

**REPORT OF THE
VIRGINIA DEPARTMENT FOR THE AGING**

Aging Funding Task Force

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 63

**COMMONWEALTH OF VIRGINIA
RICHMOND
2005**

Funding Task Force Report To The Governor and the Chairmen of the Senate Finance and House Appropriations Committees Final Report

Background

Virginia's 25 local Area Agencies on Aging (AAAs) provide services so the elderly can live safely in the least institutionalized environment. The services can be generally described as in-home or community based. This care promotes dignity, independence, and security among Virginia's vulnerable elderly. In-home and community services are provided at less cost than moving into an assisted living facility or nursing home.

In-home services include home delivered meals (e.g., meals on wheels), personal care, and simply checking to make sure the senior is safe and sound. Community services include adult day care, group senior meal sites, nutrition counseling, transportation to medical appointments, and legal assistance.

Sustainability of services is paramount to the frail elderly. The key is a continuous funding stream. Federal Older Americans Act and state General Funds are distributed through an intrastate funding formula. The formula is part of the State Plan for Aging Services - Virginia's application for funding to the federal Administration on Aging - and is based upon four factors and uses the most recent Decennial Census information. The Plan also states that funds will be distributed using the "best available data."

The four formula factors are:

- 30% of the funds are distributed based on Population 60+ years of age.
- 10% of the funds are distributed based on Population 60+ years of age who reside in Rural Jurisdictions.
- 50% of the funds are distributed based on Population 60+ years of age, whose income levels place them in Poverty.
- 10% of the funds are distributed based on Population 60+ years of age, who are Minorities and in Poverty.

The statewide changes between the 1990 and 2000 census counts are shown in the following chart:

Factor	1990	2000	Percentage Change
Population 60+	909,906	1,065,502	17%
Population 60+ in Rural Jurisdictions	336,531	263,484	-22%
Population 60+ in Poverty	111,131	94,291	-15%
Population 60+ Minority in Poverty	40,082	37,196	-7%

The 2000 census produced an unexpected and dramatic impact on Virginia's intrastate funding formula due to shifts in the distribution of those Virginians in poverty and the loss of rural population.

The Federal Census Bureau does not routinely tabulate population 60+ years of age who are in poverty, but many states have relied on such a tabulation because the Older Americans Act is targeted to the 60+ population. A Special Tabulation of the Census is created for the US Administration on Aging, and provided to the states. Historically, this tabulation does not reach the states until 4 or 5 years after the Census is taken. Virginia received its 2000 Aging Tabulation in late 2004.

Over the ten year period from 1990 to 2000, major population changes occurred. Although the age 60+ population in Virginia increased 17%, the 60+ population in rural jurisdictions decreased 22% (largely due to additional jurisdictions being designated as part of Metropolitan Statistical Areas [MSAs]) while the 60+ population in poverty decreased 15%. Further the 60+ minority population in poverty decreased 7%.

Since poverty factors account for 60% of funding through the intrastate funding formula, localities that gained or lost population in poverty experienced large "swings" in funding, ranging from an increase of 65% in Prince William County, to a decrease of nearly 21% in the New River Valley (Appendix B).

These shifts were unexpected, in that the AAAs gaining most substantially from the Poverty factor were those in Planning District 8 – Alexandria, Arlington, Fairfax, Loudoun, and Prince William.

In response to this unexpected shift in funding, Item 303.E. of Chapter 951: 2005 Virginia Acts of Assembly delayed implementation of the 2000 census numbers. The delay temporarily held harmless the AAAs that would have been devastated with the funding cuts, but also capped the AAAs that would have benefited from the new numbers. The Appropriations Act language also directed the creation of a Task Force to review the funding formula and determine whether to make changes.

Funding Task Force

The Funding Task Force comprised 10 AAA Executive Directors from all regions of Virginia, as well as the Executive Director of the Virginia Association of Area Agencies on Aging (VAAAA). There were an equal number of AAA Directors who would be 'winners' or 'losers' with the adoption of the updated 2000 census numbers. The Directors were:

- Helen Cockrell, Shenandoah Area Agency on Aging, Inc., Front Royal
- Dan Farris, Central Virginia Area Agency on Aging, Inc., Lynchburg

- Mike Guy, District Three Senior Services, Marion
- Terri Lynch, Arlington Agency on Aging, Arlington
- William Massey, Peninsula Agency on Aging, Inc., Newport News
- Grace Starbird, Fairfax Area Agency on Aging, Fairfax
- Ed Taylor, Lake Country Area Agency on Aging, South Hill
- Diana Wallace, Appalachian Agency for Senior Citizens, Inc, Cedar Bluff
- Dr. Thelma Bland Watson, Senior Connections – The Capital Area Agency on Aging, Inc., Richmond
- Susan Williams, LOA - Area Agency on Aging, Inc., Roanoke
- Eldon James, Executive Director, Virginia Association of Area Agencies on Aging

The Funding Task Force met three times in 2005. The first meeting was held in Richmond on May 27, the second meeting in Danville on June 29, and the third meeting was held via conference call on September 7.

The charge of the Task Force was spelled out in *Chapter 951: 2005 Virginia Acts of Assembly*. A complete copy of the language is in Appendix A:

The Commissioner of the Department for the Aging shall forthwith convene a task force to discuss, evaluate, and make recommendations no later than September 15, 2005, concerning future distribution of Older Americans Act and state general fund appropriations.

Commissioner, Jay W. DeBoer, J.D., identified five principles to guide the Task Force's discussion:

- (1) Money – which equates to the ability of the AAAs to provide services based upon their funding levels. Funding is a “zero-sum” exercise, meaning there will be losses equal to gains among the AAAs;
- (2) Self-interest – members should advocate for their own agencies and clients;
- (3) Uniform system – a threat of harm or injury to any AAA is a threat to the entire system. Virginia is required to have a relatively uniform system of delivery of services statewide. There is a “core” or threshold amount of funding needed to operate any AAA at a basic level;
- (4) Personalities – this is not a personality-driven issue. It is the fault of no one that census numbers changed. New numbers are being inserted into a formula that was adopted a long time ago; and
- (5) Winners – the AAAs that would benefit from the 2000 census deserve, legally and ethically, to “win”. However, the system must assure that AAAs negatively impacted by the census change are not structurally harmed to the point of ceasing to be able to function. In other words, the “losers” must not be forced “out of business”.

The Task Force reviewed several documents to obtain a historical perspective on how previous census changes had been addressed. The documents included the Federal Older Americans Act, a year-by-year history of Virginia's funding formula since 1975, General Funds appropriated for AAA Services (Funding History), an analysis of General Funds received by year on a per senior bases adjusted for inflation and growth in the senior population, along with a survey of other state funding formulas. Two of these documents are included as attachments: Appendix C – Area Agency General Fund Services Funding History, and Appendix D – General Fund Dollars Per Senior.

The work of the Task Force was divided into two major concerns:

1. Does Virginia's funding formula need to be changed; and
2. Is there a need to change the source data of the factors?

To develop a consensus, members of the Task Force examined multiple scenarios with differing or alternative formula factors, and different weighting of factors. VDA staff produced numerous spreadsheets, charts and other documents using the best census and financial data available.

The Task Force analyzed possible changes in the funding formula that would have modified the rural factor. Currently, a locality is considered "rural" if it is not located within an MSA, or if it has a population density of fewer than 50 persons per square mile. Data modifying the density exclusion from 50 persons per square mile to 120 persons per square mile did not result in an acceptable improvement. Replacing the present rural factor of the formula with a new service area square mileage factor was considered and rejected. Increasing the total appropriation for rural localities by 10% was considered and rejected. A combination of square mileage with a 10% adjustment was considered and rejected. The Task Force concluded that, although the present rural factor does not produce the desired effects, none of the alternatives considered generated sufficient benefits to the system that would support a modification of the formula.

Since Poverty drives 60% of the formula, the Task Force considered whether a change in weighting of that factor should occur. The Task Force agreed that the current formula weighting meets the federally directed mandate to target services to those "most in need", and declined to recommend that the Poverty factor or its weighting be modified.

The Task Force analyzed changes in the funding formula source data. The discussion included the availability of data by jurisdiction of the 60+ population as compared to the 65+ population. The Task Force reviewed the Bureau of Census changes to the rolling census estimates. It was the desire of Task Force to use the most accurate and current census information available when the Department prepares its planning funding allocations in March of each year. While the correlation between 60+ population and 65+ is not exact, and although there are greater variances in some service areas than in others, the Task Force

concluded that 65+ population would be an acceptable substitute for plan preparation in the years between Censuses.

Funding Task Force Findings

- The Task Force finds that the volatility in funding for aging services in Virginia that would be created by an immediate application of the new population data is excessive, and would result in severe negative repercussions for the entire network of Area Agencies on Aging.
- The Task Force acknowledges that, although the components of the funding formula are designed to be reflective of potential service demands upon each AAA, the actual caseload of each AAA just prior to a funding change is approximately the same as that immediately following such change. In other words, the persons being served do not “vanish” when funding diminishes.
 - Following previous updates in Census data, Virginia has held those AAAs that would have lost funding “harmless” by supplying additional resources to fund them at previous funding levels.
 - The Task Force believes that following this same procedure, also adopted by the State of Florida following the 2000 Census, is the best of all possible alternatives in that it protects those AAAs that would lose funds while allowing gaining AAAs the benefit of additional funding due their increased census data.
- The Task Force is of the opinion that the negative effects of the current update in census data are profoundly magnified by the reductions in General Fund appropriations imposed in 2002, 2003 and 2004. Those reductions, coupled with a growing caseload demand, and especially with increased costs, particularly fuel costs for transportation and home-delivered meals, have made it impossible for many AAAs to absorb even minor additional reductions in funding without severely curtailing services to existing clients.
- The Task Force also is of the opinion that the magnitude of variances in funding are partly due the formula being refreshed with new data on a decennial basis. It would be easier for AAAs to absorb smaller reductions or to implement increased funding if new data were placed in the formula on a more frequent basis.

Funding Task Force Recommendation

- The Task Force recommends that VDA request \$1,268,734 in funding to hold harmless the AAAs that are negatively impacted by the 2000 census. Such AAAs would be held harmless until such time as additional revenues or

changes in funding distribution increase their appropriations above current levels.

- The Task Force recommends that the funding formula be updated annually, beginning in 2006 for FY 2007, using the latest available data from US Bureau of Census population estimates or US Bureau of Census – American Community Survey. Any additional “new” funds would be distributed using the updated formula. All funding formula factors will remain the same.
- If the requested funds are not appropriated in FY 2007, the Task Force prefers as a secondary position a three year phase-in as recommended by VAAAA in November 2000, with one-third of the gains and losses being applied cumulatively in each of three successive years.
 - However, such a phase-in will be catastrophic to one AAA, and will adversely impact the core mission of others. Therefore, the Task Force deems its request for funds paramount.

Respectfully submitted,

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Dan Farris
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Terri Lynch
William Massey
Grace Starbird
Ed Taylor,
Diana Wallace
Dr. Thelma Bland Watson
Susan Williams
Eldon James

Jay W. DeBoer, JD
Commissioner, VDA

Appendix A

Chapter 951: 2005 Virginia Acts of Assembly

Item 303.E. The Commissioner of the Department for the Aging shall use federal Fiscal Year 2005 percentages to distribute federal Fiscal Year 2006 Older Americans Act and state general fund appropriations. The Commissioner of the Department for the Aging shall forthwith convene a task force to discuss, evaluate, and make recommendations no later than September 15, 2005, concerning future distribution of Older Americans Act and state general fund appropriations.

The Commissioner shall report to the Governor and the Chairmen of the Senate Finance and House Appropriations Committees by October 1, 2005, on an Intrastate Funding Formula for the distribution of federal Fiscal Year 2007 Older Americans Act and state general fund appropriations.

Appendix B

Comparison of Funding Formula from 1990 Census to 2000 Census

PSA	AAA	Area	Formula Using 1990 Census %	Formula Using 2000 Census %	Difference	% Change	\$ Change in Funding
	Mountain						
1	Empire	Big Stone Gap	2.86245	3.01939	0.15694	5.48%	51,434
2	Appalachian	Cedar Bluff	3.11581	3.44488	0.32907	10.56%	108,061
3	District Three	Marion	5.34702	5.19141	(0.15561)	-2.91%	-51,097
	New River						
4	Valley	Pulaski	2.98622	2.36927	(0.61695)	-20.66%	-202,591
5	LOA	Roanoke	4.77900	4.35594	(0.42306)	-8.85%	-138,921
6	Valley Program	Waynesboro	4.97705	4.86748	(0.10957)	-2.20%	-35,978
7	Shenandoah	Front Royal	3.47883	3.11199	(0.36684)	-10.54%	-120,461
8A	Alexandria	Alexandria	1.20580	1.32186	0.11606	9.63%	38,114
8B	Arlington	Arlington	1.55420	1.65261	0.09841	6.33%	32,315
8C	Fairfax	Fairfax	4.38086	5.94561	1.56475	35.72%	513,827
8D	Loudoun	Loudoun	0.56193	0.75661	0.19468	34.64%	63,930
8E	Prince William	Prince William	0.79823	1.31745	0.51922	65.05%	170,499
	Rappahannock-						
9	Rapidan	Culpeper	2.29999	2.37830	0.07831	3.40%	25,718
	Jefferson Area						
10	Board	Charlottesville	2.95557	2.56020	(0.39537)	-13.38%	-129,831
11	Central Virginia	Lynchburg	4.49313	4.27104	(0.22209)	-4.94%	-72,930
12	Southern	Martinsville	6.86808	6.49406	(0.37402)	-5.45%	-122,818
13	Lake Country	South Hill	3.80340	3.52332	(0.28008)	-7.36%	-91,974
14	Piedmont	Burkeville	3.37363	3.55764	0.18401	5.45%	60,426
	Senior						
15	Connections	Richmond	10.08918	9.93265	(0.15653)	-1.55%	-51,398
16	Rappahannock	Frederick	2.12720	2.18235	0.05515	2.59%	18,111
17/18	Bay Aging	Urbana	3.66638	3.84441	0.17803	4.86%	58,460
19	Crater District	Petersburg	3.53479	3.63214	0.09735	2.75%	31,968
20	Southeastern	Norfolk	13.75102	13.03215	(0.71887)	-5.23%	-236,058
21	Peninsula	Newport News	4.84854	5.14026	0.29172	6.02%	95,793
22	Eastern Shore	Onancock	2.14168	2.09698	(0.04470)	-2.09%	-14,677
TOTAL			100.00000	100.00000			

Appendix C Area Agency General Fund Services Funding History

	Non Designated Budget Reduction or Addition	Community Based	Transportation	Home Delivered Meals
1985 General Assembly for FY'86 (Note #1)				\$275,000
1986 General Assembly for FY'87		\$455,400	\$483,750	680,850
1986 General Assembly for FY'88		101,200	107,500	151,300
1988 General Assembly for FY'89		900,000	250,000	250,000
1989 General Assembly for FY'90		400,000	300,000	241,090
Note #2 for FY'90				45,529
1990 General Assembly for FY'91				50,000
FY'91 Reductions		(168,954)	(103,858)	(154,124)
FY'92 Reductions (Note #3)		41,086	25,256	37,530
1992 General Assembly for FY'93				62,500
FY'93-94 Reductions		(91,166)	(56,042)	(83,130)
1993 General Assembly for FY'94 (Note #4)		575,000		
1994 General Assembly for FY'95		355,000	125,000	
1995 General Assembly - FFS for FY'96		300,000		
1996 General Assembly - FFS for FY'97		187,500		250,000
1997 General Assembly - FFS for FY'98		750,000		500,000
1998 General Assembly - FFS for FY'99		500,000		500,000
1999 General Assembly - FFS for FY'00		500,000	100,000	250,000
2000 General Assembly - FFS for FY'01		375,000	100,000	325,000
2000 General Assembly - FFS for FY'02			100,000	25,000
2002 Reductions for FY'02	(242,031)			
2002 Reductions for FY'03	(169,828)			
FY'03 Reductions	(1,394,142)			
FY'04 Reductions	(32,240)			
2004 General Assembly for FY'05	750,000			
2004 General Assembly for FY'06	100,000			
Total GF Funding	<u>\$(988,241)</u> since 2002	\$5,180,066	\$1,431,606	\$3,406,545

*Originated in Governor's Budget

Note #1 - Original award limited to jurisdictions with no meals on wheels program.

Note #2 - Funds from VDA operating budget earmarked for AAA's.

Note #3 - Service Reductions overall in FY'92 were less than FY'91, therefore this shows as an increase in funding.

Note #4 - Awarded to meet unmet needs.

One-Time Awards

1988 General Assembly awarded \$500,000 for transportation (\$400,000 for capital equipment and \$100,000 for a Medicaid Project.)

1999 Governor's Budget included \$130,000 for the purchase of AIM software by AAAs.

Appendix D General Fund Dollars Per Senior

Fiscal Year	Funding	60+ Population 1980 Census	Dollars Per Senior	60+ Population 1990 Census	Dollars Per Senior	60+ Population 2000 Census	Dollars Per Senior		
FY'86	275,000	912,285	\$0.30						
FY'87	1,895,000	912,285	\$2.08						
FY'88	2,255,000	912,285	\$2.47						
FY'89	3,655,000	912,285	\$4.01						
FY'90	4,641,619	912,285	\$5.09						
FY'91	4,264,683							909,906	\$4.69
FY'92	4,368,555							909,906	\$4.80
FY'93	4,200,717							909,906	\$4.62
FY'94	4,775,717							909,906	\$5.25
FY'95	5,255,717							909,906	\$5.78
FY'96	5,555,717							909,906	\$6.11
FY'97	5,993,217							909,906	\$6.59
FY'98	7,243,217							909,906	\$7.96
FY'99	8,243,217							909,906	\$9.06
FY'00	9,093,217							909,906	\$9.99
FY'01	9,893,217								
FY'02	9,776,186					1,065,502	\$9.18		
FY'03	8,212,216					1,065,502	\$7.71		
FY'04	8,179,976					1,065,502	\$7.68		
FY'05	8,929,976					1,065,502	\$8.38		
FY'06	9,029,976					1,065,502	\$8.47		