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State of Vermont
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Robert D. Hofmann, Secretary

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June 24, 2009

Joint Fiscal Committee
Representative Michael Obuchowski, Chair
Senator Ann Cummings, Vice Chair
One Baldwin Street
Montpelier, VT 05633-5301

Dear Chairs;

In Act 1, H441 Section B.1104, the Agency of Human Services was asked to provide the grant reduction plan and an explanation for how the plan fits the priorities required in this section.

Attached is our response to that request. I have directed Commissioners to advise each recipient of the reductions.

I will be glad to attend your July 16th meeting (or, as desired, a representative of the respective department) if you would like to discuss this further. Please just let me know.

Sincerely

Robert Hofmann
Secretary

RDH/dtn

**Agency of Human Services
Report to the Joint Fiscal Committee on
Implementation of Section B-1104 of H.441
June 29, 2009**

Overview

Section B.1104 of the Big Bill provides for a specified dollar reduction to grants and contracts within the Agency of Human Services. (The full text of Section B.1104 is provided below). The specified dollar amount -- \$740,000 -- roughly approximates a 2% reduction to grants within certain AHS appropriations. The 2% reduction is not taken directly from those appropriations; rather the legislative language gives AHS the flexibility to allocate it among grants and contracts within AHS.

In addition, the Governor recommended and the legislature accepted 4% reductions to grants and contracts in other AHS appropriations. These 4% reductions were taken directly from the applicable appropriations.

The legislative language gives flexibility to allocate the reduction but provides four criteria that AHS should use to prioritize, which grants are reduced and by how much.

The four criteria are:

- (1) Preservation of direct services to Vermonters;
- (2) Preservation of direct services to vulnerable populations most at risk for negative outcomes, including prioritizing twenty-four hour residential programs and emergency direct services;
- (3) Minimization of reductions in services currently provided that would result in an increase in the severity of need and a shift in utilization to more invasive, intensive, or expensive services; and
- (4) Minimization of negative impacts on the stability of community organizations receiving grants and contracts in order to promote a range of services to individuals and families.

To implement Section B.1104, the Secretary of Human Services combined the 2% and 4% grant and contract reductions, and provided unitary reduction targets to each department. Reductions were not reallocated among departments. This methodology was discussed with the Commissioner of Finance and Management, Joint Fiscal Office staff and the Chair/Vice Chair of the Senate Appropriations Committee. This memo includes departmental descriptions and rationale to allocate the grants and contracts reductions, including how those decisions meet the legislative criteria.

Combining the 2% and 4% reductions, the final allocation by department is as follows:

FY10 - Final Allocation of Grants/Contracts Reduction
includes combined 2% and 4% reduction target

	<u>2%</u> <u>Reduction</u>	<u>Target</u> <u>4%</u> <u>Reduction</u>	<u>Total</u>	<u>Final</u> <u>Reduction</u>
AHS-CO	-	(32,441)	(32,441)	(32,441)
OVHA	-	-	-	n/a
VDH	(70,686)	(12,754)	(83,440)	(83,440)
DMH	-	(12,243)	(12,243)	(12,243)
DCF	(424,156)	(145,434)	(569,591)	(569,591)
DAIL	(154,472)	(59,177)	(213,649)	(213,649)
<u>DOC</u>	<u>(45,991)</u>	<u>-</u>	<u>(45,991)</u>	<u>(45,991)</u>
Total	(695,305)	(262,049)	(957,354)	(957,354)

The total amount of the 2% reduction target varies slightly from the amount specified in Section B-1104. This variance is due to the short turnaround time in which the B-1104 language was developed and finalized relative to the approximately forty AHS appropriations that are potentially affected.

The attached spreadsheets identify the following information for each department:

- The department's unallocated 2% reduction;
- The department's allocated 4% reduction;
- The department's total combined target;
- A list of those grants and contracts that are NOT subject to any reduction – these were held harmless for specific reasons when the list was drafted by each department in January;
- The January list of grants & contracts that were proposed for 4% reduction; and,
- A final list allocating reductions among grants and contracts that meets the combined departmental target and complies with the legislature's criteria.

For larger grants and contracts, the amount of the reduction is identified in this memo and the attached spreadsheet. For smaller grants and contracts, the amount of the reduction is simply identified in the spreadsheets.

Full Text of Section B.1104

Section B.1104 of H.441 provides as follows:

(a) The secretary of human services shall reduce grants and contracts appropriated from general funds in the amount of \$740,000, of which no more than \$425,000 shall be reduced from the grants and contracts associated with the department for children and families. The secretary may adjust spending of federal funds or special funds when necessary, because the general funds are providing a funding match. To accomplish this reduction in general funds, the secretary shall use the following criteria to determine which grants and contracts are impacted and by how much. The criteria are:

- (1) the preservation of direct services to Vermonters;*
- (2) the preservation of direct services to vulnerable populations most at risk for negative outcomes, including prioritizing twenty-four hour residential programs and emergency direct services;*
- (3) the minimization of reductions in services currently provided that would result in an increase in the severity of need and a shift in utilization to more invasive, intensive, or expensive services; and*
- (4) the minimization of negative impacts on the stability of community organizations receiving grants and contracts in order to promote a range of services to individuals and families.*

(b) The agency of human services shall report to the joint fiscal committee at its July 2009 meeting with the grant reduction plan and an explanation for how the plan fits the priorities required in this section. No later than January 15, 2010, the agency shall report to the house committees on appropriations and on human services and the senate committees on appropriations and on health and welfare with an updated grant reduction plan and an explanation for how the plan fits the priorities required in this section.

Department Summaries

AHS Central Office

Many of the grants and contracts within the central office fund direct services, and/or are integral to the office's operations. As an alternative to reducing grants and contracts in the AHS CO by 4% (which includes services like 2-1-1), we plan to reduce the grant to UVM for the nursing incentives by the \$32,441 target. While the UVM nursing grant aims to help expand the number of nurses, and direct care workers, in Vermont, it is not actually direct client service or a direct benefit like nursing school loan forgiveness. The reduction to the grant will result in reducing the person's time who is conducting the work such as promoting nursing careers to middle/high school students; disseminating loan repayment information; compiling supply and demand data; surveying licensed practical nurses; disseminating research; and supporting recruitment and retention efforts.

Office of Vermont Health Access

No grants/contracts under Section B.1104 – provider reductions incorporated into department budget in provider rates.

Department of Health

A significant number of Health Department grants and contracts fund direct services that impact vulnerable populations. However, VDH identified savings from ten grants and contracts in FY10 that best conform to the criteria established in Section B-1104 (see spreadsheet attached). The savings will be realized from the conclusion of several one-year, non-recurring projects in FY09, including communication projects, administrative support, data analysis; and project start-up activities. These projects will not be funded in FY10 (or will be reduced to ongoing operating levels). VDH also restructured the method, or reduced the amount, of technical services that the department and partners will receive in FY10.

Department of Mental Health

The 4% reduction to grants and contracts within DMH was included in the Governor's recommended budget and accepted by the legislature at the 4% level. The 4% reduction was distributed uniformly to grants and contracts, except that certain grants and contracts were specifically exempted: (1) VSH forensic evaluation contracts (court-ordered); (2) VSH sheriffs' transportation contracts (mandatory expense); (3) 100% federally funded contracts; and (4) contracts already targeted for service provider reduction in the FY10 appropriation.

The uniform 4% reduction is intended to mitigate the impact on any single grantee/contractor, as well as those who receive benefits or services from that grantee and/or provider, thus meeting the four criteria set forth in Section B-1104 of Big Bill.

Department for Children and Families

The DCF reductions are designed to minimize impacts according to the four criteria and are as follows.

Complete restructuring of Domestic Violence Consultation (FS) (\$24,000 GF)

Family Services has restructured its Domestic Violence Consultation approach to provide training and support for supervisors throughout the system, rather than to have specialized staff who must be involved in all DV cases. This reduction completes that transition.

Reflect reduced demand for out of home care (FS) (\$100,000 GF; \$300,000 GC)

With the continued focus on kinship care and supporting families in caring for their children, the demand for out of home care has continued to shrink. They believe that it is reasonable to estimate continued lower utilization.

Provide no COLA increase for foster care (no rate increase) (\$53,073 GF; \$179,002 GC)

With this overall plan, we are reducing services strategically. Most contracts and grants will be level funded going into FY'10. It is reasonable, therefore, to plan to level fund foster care as well, especially since inflation (consumer price index) does not appear to be rising in the current economy.

Restructure Help Desk functions at Child Development Division (\$52,680 GF)

The Child Development Division has contracted out the operation of a help desk for the Bright Futures Information System. This operation will be consolidated within the current functions of CDD and the contract will be cancelled.

Reduce contracted hours to assist with management of HBKF (\$16,000GC)

The Child Development Division contracts for assistance in managing and supporting the Healthy Babies, Kids, and Families (HBKF) Program. This will be a small reduction in the number of hours of purchased service.

Eliminate grant for educational materials—move function in-house (\$55,000 GF)

The Child Development Division has been contracting with a private entity to produce educational and outreach materials for various programs of the Division. To economize, they will move the function in-house and then cancel the contract.

Administration – reduced consulting and IT contracts (\$106,742 GF; \$38,073 GC)

This is a reduction in the amount of IT contracting and consulting contracts that can be accomplished without negative impact based on expected usage.

Family Services – registry review and fingerprinting contracts (\$6,135 GF)

This reduction is accomplished by a restructuring of the registry review contract and fingerprinting contract associated with foster parents.

Office of Child Support – genetic testing and other contracts (\$6,148 GF)

This reduction will be accomplished by maintaining close scrutiny on the expenditures associated with genetic testing and sheriffs' services.

Woodside – case management contract (\$5,677 GF)

This reduction is accomplished by the elimination of a part time contract for nursing services that had been in place. Services continue to be provided by a state employee nurse.

Department of Disabilities, Aging, and Independent Living

Impact of reductions on programs as follows:

AAAs (\$101,847 GF)

The Area Agencies on Aging (AAAs) will still be able to provide direct services as defined in their core mission: (1) information, referral and assistance through the Senior HelpLine; (2) nutrition programs; and (3) case management. Direct services are preserved, including direct services to vulnerable populations, since this reduction does not affect the Choices for Care waiver program.

Housing and Supportive Services (\$24,280 GF)

The purpose of these grants is to provide service coordination and increased access to homemaker services at 23 housing sites where older Vermonters and adults with disabilities reside. DAIL expects that sites will have to reduce their service coordination hours and/or adjust homemaker hours to some residents. The reduction should be manageable.

Long-term Care Ombudsman Program (\$1,800GF)

The Long-Term Care (LTC) Ombudsman program will receive additional funding from the federal Administration on Aging in the amount of \$3,119; therefore, this reduction will have little impact on the program.

Traumatic Brain Injury Program (\$82,549 GC)

The reduction will result in a slightly longer wait for services. Current waiting list includes 6 people. Community providers' rates will not be reduced.

Vermont Association for the Blind and Visually Impaired- Grant for Older Blind Services (\$5,000 GC)

VABVI will receive additional ARRA funds (\$3,170), which will cover most of the reduction. There could be a slight reduction in services for Older Blind Vermonters, but this will not be a significant amount.

Vermont Ethics Network (\$5,000 GF)

Vermont Ethics Network provides policy direction, education and training, particularly around Advance Directives and end-of-life care. DAIL's contribution to those efforts will be reduced; however, VEN has assured DAIL that the organization will be able to continue these efforts with other funding.

Vermont Center for Independent Living (\$5,000 GF)

The Vermont Center for Independent Living (VCIL) writes and distributes the *Independent* newspaper several times a year. DAIL is reducing its contribution. VCIL has confirmed that they will be able to continue the publication using other resources.

Division of Disabilities & Aging Services (\$98,000 GC)

DAIL supported a contract with UVM for training and technical assistance for staff in the designated mental health and developmental services agencies (DAs) who work in the field of supported employment. The DAs will seek other sources for these services.

ARIS intermediate service organization rates – Attendant Services Program (\$9,983 GF)

DAIL did not want to reduce the ARIS rates. ARIS is the Intermediate Service Organization (ISO) for all consumer and surrogate-directed personal care and support services. They are not a health care provider. A portion of the savings due to eligibility changes in the Attendant Services Program (ASP) will be used to cover the amount equivalent to a 2% rate reduction.

DAIL Administration – Case Management System (\$10,000 GF)

The Division for Blind and Visually Impaired anticipates a one time substantial increase in Social Security Reimbursement for FY10 that allows them to make this reduction in General funds without a compromise to services.

Department of Corrections

The department will be meeting our \$45,991 grant/contract reduction in program services. The department recently awarded a contract to Phoenix House for Therapeutic Counseling at Southeast (Windsor Correctional Center) which was less than anticipated. This reduction versus budget satisfies the criteria set out by the language in the Big Bill. The funds reside in Correctional Services.