

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
BOARD ACTION SUMMARY

DEPT: Chief Executive Office

BOARD AGENDA #: X. A

AGENDA DATE: March 14, 2017

SUBJECT:

Approval of a Letter Opposing the State's Proposal to Shift the Costs of the In-Home Supportive Services Program to Counties by the Termination of the Existing Statutory Maintenance of Effort

BOARD ACTION AS FOLLOWS:

No. 2017-118

On motion of Supervisor Olsen , Seconded by Supervisor DeMartini
and approved by the following vote,

Ayes: Supervisors: Olsen, Withrow, Monteith, DeMartini, and Chairman Chiesa

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) Approved as recommended


2) Denied

3) Approved as amended

4) Other:

MOTION:

ATTEST:


ELIZABETH A. KING, Clerk of the Board of Supervisors

File No.

**THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
AGENDA ITEM**

DEPT: Chief Executive Office
Urgent Routine

BOARD AGENDA #: X. A

AGENDA DATE: March 14, 2017

CEO CONCURRENCE: 

4/5 Vote Required: Yes No

SUBJECT:

Approval of a Letter Opposing the State's Proposal to Shift the Costs of the In-Home Supportive Services Program to Counties by the Termination of the Existing Statutory Maintenance of Effort

STAFF RECOMMENDATIONS:

1. Approve a letter opposing the State's actions to shift the costs of the In-Home Supportive Services Program to Counties by the termination of the existing statutory Maintenance of Effort.

DISCUSSION:

On January 10, 2017, the Director of the Department of Finance issued notice that the State would end the Coordinated Care Initiative (CCI) thereby terminating the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) enacted in 2012. The State Medi-Cal program partnered with the federal Medicare program to create a three-year project to promote coordinated healthcare delivery to seniors and people with disabilities who are dually eligible for both of the public health insurance programs. The pilot program started in April 2014. Under current law, the Director of Finance is required to annually determine if the CCI is cost-effective. If CCI is determined not to be cost effective, the program automatically ceases operation in the following fiscal year.

As a result of this formal declaration from the Department of Finance, the Governor's Budget for Fiscal Year 2017-2018 released on January 10, 2017, eliminated the IHSS County MOE. This action reinstates a 35 percent county share of all nonfederal IHSS program costs effective July 1, 2017. Because the State implemented millions of dollars of cost increases into the IHSS program through policy decisions since the inception of the CCI, the county share of cost will grow tremendously as a result in the shift of millions of dollars of new program costs to California counties.

It is anticipated the cost shift would be approximately \$623 million above the current MOE requirements statewide. These costs reflect the overall growth in IHSS spending since 2011-2012, which includes increases in the minimum wage, implementation of the Fair Labor Standards Act (FLSA) overtime regulations, paid wait time and paid travel. As the IHSS caseload continues to grow, it is estimated that the statewide county share of cost could increase to well over \$1.5 billion when the State minimum wage increase to \$15 is fully implemented in 2022-2023.

Approval of a Letter Opposing the State's Proposal to Shift the Costs of the In-Home Supportive Services Program to Counties by the Termination of the Existing Statutory Maintenance of Effort

Total Stanislaus County program costs for IHSS, including Administration, Public Authority Administration, Provider Wages and Benefits, is estimated at \$94.7 million for 2016-2017, with Federal/State funding of \$83.5 million and a County Share of \$11.2 million. 1991 realignment funding of \$7.8 million reduces the County General Fund match to \$3.4 million. This number includes the recommended Mid-Year Financial Report adjustment of \$1.9 million to Provider Wages to recognize current year growth and the one-time infusion of 500 new cases that have been pending program enrollment.

If implemented, this cost shift would have a local impact to Stanislaus County in Budget Year 2017-2018 of **approximately \$6 million**, growing over the next five years to over \$47 million in 2022-23. The figure will grow exponentially over those five years due to State program changes previously mentioned, plus the addition of paid sick days as a new benefit.

The impact of the elimination of the IHSS MOE will have a devastating effect on the County General Fund. Counties are able to use dedicated 1991 Realignment revenues to pay for a portion of IHSS program costs; however, it is estimated that 1991 Realignment revenue will fall dramatically short in covering the actual IHSS program costs.

IHSS is an entitlement program which is driven by caseload. As part of the 1991 legislation, IHSS along with the other mandated caseload-driven social services programs receives "first call" on any 1991 Realignment growth funding. Increases in IHSS costs will exceed growth funding projections and will affect the future of growth funding that will be received by the health, mental health and social services programs. These are all mandated program services in support of multiple Board of Supervisors priorities and the magnitude of the cost shift threatens County General Fund spending and serious long-term negative fiscal consequences.

Current Stanislaus County 1991 Realignment Funding Distribution:

Stanislaus County programs benefit significantly from 1991 Realignment funding. In Fiscal Year 2016-2017 the estimated revenues total \$44.4 million and are broken down as follows:

Health Programs: \$6.8 million (base: \$6.3 million; growth: \$.5 million)
Mental Health Programs: \$15.4 million (base: \$14.7 million; growth: \$.7 million)
Social Services Programs: \$22.2 million (base: \$21 million; growth: \$1.2 million)

Due to the current mandates in the IHSS program, all of which remain in effect even while the State funding is being reduced, counties will be forced to make up the shortfall using the General Fund. In the absence of Realignment revenue, or in the case of sales tax/Vehicle License Fee (VLF) revenue shortfalls, the County General Fund is required to make up the difference to maintain the mandated entitlement programs.

Current Stanislaus County IHSS Program Highlights:

The County had an average caseload of 6,169 clients through the first six months of 2016-2017. The Governor's Budget projects statewide caseload growth for Fiscal Year 2016-2017 at 5.3%. The Stanislaus County caseload growth for 2016-2017 has been 2.06%, but will

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increase to 2.73% once a backlog of 500 new cases are added before the end of the current fiscal year. Average monthly hours per recipient are projected at 105.2 in the Governor's Budget for Fiscal Year 2016-2017 compared to the County fiscal year-to-date average through December 2016 of 90.3, as a result of the integrity of program services administered by the Community Services Agency.

Under the current labor agreement with United Domestic Workers of America (UDWA), approved by the Board of Supervisors on February 9, 2106, the IHSS provider wages are budgeted at \$10.45 per hour through December 31, 2016, and at \$10.65 per hour beginning January 1, 2017. The current agreement with UDWA expires on June 30, 2019.

POLICY ISSUE:

On March 7, 2017, the County Board of Supervisors directed the Chief Executive Office to draft a letter opposing the State of California actions to shift the costs of the IHSS program to counties by the termination of the existing statutory MOE.

FISCAL IMPACT:

There is no fiscal impact associated with creating the letter of opposition.

BOARD OF SUPERVISORS' PRIORITY:

Approval of the recommended actions supports the Board's priorities of a Safe Community, A Healthy Community, and Efficient Delivery of Public Services by advocating for protection of program funding to safeguard the County General Fund.

STAFFING IMPACT:

There is no staffing impact associated with this agenda item. Existing staff will create and distribute the letter of opposition.

CONTACT PERSON:

Patricia Hill Thomas, Chief Operations Officer. Telephone: (209) 525-6333
David Jones, Manager IV. Telephone: (209) 525-6333

ATTACHMENT(S):

A. Letter of Opposition

Attachment A



BOARD OF SUPERVISORS

Kristin Olsen, 1st District
Vito Chiesa, 2nd District
Terry Withrow, 3rd District
Dick Monteith, 4th District
Jim DeMartini, 5th District

1010 10th Street, Suite 6500
Modesto, CA 95354
Phone: 209.525.6560 Fax: 209.525.4410

March 14, 2017

The Honorable Edmund G. Brown, Jr.
Governor of California
State Capitol
Sacramento, CA 95814

RE: OPPOSITION TO IHSS COST SHIFT TO COUNTIES

Dear Governor Brown:

We are writing to inform you of the Stanislaus County Board of Supervisors strong opposition to the IHSS cost-shift and the discontinuance of the Maintenance of Effort (MOE). Our Board has a strong focus on long-term fiscal sustainability and prudence. We believe the essence of local government is to provide the most cost-effective use of public funds in order to provide essential services to the public. We also have operated under the philosophy that we need to live within our means.

Stanislaus County residents struggle historically under high unemployment, lower education attainment levels and the need for high social services benefits. We have many endemic challenges facing our residents. Also, the County struggles with one of the lowest property tax retention rates in the State, so unfunded mandates for the County general fund directly harm our ability to provide critical services to the local community. As a County, we are still recovering from the cumulative effects of the Great Recession which greatly challenges our ability to provide services to the community.

Since the inception of the Continuity of Care Initiative (CCI), there have been multiple policy changes implemented by the State of California that have significantly increased the cost structure of the IHSS program going forward. As a result of these State decisions, the current, proposed changes to the IHSS program will create a huge financial hardship to Stanislaus County and its residents. The projected annual financial cost to Stanislaus County over the first six-years of the transition will be an increase from our current annual cost of \$11.2 million, going up to \$17.1 million in Fiscal Year 2017-2018 and up to \$47.4 million per year by Fiscal Year 2022-2023.

From a practical standpoint, what this means is that this single IHSS decision will have created a devastating financial impact worse than the Great Recession to Stanislaus County's budget. That is not hyperbole.

The Honorable Edmund G. Brown, Jr.
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With our county's small discretionary revenue budget, this is not sustainable . . . even in year one. Counties need a reasonable solution to this issue that preserves the ability to deliver needed services and makes counties like Stanislaus financially whole.

We are trusting your commitment to financial prudence in this situation and that you will protect our local community. Thank you for your serious consideration of this important issue.

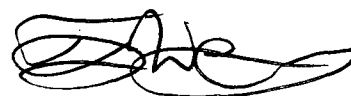
Sincerely,




Vito Chiesa
Chairman
District Two



Kristin Olsen
District One



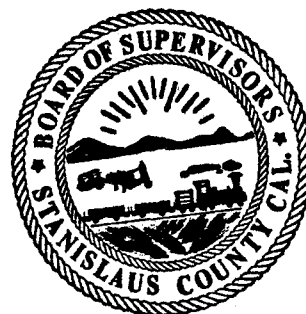
Terry Withrow
District Three



Dick Monteith
District Four



Jim DeMartini
District Five



CC: Stanislaus County Elected Delegation
Shaw/Yoder/Antwih