

COUNTY OF SACRAMENTO CALIFORNIA

For the Agenda of:
June 17, 2008

To: Board of Supervisors
From: Department of Health and Human Services
Subject: Report Back On Categorical Funding And The Cost Of Doing Business
Contact: Lynn Frank, Director, 875-2002

BACKGROUND

Child Welfare Services (CWS), Adult Protective Services (APS), and In-Home Supportive Services Administration (IHSS) receive Federal and State reimbursements for program costs. In general the Federal reimbursement does not have a cap and reimburses the County at the federal cost sharing ratio based on actual program expenditures. The State limits the allocation for each program and once the limit is met the State no longer reimburses the County. As an example if the sharing ratio is 50% Federal, 35% State and 15% County and the State Allocation is used up the sharing ratio becomes 50% Federal and 50% County. In addition, the State has not provided cost of doing business increases in their allocations for a number of years. The result is that these cost increases were either shifted to the County, program cost reductions were made, or workload/caseload modifications were implemented or some combination thereof.

During the budget hearing on Tuesday, June 10, 2008, the question was asked if the Unfunded Categorical related to State funding cuts. The State has not cut any of our allocations and has actually provided the same allocation increases related to caseload growth over the years. What the state has not done is increase the allocation for cost of doing business increases, the largest cost increases being salary and benefit costs.

During budget preparation, DHHS budget staff were instructed to put any shortage of funding of State and/or Federal programs in the "Unfunded Categorical" column. If the definition of "Unfunded Categorical" is that a State or Federal allocation was reduced, then none of the DHHS shortfalls should be in that column.

DISCUSSION

California Welfare Directors Association provided a statewide estimate of the suspended cost of doing business (CODB) increases which was \$773,300,000 for the CWS, APS and IHSS programs. The Department then applied its share of each statewide allocation to the statewide CODB amount for each of the programs. The result is an estimated annual loss of revenue in the CWS program of \$30.3M, the APS program of \$3.3M and the IHSS program of \$7.6M for a total of \$41.2M. These amounts are based on a calculation and represent our best estimate of the

impact to the various programs but they are not based on County specific amounts which may differ from the calculated amounts presented here.

The amount in unfunded categorical in proposed budget is the expenditure amount that is over what the state allocation would support. It is not really a state cut and it is not representative of the failure of the State to increase their allocation for the CODB. Over the years the county has taken cost reductions, made workload/caseload modifications, found or shifted funding or provided County funding to cover the unfunded cost of doing business and these items have not been factored in the unfunded categorical amount.

Respectfully submitted,

APPROVED:
TERRY SCHUTTEN
County Executive

LYNN FRANK, Director
Department of Health and Human Services

By: _____
PENELOPE CLARKE, Administrator
Countywide Services Agency