

# THE ECONOMIC CRISIS AND ITS IMPACT ON STATE AGING PROGRAMS

6/2009

Results of All-State Survey



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## RESULTS OF ALL-STATE SURVEY

### Introduction

The current economic crisis continues to force many state aging directors to grapple with difficult decisions on budget cuts and reductions in services. Not since the late eighties has the economy looked as sluggish. The most challenging times in the economy increase demand for state planning, budgeting, and monitoring for services that are delivered at the community level on everything from providing assistance with heating bills to providing home delivered meals as well as all types of home health supports.

The National Association of State Units on Aging (NASUA) surveyed its members to gauge the impact of the economic downturn on aging services. The members of NASUA are the nation's 56 officially designated state and territorial agencies on aging, often referred to as State Units on Aging (SUAs). This is the fourth survey on the economy conducted by NASUA. The first survey was conducted in June 2008. The most recent and more extensive survey was conducted in late April and May 2009. Forty-three states and the District of Columbia responded to the most recent survey.<sup>1</sup>

This survey focuses primarily on the outlook for the FY10 budgets which most of the states will begin on July 1, 2009<sup>2</sup>.

### Role of State Units on Aging

The State Units on Aging (SUAs) were originally developed in response to the Older Americans Act (OAA) legislation signed into law nearly 45 years ago.<sup>3</sup> As a condition of receipt of OAA funding, each state is required to designate a single state agency responsible for implementing a statewide aging plan that addresses the needs of older

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<sup>1</sup> The states not participating in the survey include: Alaska, Massachusetts, Nebraska, New Hampshire, Pennsylvania, South Carolina, and South Dakota.

<sup>2</sup> The states that do not have fiscal years beginning on July 1, include Alabama, Michigan, New York, and Texas.

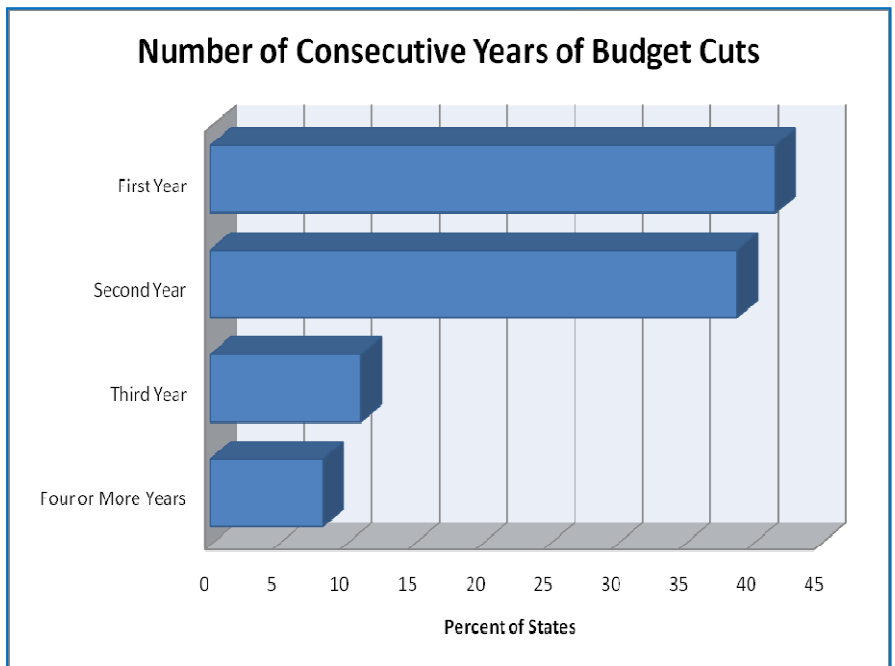
<sup>3</sup> Official agency names and organizational arrangements vary from state to state. For example, states may call their SUA a Department, Office, Bureau, Commission, Council, or Board. "State Unit on Aging" is a single term intended to encompass all of these variations. See "40 Years of Leadership: The Dynamic Role of State Units on Aging," September 2004, NASUA, page 6.

residents of the state. SUAs evolved significantly over the ensuing 45 years. SUAs have taken on the task of designing and implementing a nationwide system for home and community based services and supports. In 46 states, these services are planned and delivered in collaboration with Area Agencies on Aging, while ten states have opted to function as single planning and service areas.<sup>4</sup> SUAs work to ensure that all federal and state resources available to serve this population come together using a systemic statewide approach to planning in every state, region, and county across America.

Today SUAs administer billions of dollars from a broad array of federal and state funding sources, with approximately a third of the total derived from the federal OAA appropriation. Increasingly over the years, nearly all issues affecting the well being of older persons and their families, and in many states of late, individuals with physical disabilities, have come under the purview of the SUA.

In many states the SUA is now also responsible for the delivery and support of Medicaid Home and Community Based Services (HCBS) Waivers.<sup>5</sup> Over half of the SUAs administer the Medicaid HCBS elderly waiver program and nearly one-third also administer the Medicaid HCBS disabled waiver program.

States<sup>6</sup> rely on a number of financing strategies to deliver their services. In addition to Medicaid waivers, states combine funding from the Older Americans Act, Social Services Block Grant, the Low-Income Home Energy Assistance Program, the Community Services Block Grant, and other federal sources to deliver a package of benefits for their eligible seniors and individuals with disabilities. Further, the majority of states provide some funding for programming that is solely financed by the state. The Social Services Block Grant (SSBG) has become an important source of funding for nearly half of the SUAs. States are using the SSBG funding to provide home delivered meals, transportation, adult protective services, adult daycare, housing, and foster care services among many others.



## Overall State Fiscal Conditions

<sup>4</sup> Id., page 7. Alaska, Delaware, District of Columbia, Guam, Nevada, New Hampshire, Northern Mariana Islands, North Dakota, Rhode Island, South Dakota, Utah, and Wyoming are single planning and service areas.

<sup>5</sup> See Appendix A for a chart detailing the responsibilities of the state units on aging.

<sup>6</sup> Unless otherwise indicated from context, “state” or “states” refers to state unit on aging in the states and territories.

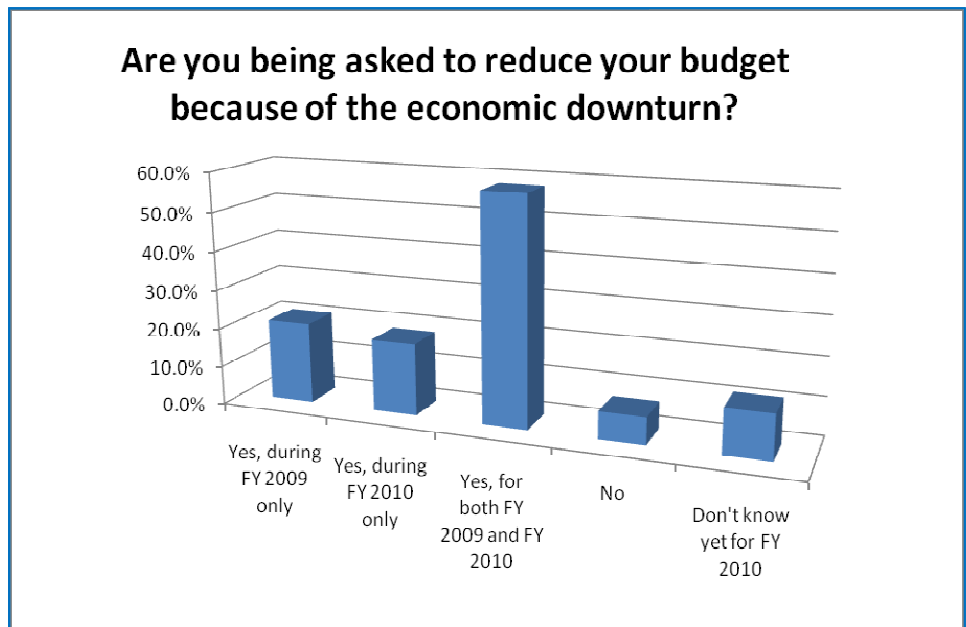
According to the National Governors Associations (NGA) June 2009 *Fiscal Survey of the States*, general fund spending is estimated to decrease by 2.2 percent for FY09, while governors recommended budgets for FY10 show a 2.5 percent decline in spending. Since the report began in 1979, the only other time actual state general fund spending declined was 1979.<sup>7</sup> Nearly all states are subject to a legal requirement to balance their budgets, so they must either cut spending or increase revenue in an economic downturn in order to avoid a deficit.<sup>8</sup> According to the *Fiscal Survey of States*, the spending decrease is attributable to the sharp decline in state revenues. FY09 estimated tax collections of sales, personal income and corporate income are 6.1 percent lower than FY08 collections. Additionally, FY09 revenues are below expectations in 38 states, are on target in ten states, and are exceeding expectations in only two states. Forty-two states had to make mid-year budget corrections for FY09, for a combined \$31.6 billion. Even with the enacted budget cuts, states still face large budget gaps for the foreseeable future. States are currently facing \$183.3 billion in remaining budget gaps for FY09-11, after already addressing gaps of \$46.2 billion.<sup>9</sup>

### State Units on Aging FY10 Budgets

Over 50 percent of states responding to the NASUA survey report a budget shortfall for FY09. Forty percent of the states indicated that their budgets will be balanced for FY09 while just one state is reporting that it will have a surplus for FY09.

Conditions for FY10 appear to be on a similar course with just slight variations in the number of states reporting that they will have budget shortfalls.

Nearly 60 percent of the states report that they are being asked to reduce their agency’s budget for both FY09 and FY10. Nearly 12 percent of the states indicated that while they have finalized their adjustments for FY09, they are not yet sure what type of adjustments will be necessary for the FY10 budget.



<sup>7</sup> The Fiscal Survey of the States, National Governors Association (NGA), National Association of State Budget Officers (NASBO), June 2009.

<sup>8</sup> All states except Vermont have a statutory, constitutional, or judicially interpreted requirement to have balanced budgets. There is some variation about what a balanced budget means. In some states, the governor's proposed budget must be balanced. In others, the enacted budget must be balanced. And in a third variation, the budget must be balanced at the end of a fiscal year or biennium. See Snell, Ronald K., *State Balanced Budget Requirements: Provisions and Practice* (Denver, Colo.: National Conference of State Legislatures (NCSL), 1996), updated 2004, <http://www.ncsl.org/programs/fiscal/balbuda.htm>.

<sup>9</sup> *State Economic Review*, National Governors Association, National Association of State Budget Offices, June 2009.

Survey respondents were asked to list the extent of the budget cuts that they were being asked to make for FY10. At the point that the survey was taken, 50 percent of the states believed that they would be asked to make adjustments to their state budgets of less than five percent. It is important to remember however, that even this relatively minor adjustment of five percent can be difficult to manage given the number of consecutive years that the states have been asked to make similar downward adjustments.<sup>10</sup> A relatively large number of states are already reporting larger cuts will be necessary in order to balance the FY10 budgets with over 30 percent indicating cuts of between 6-10 percent and nearly 12 percent indicating that they will have to make cuts of between 11-15 percent for FY10.

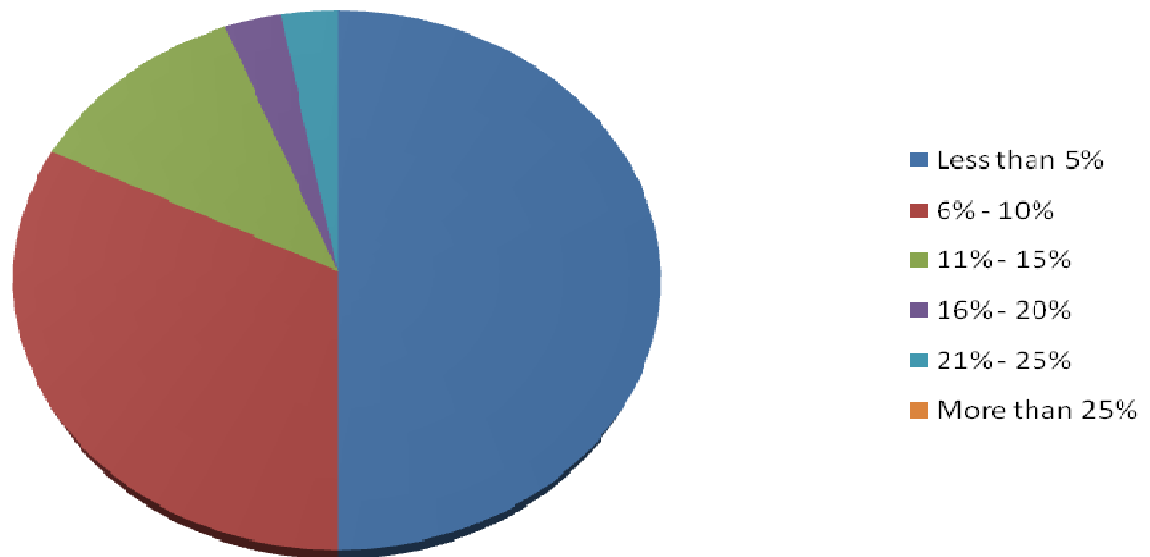
*“To the extent possible,” explained one state official, “we are maintaining safety net services to the most vulnerable populations. State-funded community services programs for non-Medicaid eligible individuals will receive the biggest budget cut in FY10.”*

Nearly all of the states indicated that they will share their state’s cost cutting efforts with other state agencies.

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<sup>10</sup> See *The Economic Crisis and Its Impact on State Aging Programs*, December 2008.

## Percent of Budget Cuts for FY10



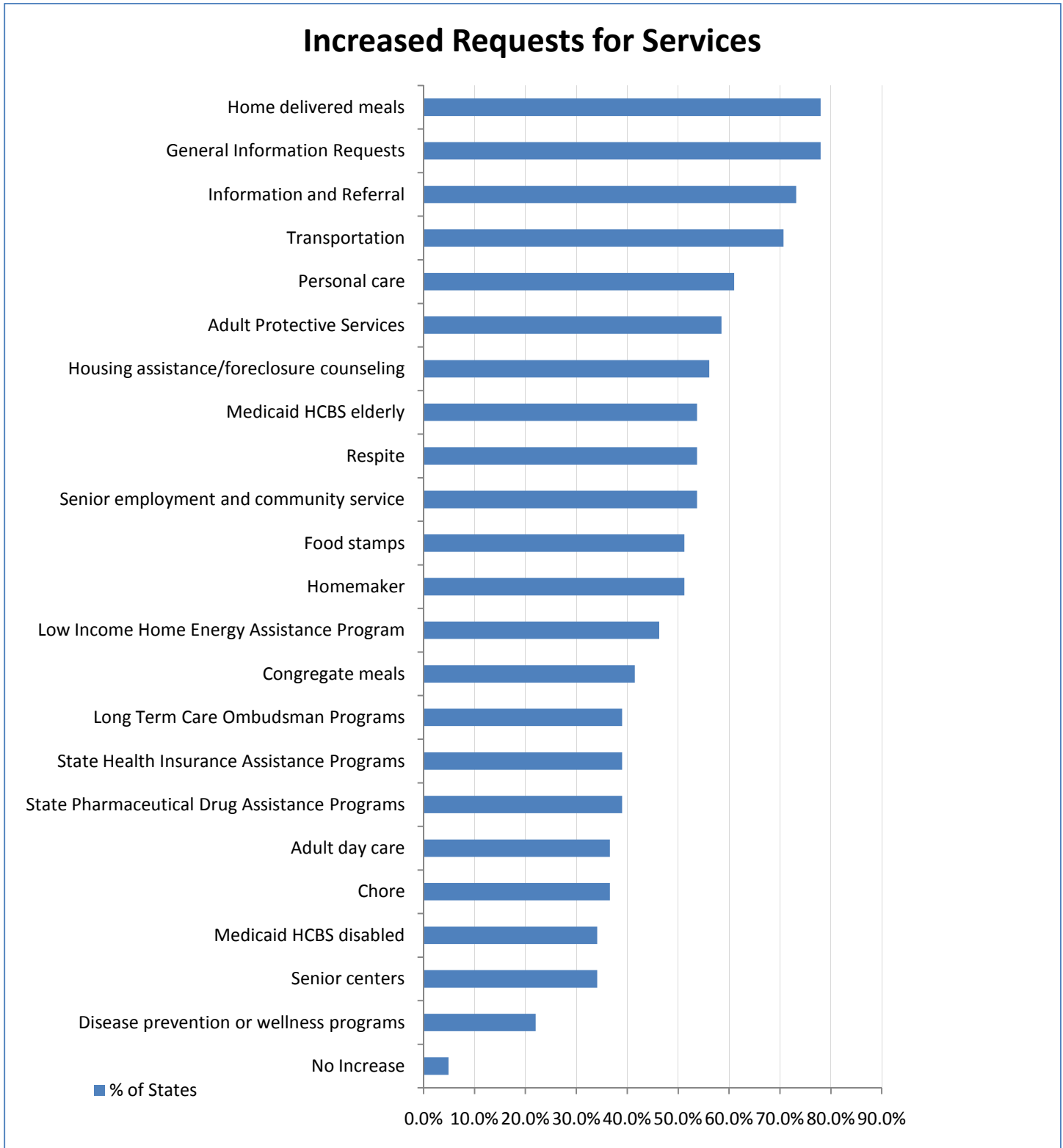
As in past surveys, the Governors and state unit on aging directors are trying to focus the vast majority of their cutting efforts on areas that will not affect direct services. In FY10, 81 percent of the states that will cut their budgets are reporting that they will cut back on administration. The second largest area for cutting for the State Units on Aging programs are state funded programs for older adults. Nearly 65 percent of states indicated that they will cut their state funded programs in this area as a way to balance their FY10 budgets. Nearly 30 percent of the states reported that they will perform across the board cuts to all programs in an effort to spread the burden. An equal number of states indicated that they will cut state only funding for individuals with disabilities. Older American Act (OAA) programs will not be spared from budget cuts as 30 percent of the states are already reporting that they will cut OAA funded programs for FY10.

## Responding to the Increasing Need

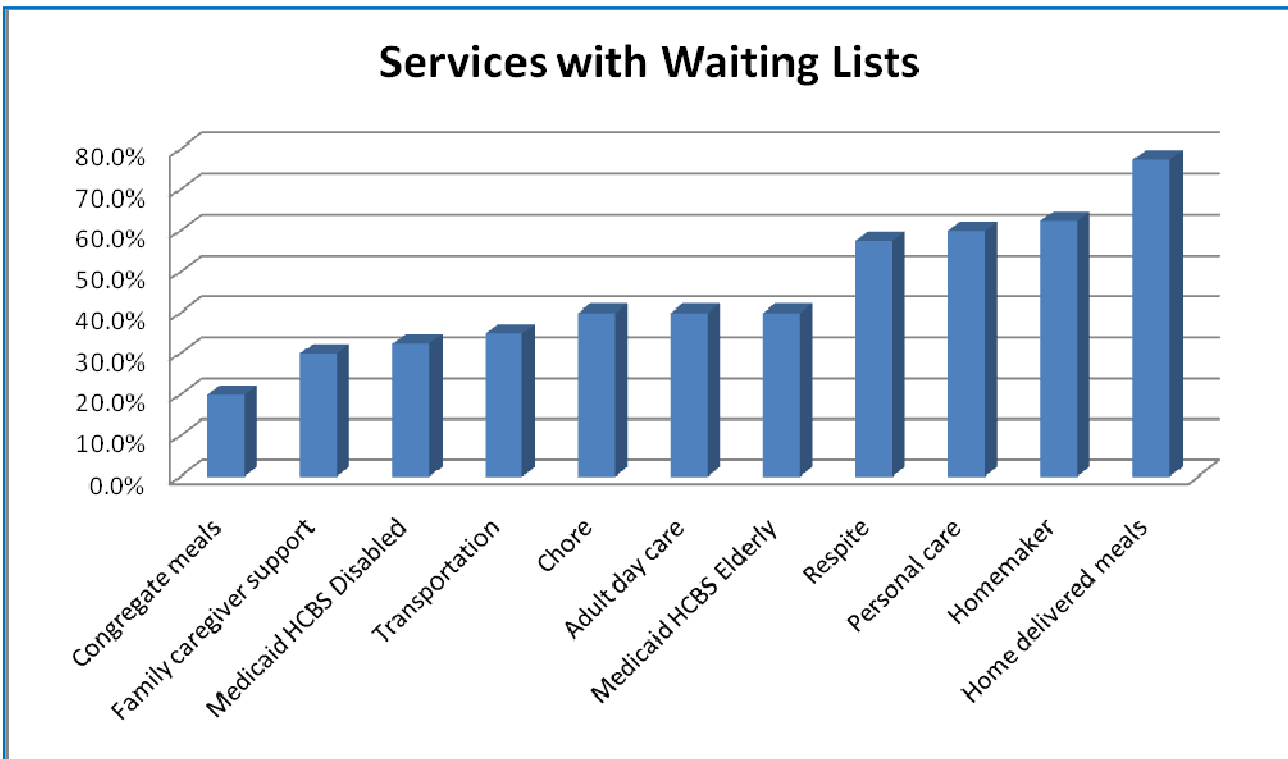
One way that states continue to manage the budget crisis, is to have waiting lists for certain services. Services with waiting lists continue to grow as the economic climate worsens. Over 80 percent of the states reported that they are projecting that waiting lists will continue to grow for services in FY10. Nearly 80 percent of the states indicate that they now have waiting lists for home delivered meals. Over 50 percent of the states report having waiting lists for personal care, homemaker services, and respite care.

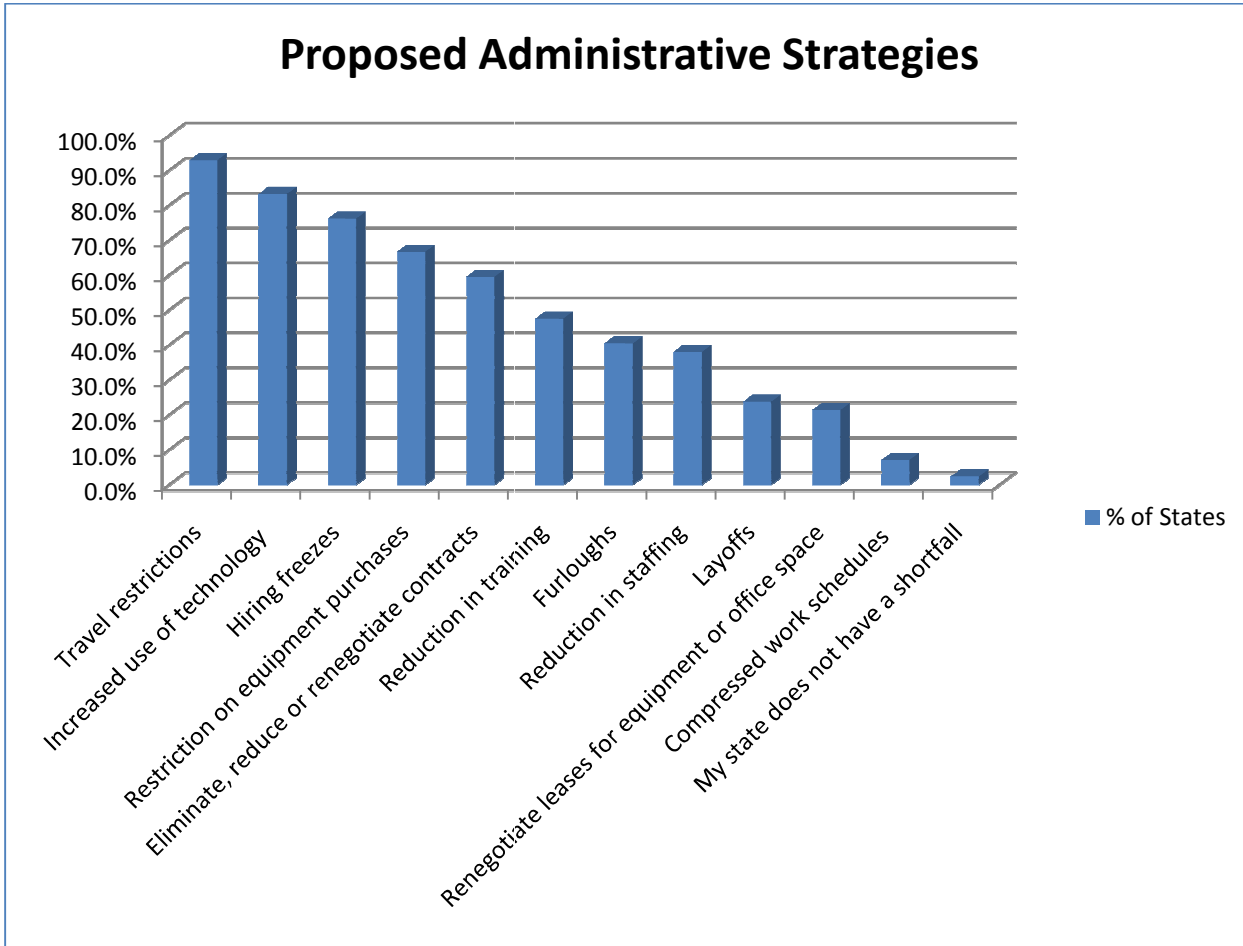
State budget cuts are also proving to have a negative affect on the states with area agencies on aging affecting their ability to deliver local services. Over 50 percent of the states responding to the survey indicated that their AAA networks will have to cut their budgets as a direct result of the statewide budget reductions. AAAs will also be

forced to mimic some of the same cost cutting strategies at the community level to balance their budgets, including creating waiting lists for services and reducing staff.



The impact of the state budget cuts to the consumer is that the number of people served or services provided by the AAA, may be decreasing because of the lack of supportive funding coming to communities from the state. Several state leaders indicated that without funding for long-term services and supports programs that meet basic nutritional needs, provide respite care, homemaker services, and other similar services, many of the individuals currently receiving these services will end up in full-time nursing home care at a much greater cost. In one state, early estimates suggest that as many as 17 percent of those individuals who had been supported in communities with state funded home and community based supports will end up in institutional care.





## Administrative Strategies

States continue to look for ways to mitigate reduction of direct services first in an effort to balance FY10 budgets. This continues the trend that was observed in the first NASUA economic survey and in all subsequent reports. In an earlier survey one State Unit Director described a common approach that in these difficult times they “would be looking to protect basic services such as supporting food, shelter, and basic medical care.”

States continue to impose travel restrictions in all but a handful of states. In fact, travel restrictions have tightened considerably since the last report. In prior surveys states reported that they were no longer able to travel out of state for conferences, meetings, or training sessions. However, many State Unit Directors are now reporting that they are not allowed to travel within their state borders to various meetings to provide quality supports such as monitoring, technical assistance, training and information exchange with their area agencies on aging or local officials.

Hiring freezes, furloughs, and layoffs continue into the FY10 budget cycle. Nearly 50 percent of the states report that they will have additional furloughs in FY10 continuing the trend of FY09. Over 80 percent of the states indicated that they will continue the hiring freezes first imposed several years ago.

States also continue to look for creative ways to help solve their budget crises by the improving use of technology, restricting equipment purchases, and renegotiating leases.

### **Program Strategies**

States are extremely reluctant to impose reductions on programs that serve consumers directly. However, states are reporting that they are considering program cuts in an effort to deal with the shortfalls in their states. Many states indicated that they would cut aging programs that are solely state funded initiatives. States also pointed out that programs that are authorized by the state but have not yet started may be postponed. Examples of such efforts include expansions of Aging and Disability Resource Centers.

States are aggressively looking for new grant opportunities in FY10 as a way to stave off further budget cuts. Over 70 percent of the states indicated that they are looking for additional grant opportunities. Fifty percent of the states also indicated that they are seeking new partnerships to share functions or costs as creative cost conservation strategies.

Even with the most aggressive grant seekers, however, states still have to make difficult choices. Over 50 percent of the states surveyed indicated that they will have to reduce funding for direct service programs in their FY10 budget. New program activities that were slated to begin in FY10 will also be delayed as a way to balance the budget in nearly half of the states. Providers of services for various programs will face reductions in provider rates in nearly half of the states.

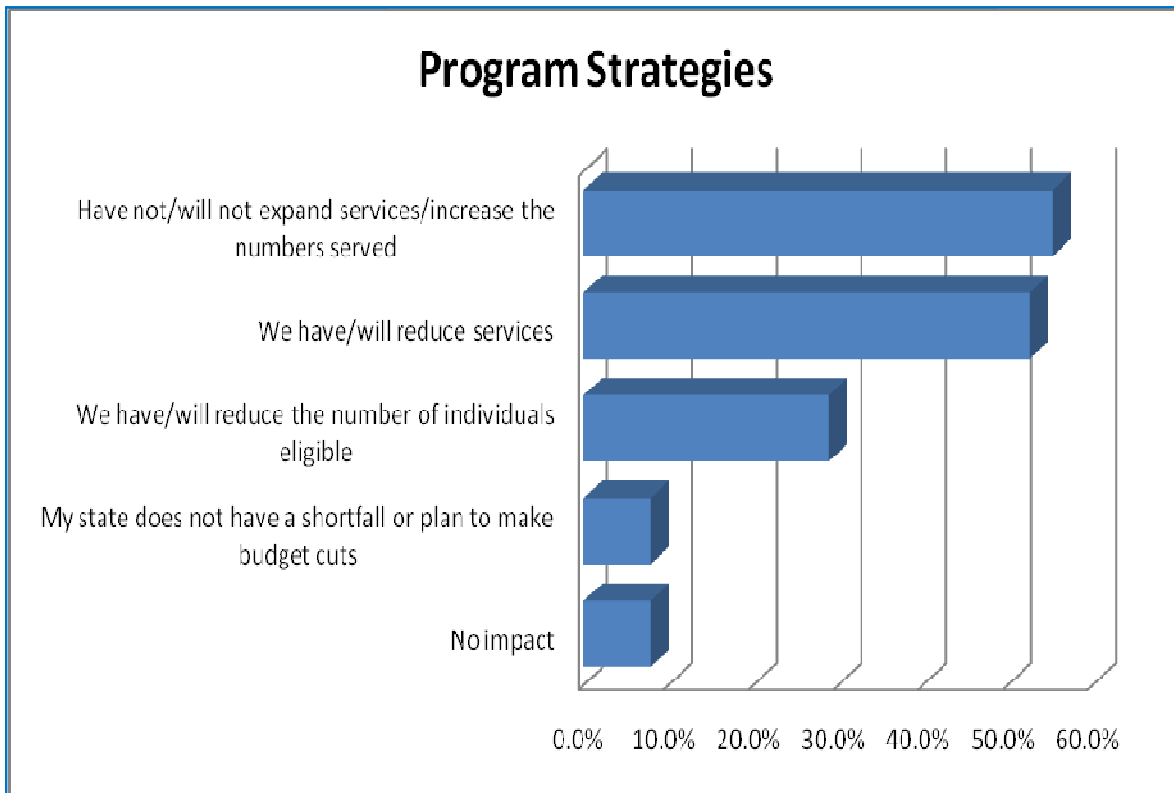
For the majority of states, maintaining current services is the best they can hope for in the current economic environment. Over half of the states indicated that they will not be able to expand services or increase the number of individuals served even if they are eligible for services in FY10. An equal number of states are indicating that despite their best efforts, they will have to reduce services for FY10.

Individual consumers will see programs eliminated; services limited; access to information reduced; cost sharing increased; and eligibility decreased for programs in more than a third of the states responding to the survey. State directors are also concerned that they will have to continue to extend boundary lines for programs to lower costs thereby increasing the travel time and distance for services. For example, several states indicated that they will shut down meal site locations on Monday, Wednesdays and Fridays but offer the opportunity for consumers to get a meal at another location within a 50 mile radius. This distance may make it impossible for many seniors and individuals with disabilities to receive consistent nutrition, socialization, and a touch point for information on a daily basis.

### ARRA's Impact

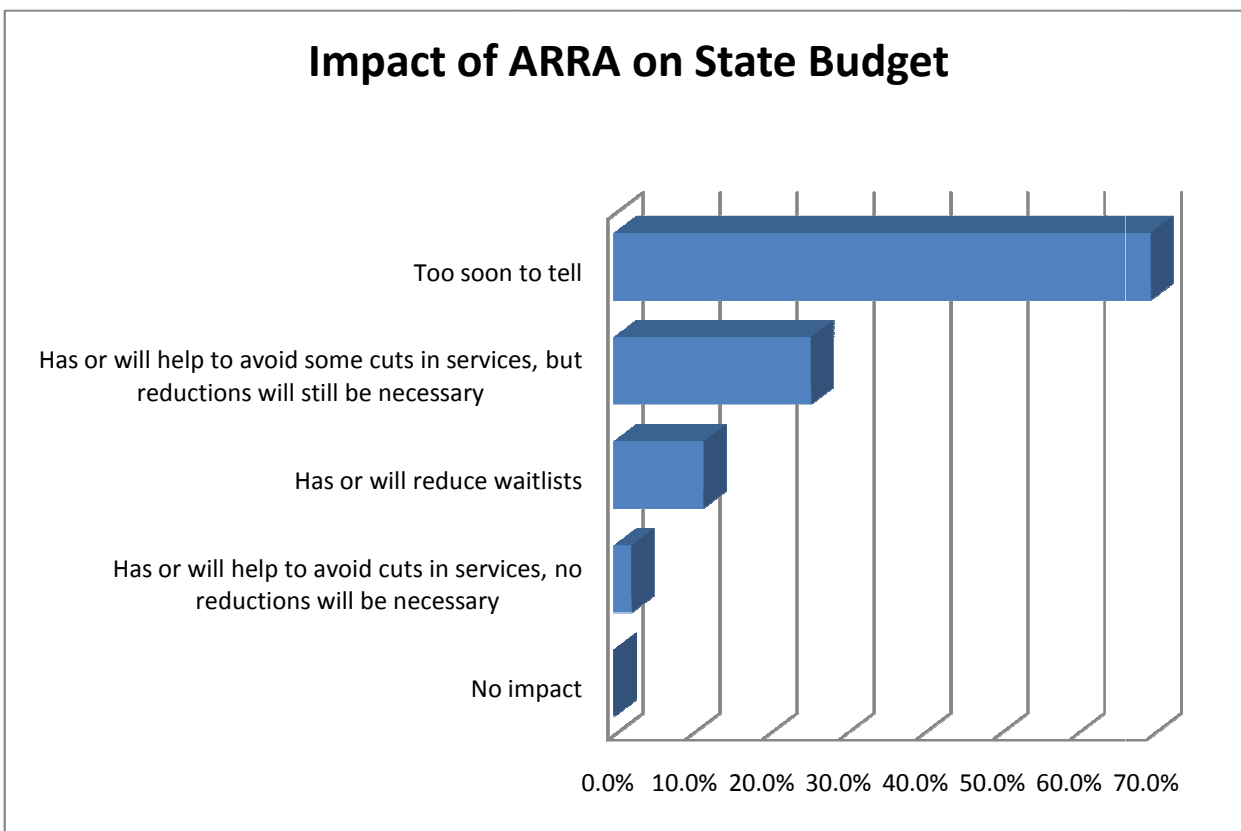
The American Recovery and Reinvestment Act of 2009 was designed to both stimulate the economy and to lessen the impact of the downturn in the economy. The survey conducted in April/May 2009 for NASUA was the first survey taken after the stimulus funds were released. Over 70 percent of the respondents to the survey indicated that they believed that it is far too soon to analyze the impact of ARRA funding.

The largest funding to states under the ARRA was the temporary increase in the Federal Medical Assistance Percentage (FMAP) rate. The Federal Medical Assistance Percentages (FMAPs) are used in determining the amount



of Federal matching funds for state expenditures for assistance payments for certain social services, and state medical and medical insurance expenditures. The increase in the FMAP was designed to allow states to cover the most vulnerable citizens during the economic crisis without pushing the states into further economic decline.

All of the states responding to the survey indicated that they had applied and were utilizing the funding available under the ARRA AoA Food and Nutrition Program. The states reported that the ARRA funding appeared to have the affect of allowing them to maintain services for food and nutrition programs. Several states indicated however they will still have to reduce the number of service days per week serving meals. In addition, many states indicated that paying for transportation to the congregate meal sites is difficult. As a result, states are looking for creative solutions to ensure that the seniors are fed on the days when transportation to a congregate meal site is not an option. A number of states indicated that they are sending seniors home from congregate meal sites with frozen meals to ensure coverage on the days that they are unable to transport them to meal sites.



Nearly 90 percent of the states indicated that they were using the funding available under ARRA for the Senior Community Service Employment Program. Other programs that the state aging units applied for under the ARRA special funding included Health Information Technology Grants, Community Services Block Grant, Homelessness Prevention, Rural Community Facilities Program, and Emergency Food and Shelter programs.

It is too soon to tell what the overall impact of the economic stimulus program will have on the states. States have reported that they have been able to use the ARRA funding to help avoid some cuts in services but only 10 percent indicated that the ARRA funding helped to eliminate the waitlist. More troubling is that over 20 percent of the

states indicated that even with the ARRA funding, they will still have to cut back services to consumers. While the majority of states hoped not to reduce food and nutrition programs, a combined 15 percent of states indicated that they will have to reduce congregate and/or home delivered meals in order to balance the FY10 budget.

## Issues and Concerns

The economic crisis has had a profound effect on states and their continuing ability to provide services and supports to older adults and individuals with disabilities. Over 50 percent of the states indicate that their top priority during this time is to just maintain the current level of services without expansions regardless of need.

One surprising trend, however, is that many state unit directors are using this crisis as an opportunity to push for the further development of home and community based services. Nearly half of the states indicated that they are trying to encourage more home and community based services and supports during this economic crisis. Many state unit leaders point to documented evidence that serving individuals in their homes and communities can save the state money while at the same time providing seniors and individuals with disabilities with a higher quality of life.

Nearly 40 percent of the states are now indicating that the use of technology in all aspects of home and community based care is a top priority. Whereas in prior years states cut technology investment as a way to balance the budgets, more states are indicating that they recognize that by investing in technology there will be eventual savings to the state.

A major concern states expressed is that when the ARRA funding expires, there will be a deep cliff for the states, not only with respect to the AoA food and nutrition program, but also for all of the Medicaid funding. States are concerned that the only way that the states balanced their FY09 budgets was using ARRA funding to backfill, but once that funding is exhausted, there will be an even larger gap to fill.

*“The economic crisis is accelerating our state’s efforts to become consumer-driven and to empower individuals.”*

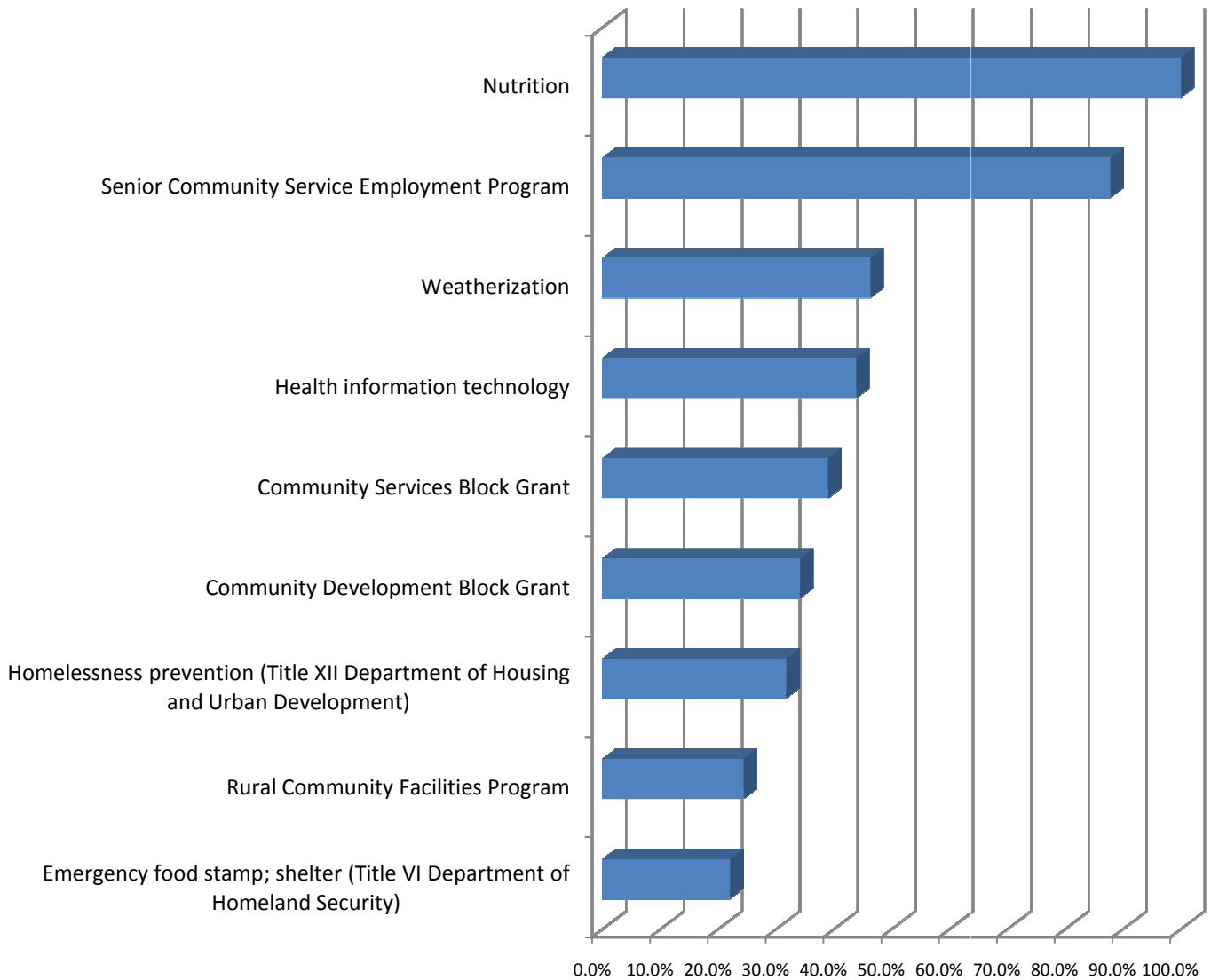
*-Survey Respondent*

## For more information:

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# APPENDIX A

## ARRA Funding Opportunities



### Programs Administered by SUA

