



LOS ANGELES COUNTY COMMISSION ON HIV

**STATE
BUDGET CUTS
BRIEF #8**
Update: Sept. 14, 2009

Final Results of the State Budget Cuts

This is expected to be the final update in a series, including seven prior policy briefs, that provides information about cuts to the State budget for services to people with and affected by HIV/AIDS. This brief summarizes the final results of the State legislature's and Governor's budget cuts, plans for implementation of those cuts by the State Office of AIDS (OA), and the decisions that have been made locally in response to the State-level decisions.

State Budget Cuts

In mid-July, California's legislative leaders and the Governor agreed on a compromise budget that would have made moderate cuts to HIV/AIDS programs. Following the State Assembly's failure to pass two key provisions agreed to in the compromise budget—leaving a \$1.1 billion gap in the current budget—the Governor asserted that he had to make a series of additional line-item vetoes (“blue pencil” vetoes) to fill that budget gap.

HIV/AIDS services managed by OA were particularly devastated by the Governors' additional budget cuts (\$59 million). Combined cuts (reductions from the legislative compromise and the Governor's additional reductions) to the OA budget totaled approximately \$82 million. Almost all State general funding for HIV/AIDS prevention, care and treatment programs administered by OA was removed. Budget cuts this severe promise to dismantle an effective HIV/AIDS care, prevention and treatment response system that has been developed over the past 20 years and upon which thousands of Californians rely annually.

The following programs have been reduced and/or eliminated in the State budget:

- **Therapeutic Monitoring Program:** Elimination of all general fund support (\$8.0 million) for TMP.
- **Home and Community Based Care:** Elimination of all general fund support (\$6.3 million) for home/community care.
- **HIV Counseling and Testing:** Elimination of all general fund support (\$8.2 million) for testing and counseling services.
- **Education and Prevention:** Elimination of all general fund support (\$24.6 million) for education and prevention services.
- **Early Intervention Programs (EIPs):** Elimination of all general fund support (\$7.4 million) for EIPs.
- **Housing Services:** Elimination of all general fund support (\$1.0 million) for housing services.

State general funds for the following two programs were left intact:

- **AIDS Drug Assistance Program (ADAP)***
- **Core HIV Surveillance activities**

**The Governor cut \$25.5 million in State general funds from ADAP and replaced them with Special Rebate Reserve funds.*

While various legislators and advocacy groups have promised to fight the Governor's budget cuts, local jurisdictions have begun implementing the cuts in order to avoid further fiscal crises if efforts to restore the funding the Governor cut are not successful.

State OA Implementation of the Budget Cuts

On August 18, 2009, OA released its plans for implementation of the budget cuts. With most of the State's general funds removed from the OA budget, OA will now mostly manage the federal funding (except for ADAP and surveillance) it receives: funds from the Ryan White Program, Housing Opportunities for Persons Living With AIDS (HOPWA), and the Centers for Disease Control and Prevention (CDC).

In the current budget—as reduced by the Legislature and the Governor—OA now administers an ADAP budget of \$414,033,000 (from State general funds, Ryan White Part B funding and the Rebate Fund), a surveillance budget of \$9,229,000, \$29,374,000 in other Ryan White Part B, \$11,112,000 in CDC, and \$3,540,000 HOPWA funds, plus its own administrative budget of \$16,093,000. Following the removal of State general funds from most of its budget, OA needed to decide how to redistribute the remainder of its funding.

As its first implementation step, OA will now “block grant” its funds to local jurisdictions—rather than, as previously, making multiple direct grants to a combination of governmental and organizational entities. State OA will identify a single fiscal agent in each jurisdiction that will receive the funding. In LA County, that entity will be the County's Office of AIDS Programs and Policy (OAPP); in Long Beach, the City of Long Beach Department of Health and Human Services; and in Pasadena, the Pasadena Public Health Department.

Locally, the “block grant” (Single Allocation Model) approach is a positive consequence. LA County has been advocating for State block granting because it would lead to more flexible use of State funds locally. The Commission, PPC and OAPP are best suited to determine which programs need State support, and, within parameters, can apply it to the programs that will use it most effectively.

Second, OA restructured its internal administration and consolidated its multiple programs into five principle portfolios: ADAP, Surveillance, Care and Support, and Prevention and Testing, and Housing. Funding for the ADAP and Surveillance portfolios remained intact, so there were no changes proposed to how those funds are allocated (funding for epidemiologic studies in the surveillance portfolio, however, were also cut): LA County receives \$1,690,292; Long Beach \$310,581; and Pasadena \$32,810 in surveillance funding from the state. Additionally, OA will still manage the CARE/Health Insurance Premium Payment (CARE/HIPP) and Medi-Cal Waiver programs.

Care and Support:

The Care and Support portfolio now comprises funding that was previously used for TMP, EIPs, Home and Community Based Care, Consortia grants (grants to local health departments) and for planning and technical assistance purposes.

OA redistributed the State's Ryan White funds for the non-State-run programs based on allocation formulae used in past years. In this year's funding redistribution, no jurisdiction with actual HIV/AIDS cases will receive less than 35% of its prior year's care and support funding, and a cap that no jurisdiction would receive more than 70% of last year's funding.

LA County received 66% of its prior year funding, while Long Beach received 70%. (Pasadena did not previously receive direct care and support funds from the State, and is not proposed to receive any in the current budget.) **LA County's Care and Support funding from OA was reduced from \$13,566,948 to \$8,996,315 (a loss of \$4,570,633).**

The total loss to LA County of care and support funds from the State was \$4,820,388, including a reduction of Long Beach funding from \$832,350 to \$582,645 (a reduction of \$249,705). Long Beach has announced that it will maintain its EIP at its current service delivery levels, while reducing other services.

Prevention and Testing:

OA's new Prevention and Testing portfolio encompasses prior funding for prevention and education (health education and risk reduction) and counseling and testing programs.

LA County's prevention and testing programs were cut more severely than its care programs, in part because OA diverted resources away from LA County and San Francisco since both jurisdictions receive separate CDC grants. In spite of the heavier HIV burden that both jurisdictions shoulder due to higher HIV prevalence and incidence, OA only allocated LA County and San Francisco half of their formula prevention and testing allocation. The remaining half of their formula allocations was redistributed to 15 other jurisdictions in the State.

As a result, LA County only received 22% of last year's prevention and testing resources from the State (San Francisco received 18%), while a majority of the other 15 funded jurisdictions received in the range of 30% - 50% of prior year funding. **LA County's Prevention and Testing funding from OA was reduced from \$6,484,996 to \$1,437,807 (a reduction of \$5,047,189).**

Long Beach received 43% of last year's funding, representing a reduction **from \$872,383 to \$377,041 (a loss of \$495,342)**. Long Beach has since announced that it will shift all of its remaining prevention funding into counseling and testing services. **Pasadena lost all of its prevention and testing funds: a reduction from \$161,577 to \$0.**

In total, the value of aggregate losses to LA County's prevention and testing programs—including reductions to Long Beach and Pasadena—from the State was \$5,704,108.

Other State prevention programs that were eliminated include: syringe exchange contracts, Latino/African American capacity building, the Transgender Center of Excellence, and the Men's Wellness Center in Los Angeles.

Housing:

In the Housing portfolio, the removal of State general funds resulted in the loss of State support for Residential Adult Living Facilities (RALFs) in LA County and San Francisco. HOPWA funding for the remainder of the State's jurisdictions was left intact. LA County and San Francisco receive direct HOPWA grants, and, as a result, do not receive HOPWA funding from OA. Neither Long Beach nor Pasadena received housing funds from the State previously. **LA County housing funds from OA were reduced from \$385,644 to \$0.**

Total Reduction to LA County:

Not including surveillance funds, total State funding for LA County's HIV/AIDS care, prevention and housing services was reduced from \$20,437,588 to \$10,434,122—representing a total reduction of \$10,003,466. Long Beach funding was reduced from \$1,704,733 to \$959,686 (for a total reduction of \$745,047) and Pasadena was reduced from \$161,577 to \$0. **Total non-ADAP/surveillance HIV resources lost to LA County from California equal \$10,910,090.**

Local Decision-Making and Implementation

For health jurisdictions that are more heavily burdened by HIV/AIDS, State general funds have represented cornerstone resources in the "patchwork" system of HIV prevention, care and treatment. Absence of the general funds leaves significant gaps in local HIV/AIDS service delivery.

In spite of calls for the Governor to restore the funding, potential litigation and other actions promised by the legislature and other stakeholders, local jurisdictions like LA County must begin implementing the cuts or risk substantial losses and even more severe program cuts later. It is estimated that LA County accumulates another \$1 million/month (\$30,000/day) in unreimbursable debt if it does not reduce service contracts commensurate with the cuts.

LA County's Commission on HIV, Office of AIDS Programs and Policy (OAPP) and the Prevention Planning Committee (PPC) have struggled with determining how to make such significant budget reductions with as little disruption to patient/client services as possible. Collaboratively, OAPP and the two planning bodies have developed and approved plans that will begin to be implemented in September 2009. Similarly, AIDS service organizations are modifying their programs to accommodate budget/contract cuts expected to be announced shortly.

On August 4 and 5, 2009, the Commission's Priorities and Planning (P&P) Committee considered a plan proposed by OAPP to revise allocations for FY 2009 care, treatment and prevention services. The P&P Committee made slight modifications to the plan and unanimously forwarded it to the full Commission for final approval. After a day-long meeting with more than 50 public testimonies, the Commission approved the following plan to revise FY 2009 service allocations on a 26-2 vote.

HIV Services That Were Fully Preserved:

PRIORITY/SERVICE		CURRENT ANNUAL FUNDING
1	Medical Outpatient/Specialty (MO) <i>(including Local Pharmacy)</i>	\$20,370,680
6	Oral Health	\$2,868,212
7, 8	Mental Health, Psychiatry and Psychotherapy	\$3,135,342
9	Case Management, Medical	\$1,571,308
12, 13	Substance Abuse, Residential and Treatment	\$2,608,269
15	Residential, Transitional	\$6,397,292
20	Nutrition Support	\$591,615
22	Case Management, Transitional	\$409,307
25	Language/Interpretation	\$232,694
26, 29	Skilled Nursing and Hospice	\$653,742
28	Case Management, Home-Based	\$1,505,367
34	HIV Counseling and Testing	\$1,101,259

HIV Services To Which Financial Modifications Were Made:

SERVICE	ANNUAL REDUCTION	IMPACT
▪ Health Education/Risk Reduction (HE/RR)	20% reduction (\$1 million): \$4.3 million left in funding	Will reduce the reach and impact of HE/RR services
▪ Early Intervention Programs (EIPs)	52% reduction (\$1.1 million): \$1 million left in funding	Some programs will be consolidated and merged
▪ Therapeutic Monitoring Program (TMP)	25% reduction (\$800,000): \$2.2 million left in funding	More efficient use of lab tests, lowered lab test costs should not impact patients
▪ Client Advocacy (<i>HIV/LA Resource Directory</i>)	50% reduction (\$120,000): \$120,000 left in funding	Web continues; print directories drastically reduced

▪ Case Management, Psychosocial	20% reduction (\$800,000): \$2.7 million left in funding	Reduction in services
▪ Medical Transportation	20% reduction (\$200,000): \$765,000 left in funding	New eligibility screening rules; only providing bus passes through MO
▪ OAPP/Commission administration/operations	\$2.9 million reduction	Restructuring; some administrative support initiatives delayed/cut

HIV Services That Were Eliminated:		
SERVICE	ANNUAL REDUCTION	RESOLUTION
▪ Legal Services ¹	\$ 370,000 reduction	County-funded service ends
▪ Peer Support	\$ 405,000 reduction	County-funded service ends
▪ Provider Training	\$ 170,000 reduction	County-funded service ends
▪ Capacity Building	\$ 600,000 reduction	County-funded service ends
▪ Social Marketing ²	\$ 800,000 reduction	County-funded service ends
▪ Treatment Education ³	\$ 1,450,000 reduction	Service integrated into MO; addition burden on providers
▪ Medical Nutrition Therapy	\$ 325,000 reduction	Service integrated into MO; addition burden on providers
▪ Community Mobilization	\$ 220,000 reduction	Indefinite postponement

¹ Since the Commission's adoption of the revised FY 2009 allocations plan, OAPP agreed to extend the legal services contract through the remainder of the federal funding year (until February 28, 2009) in order to allow HIV/AIDS Legal Services Alliance (HALSA) to transition approximately 150 clients to other representation and to help HALSA possibly secure alternate funding. Legal services will end in FY 2010 (starting March 2010).

² Since the Commission's adoption of the plan, OAPP has agreed to a sharply reduced social marketing contract with the former vendor in order to leverage over a million dollars in social marketing opportunities for LA County.

³ Since the Commission's adoption of the plan, OAPP has determined that it will contract a small number of treatment education services in medical settings as part of medical outpatient care for specific communities and populations that may need more specialized treatment adherence attention.

LA County's Board of Supervisors must approve the final plan, and is scheduled to do so in mid-September. Led by its P&P Committee, the Commission is also currently reviewing its allocations for FY 2010.

What the Future Holds . . .

In spite of this year's news, even more sobering challenges loom in next year's State budget. Given a current \$7 - \$8 billion budget deficit projected in FY 2010-2011, the Governor and Legislature may turn

to the AIDS Drug Assistance Program (ADAP) for further cuts, including reductions to eligibility and available medications. **We must begin preparing now to stop further cuts in the future!**