

December 27, 2005

**TO:** Planning and Budget Committee

**FROM:** Ted Stevens

**SUBJECT:** Area Plan Budget: Recommended 2006-07 Expenditures

At its December 13, 2005 meeting, the Committee made the following decisions to guide staff in the development of an initial draft of the Program Year 2006-07 budget:

- Since it cannot be afforded, do not provide additional funds to programs to off-set the impact of increasing costs on an across-the-board basis. Rather, as funds allow, budget increases on a case-by-case basis.
- Develop two versions of the budget, one that cuts all OAA-funded programs by the same percentage, and another that focuses cuts on select programs.

Staff attempted to fulfill these directions faithfully. This task, however, was complicated by the fact that the availability of funds for the different titles within the Older Americans Act section of the budget was not uniform. For example, the revenue estimate for OAA III-B funds shows a decrease of about one percent, while the estimate for OAA III-C-1 shows an increase of nearly 15%. To compensate for this fact, staff performed three calculations to develop the initial draft of the “across-the-board cuts to OAA Programs” version of the budget. First, all OAA funded programs were cut by .9%. Second, allowable inter-fund transfers among OAA III-B, III-C-1, and III-C-2 were made. Third, where allowable, program costs were shifted among funding sources (such as, shifting Senior Connections costs from III-E to III-B, and shifting AAA Administration costs from III-B to OPI) to produce the initial version of the budget. This version appears in the following columns of the attached spreadsheets:

- Column E on the “2006-07 Expenditure Summary” spreadsheet;
- Column F on the “2006-07 Expenditure Worksheet – Detail” spreadsheet.

Next, staff reviewed the above reference version of the budget in depth for the purpose of identifying steps that could be taken to fulfill the Committee’s instruction contained in the second sentence of the second bullet in the first

paragraph of this memo, namely, holding some programs harmless from cuts, while taking deeper cuts to other programs. Given the results of the first process, as described in paragraph two above, it was not easy to identify programs to cut more deeply. Further, since the budget produced by the first set of calculations showed a surplus of \$253,962, staff elected to skip this step, preferring to seek direction from the Committee on this matter at the January 10<sup>th</sup> meeting.

As a final step in the preparation of materials for the Committee to review at its January meeting, staff distributed the available funds (\$253,962) among five programs, as shown in Column F of the Summary spreadsheet and Column G of the Detailed spreadsheet. These five were selected for the following reasons:

- Since the “surplus” funds were derived from specific revenue sources, staff was required to focus the increases on programs that could be funded with those revenues. The application of this criterion resolved the surpluses in three fund sources: OAA III-D, OAA VII, and Type B Block Grant funds.
- Regarding available OPI funds, staff divided the “surplus” funds between the two programs with the highest anticipated need for additional resources, Home Care and Personal Care.

The results of this exercise can be found in Columns G and H, respectively, of the two spreadsheets.

As should be evident from the descriptions above, two spreadsheets are attached. The first is the Expenditure Summary spreadsheet (yellow paper). Each program appears on one line in this spreadsheet, giving the reviewer the ability to see the overall impact of the fund-by-fund decisions displayed on the Detailed Expenditure spreadsheet (white paper). There are several columns of data on this spreadsheet. Working from left to right, they are as follows:

- Column A: program names
- Column B: funds spent, by program, in Program Year 2004-05
- Column C: funds budgeted, by program, in the current year budget
- Column D: baseline 2006-07 budget (with no adjustments for inflation)
- Columns E and G: two different versions of the 2006-07 budget, as described in the narrative above.
- Columns H and I: comparative information: next year compared to this year, expressed both in dollar terms and as percentages (Note: in Column H, numbers in brackets are negative numbers)

Finally, to facilitate the review of funds budgeted for Senior Connections, a second page of the Summary spreadsheet is presented containing information specific to this constellation of programs.

The second spreadsheet is the funding source-by-funding source detailed worksheet. Its columns are similar to the ones on the Summary worksheet with three notable exceptions. The funding sources appear in Column A, the program names and budget data (as described above for Columns A through G) are shifted one column to the right, and comparative information is omitted. This spreadsheet also contains a blank column (Column I) on the far right for the display of Committee-developed revisions to the budget, if any.

#### REQUESTED ACTIONS:

1. Review and either: (a) approve the 2006-07 Area Plan Budget, as proposed in the attached spreadsheets, or (b) recommend amendments to the 2006-07 Area Plan Budget.
2. Once a version of the 2006-07 Area Plan Budget is acceptable to the Committee, authorize S&DS staff to use it in the preparation of the draft 2006-07 Area Plan Update document, which will be presented to the public for review and comment at a hearing on February 21, 2006.

#### Attachments

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