



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Human Services Agency



DATE: February 15, 2011
BOARD MEETING DATE: March 1, 2011
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: 4/5ths

TO: Honorable Board of Supervisors

FROM: Beverly Beasley Johnson, Director, Human Services Agency

SUBJECT: Request an Appropriation Transfer Request (ATR) of \$3.7 million from Non-Departmental reserves to resolve Human Services Agency's \$5.3 million deficit in fiscal year 2010-11.

RECOMMENDATION:

Approve an ATR transferring \$3,700,000 from Non-Departmental Reserves to Human Services Agency (HSA) to address the Agency's \$5.3 million deficit in fiscal year 2010-11.

BACKGROUND:

HSA faces a \$5.3 million structural deficit in fiscal year 2010-11 due to the state budget and continued caseload growth. The state budget, which was passed in October 2010, included a \$2.9 million reduction to Medi-Cal administration and extended the \$1.7 million reduction to Child Welfare Services into a second year. With the slow pace of economic recovery, caseloads in all Economic Self-Sufficiency programs continue to grow, and General Assistance (GA) benefit costs will increase by \$817,000 in this fiscal year. Over the last past three fiscal years, HSA has utilized \$4.2 million in reserves to mitigate losses in funding and to minimize the impact to county residents who have turned to safety net services in increasing numbers. The approval of the \$3.7 million allocation and cost reduction totaling \$1.6 million in program and operational changes, which include maximization of revenue, contract changes and staff reduction, will balance fiscal year 2010-11 budget.

DISCUSSION:

There are several factors that contribute to HSA's current structural deficit:

- 1) The continuing economic downturn;
- 2) Multiyear shortfalls in county, state, and federal allocations, which are used to fund mandatory and discretionary programs; and

3) Continuing increases in staff, program, and operating costs.

Each of these factors has contributed to HSA's structural deficit which, without intervention, is anticipated to continue to grow over the next few years. The economic downturn has impacted the lives of many low- and middle-income families in San Mateo County. Over the past four years, applications for assistance have risen steadily (approximately 65%), corresponding to the unemployment rate, which now stands at 8.7% countywide, but is as high as 18-20% in the most impacted areas. It is anticipated that this demand for services will continue to rise well into the economic recovery.

In November 2010, HSA received its Medi-Cal allocation, which reduced funding in the current fiscal year by \$2.9 million. The Medi-Cal program is the largest safety net program administered by the Human Services Agency. The program currently serves over 30,000 low-income and disabled families, providing much needed coverage and access to health care. In the month of November alone, the program received in excess of 1,900 applications. As applications increase, caseloads have grown. The typical caseload per Benefits Analyst is 600 and is rising. Despite these increases in caseloads and service utilization, state and federal allocations have remained flat.

The GA caseload has nearly doubled since 2006, resulting in a cumulative \$1.5 million increase in program benefit cost and a \$817,000 funding gap in the current year alone. A number of administrative efficiencies to the program are being implemented, however, none will create the savings required to remedy the growing program costs. A full report with recommendations to improve the county's GA program will come to the Board later in March.

Along with other county departments, HSA has experienced cost increases over the past three years, including increases in salaries, retirement costs, benefits and other forms of operational costs.

HSA continues to identify long-term solutions to eliminate the structural deficit by 2013.

This request contributes to the Shared Vision 2025 Community Outcome of a Prosperous Community by ensuring that a growing number of individuals and families in need have access to Economic Self-Sufficiency services at the level set in the FY 2010-11 budget.

FISCAL IMPACT:

The Net County Cost is \$3,700,000. The transfer from Non-Departmental Reserves and the \$1.6 million in reductions will balance the Agency's \$5.3 million deficit in the current fiscal year. HSA will continue to identify long-term solutions to eliminate the Agency's structural deficit by 2013.