

MEMORANDUM

December 9, 2010

TO: Health and Human Services Committee
FROM: Linda McMillan, Senior Legislative Analyst 
SUBJECT: FY11 Savings Plan

At this session, the Committee is to review elements of the Executive's recommended FY11 Savings Plan that are under its jurisdiction. See © 1-2 for the Executive's December 2, 2010 transmittal memorandum and background information. The Council is scheduled to consider the recommendations on the Savings Plan from all six Committees on December 14.

As noted below, the appropriate Council analysts have reviewed the recommended savings, which are outlined on the attached pages from the Executive's transmittal memo. The Executive did not recommend reductions for every budget reviewed by the HHS Committee.

Budget	©	Recommended Reduction	Analyst
Arts and Humanities		None	Ferber
Commission for Women		None	Arthur
Health and Human Services	3	\$1,959,120	McMillan/Yao
Historical Activities		None	Yao
Human Rights Commission	4	\$17,380	Arthur
Libraries	5	\$63,190	Yao

BUDGET

ANALYST

1. Department of Health and Human Services

McMillan/Yao

For FY11, the Council appropriated \$177,832,030 in General Funds to the Department of Health and Human Services. In addition, \$73,136,960 was appropriated in the Grant Fund. Total FY11 original appropriation for Health and Human Services was \$250,968,990.

The Executive is recommending General Fund reductions of \$1,959,120 or 1.1% of the General Fund appropriation.

Item #	Item	Amount	Council Staff Recommendation
S1	Delay Conservation Corp Contract Start Date from February to April	(\$125,000)	Concur with Executive
S2	Delay Homeless Outreach/PITTC Contract until April	(\$21,000)	Concur with Executive
S4	Stop Energy rebate program as of January 2011	(\$239,750)	Committee Discussion - consider alternative reduction
S5	Reduce Project Deliver based on current projections	(\$100,000)	Concur with Executive
S6	Reduce Administrative cost in Care for Kids program	(\$80,000)	Concur with Executive
S10	Reduce most General Fund contracts by 2% (does not include community grants)	(\$672,260)	Committee Discussion - consider alternative reduction
S11	Reduce miscellaneous operating costs based on current projections and procurement freeze	(\$500,000)	Concur with Executive
S12	Reduce personnel costs by deferring the hiring of new positions (increase lapse)	(\$221,110)	Concur with Executive

Background Information on FY10 Savings Plan and Year-End Close-Out

The FY10 General Fund appropriation to the Department of Health and Human Services was \$195,202,285. For FY10, it was expected that the Department would save about \$2.9 million through its Round 1 and Round 2 Savings Plans. The FY10 end-of-year information provided to the Council as a part of the FY10 End-of-Year transfer shows that DHHS spent and encumbered \$182,963,424; leaving a \$12,238,861 end-of year surplus or about \$9.3 million more in surplus than was expected under the FY10 Savings Plans.

Given that the hiring freeze and the procurement freeze remain in effect, it is reasonable to assume that the additional lapse and miscellaneous operating savings proposed in the FY11 Savings Plan will be achieved.

Discussion Items

A. Stop Energy Rebate Program as of January 2011 (\$239,750)

The FY11 budget includes \$479,500 for county energy rebates to households that receive assistance through the Maryland Energy Assistance Program (MEAP). This rebate is meant to help offset some of the impact of the county's energy tax on low-income households. The \$479,500 was expected to provide a \$50 rebate to about 9,590 households. The Executive proposes that the county stop providing this rebate as of January. It is expected that 4,780 households that would have been eligible for the rebate will not receive it. The rebate is not required by law or regulation.

The HHS Committee discussed this rebate last spring as Council staff had suggested eliminating it as a possible alternative reduction. The Committee unanimously recommended to the Council, and the Council concurred, approval of the rebate.

Given the HHS Committee's previous position on continuing this rebate and the fact that it is targeted to low-income households (safety net issue), Council staff suggests the Committee may want to disapprove this item and look at Council staff alternative savings proposals that are described later in this memo.

B. Reduce Most General Fund Contracts by 2% (\$672,260)

As a part of his FY11 Recommended Operating Budget, the County Executive recommended an across-the-board 7% reduction to most General Fund contracts in DHHS. This reduction included contracts in all service areas and the county supplement to providers of services to the Developmentally Disabled and Behavioral Health residential treatment programs. The HHS Committee recommended, and the Council agreed, to add funds through the reconciliation list to reduce this across-the-board reduction to 5%. The County Executive is recommending going back to the 7% reduction as a part of the Savings Plan.

The main components of the \$672,269 reduction are:

County DD Supplement	\$165,000
County Supplement to Residential Treatment Providers	\$ 20,250
Reduction to most General Fund Contracts (all service areas)	\$487,010

Council staff is concerned about this reduction for two reasons; (1) it was a specific action of the Council to add these funds in order to support community providers who are also being significantly impacted by the economic downturn; and, (2) as of the time of this packet there had not been specific notice to providers of the Executive's recommendation (although some providers are aware of the proposal and DHHS has continued to highlight the potential for further reductions to contracts as a part of its overall comments on the budget.) Again, the Committee may want to discuss whether there are alternatives to all or part of this reduction.

C. Potential Alternative Reductions

Because DHHS ended FY10 with a substantial surplus in operating expenses, Council staff wonders whether there may be some areas of the DHHS budget that may continue to come in under budget in FY11. Council staff reviewed the information that is available in the FAMIS system for the FY10 budget, FY10 actual expenditures, and FY11 budget to see if there are any areas where the FY11 budget is more than the actual amount spent in FY10 as this might mean that there will be similar savings in FY11. Council staff has shared this list with DHHS. Council staff was unable to review financial information on spending to date in these areas and so cannot provide any projections for FY11.

	FY10 Budget	FY10 Actual	FY11 Budget	Difference FY11 to FY10 Actual
In Home Services	2,541,481	1,552,249	2,340,981	788,732
Respite Care Services	685,175	447,570	758,175	310,605
Youth Services	1,737,364	1,358,665	1,557,364	198,699
Human Services	4,017,794	3,114,251	3,906,321	792,070
Meals C-1	376,790	241,032	485,790	244,758
Assigned Motor Pool	525,480	244,967	365,420	120,453
Other Education	366,988	177,616	336,411	158,795
Misc Operating	2,909,868	93,543	640,628	547,085
TOTAL				3,161,197

Council staff is not suggesting that the \$3.16 million shown above is all potentially savings. However, if for example, the Committee is concerned about stopping the energy rebate for low income households, it might be possible to identify some savings in in-home services, motorpool, and education to offset the cost. Budget decisions made for the FY11 budget were almost all to reduce from FY10 or maintain FY10 level of service.

2. Human Rights Commission

Arthur

Item #	Item	Amount	Council Staff Recommendation
S1	Decrease cost of Fair Housing Legal and Attorney Fees based on projection that they are not needed	(\$10,000)	Concur with Executive
S2	Decrease costs available for other professional services available for Fair Housing	(\$7,380)	Concur with Executive

3. Department of Public Libraries

Vivian Yao

Item #	Item	Amount	Council Staff Recommendation
S1	Decrease costs for operating expenses including supplies, training, paper, printing, postage, travel, and vehicle maintenance. Does not impact library materials budget.	(\$63,190)	Concur with Executive



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

December 2, 2010

TO: Nancy Floreen, President
County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: FY11 Savings Plan

2010 DEC -2 PM 3:44

RECEIVED
MONTGOMERY COUNTY
COUNCIL

Attached please find my Recommended FY11 Savings Plan for Montgomery County Government, and the other tax supported County Agencies. The attached plan identifies savings of over \$36 million from the current year that will be applied to close the shortfall of over \$300 million in FY12.

As you know, the impetus for the savings plan transmitted to the Council in October was the anticipated loss of \$14 million annually (and \$170 million over ten years) with the elimination of the Ambulance Reimbursement fee. Since that time, because of continued weakness in the national, regional, and local economy, affecting both employment and the residential and commercial real estate markets, tax revenues in both FY11 and FY12 are anticipated to be below previous estimates.

As I have communicated previously, the attached plan retains most of the reductions contained in the October 5, 2010 savings plan transmitted to the Council. The attached plan contains additional reductions from other County Government Departments as well as recommendations for reductions to the budgets for Montgomery County Public Schools, Montgomery College and the Maryland-National Capital Park and Planning Commission.

We have worked to identify savings that minimize the impact upon direct services, especially to public safety and our most vulnerable residents. However, service reductions are unavoidable due to the magnitude of the needed reductions and the significant reductions in service levels already made in the FY09-11 budgets.

If, as in the past, the Council chooses to not support some of my proposed reductions, I strongly recommend that it propose offsetting reductions in other areas of the budget to maintain the total amount of savings. Maintaining balance in the current year is critical to adhering to our fiscal policies and maintaining our AAA bond rating. In addition, the County is vulnerable to additional State Aid reductions due to the State's continuing fiscal challenges.

It is critical to consider this proposed savings plan in the context of the development of the FY12 operating budget. As you are aware, I recently asked all County Departments to identify reductions of up to 15% for non-public safety departments and 5% for public safety, health and human services, and transit. Even these aggressive reductions may not be sufficient to produce a balanced budget if revenues fall even further.

I strongly urge the Council to expedite its review and approval of the attached Savings Plan, so that the necessary actions can be implemented as soon as possible. My staff is available to assist the Council in its review of the attached proposal. Thank you for your support of our efforts to preserve our most important services while maintaining the fiscal health of the County Government.

	FY11 Approved Budget	Savings Plan Agency Target	Agency as % of Total Budget	Target as % of Savings Plan	Target as % of Budget
MCG	\$1,163,556,250	\$15,790,560	35.5%	43.6%	1.4%
MCPS	\$1,919,842,746	\$19,198,430	58.6%	53.0%	1.0%
College	\$98,051,990	\$980,520	3.0%	2.7%	1.0%
M-NCPPC	\$92,653,170	\$231,640	2.8%	0.6%	0.3%
Total	\$3,274,104,156	\$36,201,150			1.1%

Notes

- 1 College Total Budget is Local Contribution for Current Fund only
- 2 M-NCPPC Total excludes debt service
- 3 The MCG total includes \$288,150 increased transfer to the General Fund from the Department of Liquor Control and anticipates loss of \$47,000 in Recreation Revenues

IL:jfb

- c: Timothy L. Firestine, Chief Administrative Officer
 Department and Office Directors
 Dr. Jerry Weast, Superintendent, Montgomery County Public Schools
 Dr. DeRionne P. Pollard, Ph.D. President, Montgomery College
 Francoise Carrier, Chair, Montgomery County Planning Board
 Annie Alston, Executive Director, Housing Opportunities Commission
 Kathleen Boucher, Assistant Chief Administrative Officer

Attachments

Health and Human Services

S1	DECREASE COST: CONSERVATION CORPS CONTRACT	-125,000	0
	<u>OMB Recommendation:</u>		
	<u>Impact:</u>		
	Delay the start date for the new contract for the Conservation Corps until April. Due to delays, the contract will likely not start until late February. This proposal will postpone the start date until April.		
S2	DECREASE COST: HOMELESS OUTREACH CONTRACT	-21,000	0
	<u>OMB Recommendation:</u>		
	<u>Impact:</u>		
	Delay the start date for the new contract for Homeless Outreach/PIIT effort until April. This reduction represents the General Fund portion of the contract.		
S4	REDUCE: ENERGY REBATE PROGRAM - STOP PROVIDING SUBSIDIES AS OF JANUARY	-239,750	0
	<u>OMB Recommendation:</u>		
	<u>Impact:</u>		
	This reduction would eliminate benefits to 4,780 low-income households who need help with their home heating costs. Utility costs have risen steadily over the past several years and this benefit is a key supplement to help households afford their utility bills. Elimination of this benefit will increase the number of households experiencing utility disconnections which can create a safety issue and would ultimately lead to homelessness.		
S5	REDUCE: PROJECT DELIVER	-100,000	0
	<u>OMB Recommendation:</u>		
	<u>Impact:</u>		
	An FY11 reduction of \$100,000 to Project Deliver Program will have no adverse impact since deliveries billed through the Project Deliver Program have decreased.		
S6	REDUCE: CARE FOR KIDS	-80,000	0
	<u>OMB Recommendation:</u>		
	<u>Impact:</u>		
	There will be tangential service impacts as the reduction is targeted for administrative services.		
S10	REDUCE: CONTRACT REDUCTIONS	-672,260	0
	<u>OMB Recommendation:</u>		
	<u>Impact:</u>		
	Do not implement the restoration of the 2% contract reduction.		
S11	DECREASE COST: OTHER MISC. OPERATING	-500,000	0
	<u>OMB Recommendation:</u>		
	<u>Impact:</u>		
	The department will have savings in operating expenses due to the procurement freeze.		
S12	DECREASE COST: DEFER HIRING POSITIONS	-221,110	0
	<u>OMB Recommendation:</u>		
	<u>Impact:</u>		
	Various impacts throughout the department		
Health and Human Services Total:		-1,959,120	0

Human Rights

S1	DECREASE COST: FAIR HOUSING - LEGAL / ATTORNEY SERVICES	-10,000	0
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OMB Recommendation:

Impact:

No impact to services; these services are not needed.

S2	DECREASE COST: FAIR HOUSING - OTHER PROFESSIONAL SERVICES	-7,380	0
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OMB Recommendation:

Impact:

Reduce Fair Housing other professional services.

Human Rights Total:		-17,380	0
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Public Libraries

S1	DECREASE COST: REDUCE OPERATING EXPENSES FOR SUPPLIES AND SERVICE CONTRACTS	-63,190	0
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OMB Recommendation:

Impact:

Montgomery County Public Libraries made some planning decisions with regard to operating expenses through the first part of FY11, in anticipation of a Savings Plan possibility. MCPL has been able to control operating expenses in supply, training, paper/printing/postage, travel, and vehicle maintenance expense line items to save \$63,190.

Public Libraries Total:	-63,190	0
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