2011 REALIGNMENT

Prepared by:
Mendocino County Health & Human Services Agency
August 27, 2013
Outline

- HHSA Funding
- 2011 Realignment – Protective Services Subaccount
- Impacts to Local Government
- Flexibility
- Stakeholder Feedback
2011 Realignment

- Sales Tax is used to replace the State’s General Fund share with 2011 Realignment for certain programs.
- 2011 Realignment is a mechanism that moves all of the State’s financial responsibility to the counties.
County Local Revenue Fund
2011

Support Services Account

Behavioral Health Subaccount
Drug Court
Drug Medi-Cal
Nondrug Medi-Cal
Early & Periodic Screening, Diagnosis & Treatment
MH Managed Care
County Women and Children’s Residential Treatment Services Special Account

Support Services Reserve Subaccount (local option) subject to direction of BOS
Protective Services Subaccount
Adoptions
APS
Child Abuse Prevention & Intervention & Treatment
Child Welfare Services
Foster Care

Ability to transfer up to 10% of the lesser subaccount between these subaccounts

Law Enforcement Services Account

Trial Court Security Subaccount
Juvenile Justice Subaccount
Youthful Offender Block Grant Special Account
Juvenile Reentry Grant Special Account

Community Corrections Subaccount
District Attorney and Public Defender Subaccount
Enhancing Law Enforcement Activities Subaccount

Local Innovation Subaccount
(beginning FY 15-16 each Co. shall transfer 10% from Trial Court Security Growth Special Account, Community Corrections Growth Special Account, DA and Public Defender Growth Special Account and Juvenile Justice Growth Special Account)
## FY 2012-13
### 2011 Realignment Allocations

<table>
<thead>
<tr>
<th>Protective Services Subaccount</th>
<th>2012-13 Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foster Care (Asst) – Payments to Foster Parents &amp; Group Homes</td>
<td>$ 2,362,072</td>
</tr>
<tr>
<td>Foster Care Admin – KIN-GAP: Aid Payments to Relative Guardians</td>
<td>$ 110,771</td>
</tr>
<tr>
<td>Child Welfare Services – Administration, Social Workers, &amp; Support Staff Services</td>
<td>$ 3,625,340</td>
</tr>
<tr>
<td>Adoptions – State Administered Services</td>
<td>$ 388,832</td>
</tr>
<tr>
<td>Adoption Assistance Program – Services Provided to Adoptive Parents</td>
<td>$ 1,486,398</td>
</tr>
<tr>
<td>Child Abuse PIT – Prevention Services of Child Abuse</td>
<td>$ 75,883</td>
</tr>
<tr>
<td>Adult Protective Services – Administrative, Social Workers, &amp; Support Staff Services</td>
<td>$ 176,898</td>
</tr>
<tr>
<td>AB12 – Extended Foster Care for 18+ year olds</td>
<td>$ 73,920</td>
</tr>
<tr>
<td></td>
<td>$ 8,300,114</td>
</tr>
</tbody>
</table>
Agency Revenue
(Based On Budget)

- County General Fund: 8%
- Designated Reserves: 4%
- Other Govt. Agencies: 7%
- 2011 Realignment: 12%
- 1991 Realignment: 13%
- State: 11%
- VLF: 1%
- Federal: 40%
- Permits, Fees, Etc.: 4%
The Federal Government reimburses counties at a certain percentage of the total costs of providing services. This is called Federal Financial Participation (FFP). This FFP is determined by the percentage set by the Federal government called Federal Medicaid Assistance Percentage (FMAP). California’s FMAP rate is 50%.

The Federal government requires States to financially participate at a certain percentage called the State Share. California’s was 45% of the total costs.
County HHSA Departments spend 100% County General Fund dollars on providing mandated services.

Agency Fiscal verifies Allowable Expenses following County Policy, GAAP and Federal & State Requirements.

Agency Fiscal then Claims the Approved General Ledger costs to Federal and State Funders.

Auditor Verifies Expenditures to GAAP Principles & County Policy and then pays invoices & Records to General Ledger.

Federal and State Funders Verify Expenditures are allowable & reimburses the Counties based on prescribed sharing ratios.

Once All Internal Controls are satisfied HHSA Departments submit expenditures to Auditors through invoice process.

CEO’s Office approves the request & sends to the Auditor for disbursement of funds to the departments to reimburse the CGF that was used providing HHS services.

Agency Fiscal receives information from the Billing Mechanism and then submits request for 2011 Realignment disbursements to CEO’s Office.
Difference Between 1991 and 2011 Realignment

- With 1991 Realignment the counties only had to pay 15% of costs as the Federal and State funders covered the rest.

- With 2011 Realignment, the “State’s share”, is block granted to counties at a capped amount.
  - The County’s level of financial risk more than tripled for HHS programs.
Examples of Pre and Post Realignment

Cost Sharing Ratio for Federally Eligible Foster Care

Pre-2011 Realignment
- County: 15%
- State: 35%
- Federal: 50%

County Risk is 15% of Total Cost

Post-2011 Realignment
- County: 50%
- State: 50%
- Federal: 50%

County Risk is 50% of Total Cost

Cost Sharing Ratio for Non-Federally Eligible Foster Care

Pre-2011 Realignment
- County: 60%
- State: 40%
- Federal: 50%

County Risk is 60% of Total Cost

Post-2011 Realignment
- County: 100%
- State: 100%

County Risk is 100% of Total Cost
Role of California Department of Social Services (CDSS)

- CDSS continues to monitor county claiming of federal funds.

- Counties are required to claim actual costs for the realigned programs within Social Services in the same manner prior to the implementation of 2011 Realignment.

(from the California Department of Social Services (CDSS) 2011 Realignment: Outcome and Expenditure Data Summary Report dated April 23, 2013)
CDSS continued

- County HHS Departments are directed by the State when it comes to funding, budget fidelity, program integrity, rules & regulations compliance and the intent of the program.

- County HHS Departments are not only required to provide mandated services as directed by the State, they are to provide services based on State approved best practices, report expenditure and outcome data, and report program effectiveness.
Impacts to Local Governments

- Eliminated ability to use unspent funds from other Counties to cover unplanned County costs.

- Eliminated “entitlement” portion using State General Funds as “open-ended” funding; County is now given funding in a capped “block grant” type of allocation.

- These two changes significantly increase the risk to the County General Fund.


Flexibility

- The law says counties have the "flexibility" to transfer 2011 Realignment funds between Subaccounts, up to 10% of the dollars received last year.

- 2011 Realignment is still considered the "State's share" and must be spent in that fashion.

  - e.g. investing in programs that lower Foster Care placements and the associated County costs would free up County General Fund which is truly flexible.
Provided program costs stay constant; a 10% growth in 2011 Realignment, under that example, would result in $10K of County General Fund funds being freed up for County Flexibility.

- e.g. $200k program requiring $100K Realignment and $100K General Fund; if County received 10% increase in Realignment Growth can result in a 10% reduction of County General Funds.
## FY 2012-13
### 2011 Realignment Flexibility

<table>
<thead>
<tr>
<th>Protective Services Subaccount</th>
<th>State Action</th>
<th>County Impact</th>
<th>Flex Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foster Care (Asst)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foster Care Admin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Welfare Services</td>
<td>- Eliminated State General Fund Obligations</td>
<td>- Significantly Increased County's Financial Risk</td>
<td>- Reduce Foster Care</td>
</tr>
<tr>
<td>Adoptions</td>
<td>- Tied Allocation to the Sales Tax</td>
<td>- Moved the State General Fund Obligation &amp; Made it County General Fund Obligation</td>
<td>- Reduce Staffing</td>
</tr>
<tr>
<td>Adoption Assistance Program</td>
<td>- Eliminated State's Financial Risk</td>
<td>- Created mechanism for potential Flex Option</td>
<td>- Reduce contracts</td>
</tr>
<tr>
<td>Child Abuse Prev Interv. Tx</td>
<td></td>
<td></td>
<td>- Reduce services</td>
</tr>
<tr>
<td>Adult Protective Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB12</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Stakeholder Goals & Input

- A transparent collaborative process that maximizes the opportunity for increased programmatic and financial flexibility.

- The BOS have an ongoing conversation through which we identify challenges facing our County’s vulnerable residents and to work across Department and Program domains to develop opportunities and solutions to enhance the well-being and success of our community.
Stakeholder Proposed Action Items

- BOS initiate a process to become aware of the opportunities, discusses priorities and set policies that guide the budget plan.

- BOS have a Special Budget Hearing- separate from broader County process and an HHSA presentation that identifies specific 2011 Realigned Program Allocations including:
  - Budget to Actuals
  - Lessons Learned
  - New Revenue
Stakeholder Proposed Action Items (continued)

- HHSA
  - Update the Statement of Investments.
  - Report on revenue, program, and community impact.
- Hold Regular hearings (E.g., First Quarter Review after Dept of Finance finalizes figures).
HHSA Information

- HHSA budget process is a transparent public process and is part of the County’s overall budget package. The flexibility as shown, is minimal within the subaccounts, it requires BOS approval and has consequences.

- HHSA has advisory boards, accepts community input, and is under the direction of the BOS.

- Interested members of the public can apply to join advisory boards or identify challenges to their Board of Supervisors representative, and/or advocate with their state and federal representatives for legislative change.
HHSA Information continued

- The BOS historically and currently is advised of opportunities by California State Association of Counties (CSAC), State HHS staff, HHS state associations, Advisory Boards, department heads and the CEO, or their designees and sets priorities and policies that guide the budget plan.

- Policies and Priorities for HHSA are set by Federal and State laws, mandates, Federal & State direction and BOS direction.
The budget book contains budgeted and actual numbers.

Most HHS allocations & program activities are directed by the State.

All Federal and State funds can only be used on the associated programs.

There is no new revenue.
HHSA Information continued

- Statement of Investments is attached to the Board’s packet.
- HHSA reports Agency activity to the State and to the BOS at a public meetings.
- The County budget is finalized in September.
County HHSA Departments spend 100% County General Fund dollars on providing mandated services.

Agency Fiscal verifies Allowable Expenses following County Policy, GAAP and Federal & State Requirements.

Agency Fiscal then Claims the Approved General Ledger costs to Federal and State Funders.

Auditor Verifies Expenditures to GAAP Principles & County Policy and then pays invoices & Records to General Ledger.

Federal and State Funders Verify Expenditures are allowable & reimburses the Counties based on prescribed sharing ratios.

Once All Internal Controls are satisfied HHSA Departments submit expenditures to Auditors through invoice process.

Agency Fiscal receives information from the Billing Mechanism and then submits request for 2011 Realignment disbursements to CEO’s Office.

CEO’s Office approves the request & sends to the Auditor for disbursement of funds to the departments to reimburse the CGF that was used providing HHS services.

Reimbursement
Conclusion

- The 2011 Realignment allocation base was built based on historical spending patterns. Until program costs are reduced significantly there is no ability to redirect funds.

- There is minimal flexibility in using 2011 Realignment as it is intended to be used as a State General Fund replacement to be used as match against Federal funds for Federally eligible activities.

- 2011 Realignment must be spent only on realigned programs.

- 2011 Realignment significantly increases risk to the County General Fund.