue has tripled due to the efforts of Veterans' Services Officer Rick Buckman. With this increased State revenue and the County's investment of $367,000, in FY 2009-10 the department obtained $29.2 million in new Federal benefits for veterans and their families. It has been estimated that every $1 invested in Veterans' Services Offices provides $100 to veterans and the local economy.

Current Condition & Service Impacts

Demand for services from returning Iraq war veterans continues to increase at an even greater rate than revenues. The State's Operation Welcome Home Program, established last fiscal year by Governor Schwarzenegger, made a concerted outreach effort to the 30,000 veterans Statewide who return home annually to inform them of the benefits to which they are entitled. This program has placed an additional service level demand on Veterans' Services Offices.

2011-12 State Budget Impacts

The Governor's FY 2011-12 January budget initially proposed to eliminate all State General Fund support ($10 million statewide) for County Veterans' Services Offices as well as the State-operated Operation Welcome Home Program. This action would translate into a loss of approximately $200,000 in revenue for the Placer County Office.

Recognizing the difficulty of cutting funding this drastically to veterans during war time, both the Senate and Assembly full budget committees voted to restore funding to the same level that was established in the 2010 budget ($2.6 million Statewide). Legislation (AB 1209, Cook) has also been introduced that seeks to restore full funding to County Veterans' Services Offices.