

**76th OREGON LEGISLATIVE ASSEMBLY – 2011 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5053-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Kotek
Carrier – Senate: Sen. Winters**

Action: Do Pass as Amended and as Printed A-Engrossed

Vote: 23 – 0 – 2

House – Yeas: Beyer, Buckley, Cowan, Garrard, Komp, Kotek, McLane, Nathanson, Nolan, Richardson, G. Smith, Thatcher, Whisnant
– Nays:
– Exc: Freeman

Senate – Yeas: Devlin, Edwards, Girod, Johnson, Monroe, Nelson, Thomsen, Verger, Whitsett, Winters
– Nays:
– Exc: Bates

Prepared By: Kelly Freels, Blake Johnson and Kate Nass, Department of Administrative Services

Reviewed By: Linda Ames and Sheila Baker, Legislative Fiscal Office

Meeting Date: May 6, 2011

Agency

Department of Human Services

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Biennium

2009-11

Budget Summary*

	2009-11		Committee Change from	
	Legislatively Approved Budget (1)	Committee Recommendation	2009-11 Leg Approved \$ Change	% Change
General Fund	\$ 3,215,063,396	\$ 3,215,063,396	0	0.0%
Lottery Funds	10,903,639	10,903,639	0	0.0%
Other Funds	1,584,261,694	1,567,613,759	(16,647,935)	-1.1%
Other Funds Nonlimited	40,000,000	40,000,000	0	0.0%
Federal Funds	8,348,670,189	8,429,604,711	80,934,522	1.0%
Federal Funds Nonlimited	2,294,721,966	2,294,721,966	0	0.0%
Total	\$ 15,493,620,884	\$ 15,557,907,471	64,286,587	0.4%

Position Summary

Authorized Positions	11,616	11,616	0	0.0%
Full-time Equivalent (FTE) Positions	11,056.07	11,056.07	0.00	0.0%

(1) Includes adjustments through March 2011.

* Excludes Capital Construction expenditures

Summary of Revenue Changes

Department of Human Services (DHS) programs and operations are funded by a mix of General Fund, Lottery Funds, Other Funds, and Federal Funds. The agency's rebalance results in no change in General Fund revenue, a decrease in Other Funds limitation of \$16.6 million, and an \$80.9 million increase in Federal Funds limitation. The reduction in Other Funds reflects a \$23.5 million reduction in Tobacco Master Settlement Agreement (TMSA) revenues available for DHS in the 2009-11 biennium. The Federal Funds increase is primarily the result of a \$15.4 million Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus payment, a new federal grant, and increased use of federal Medicaid matching funds in Seniors and People with Disabilities (SPD) programs.

Summary of Human Services Subcommittee Action

The Subcommittee approved a budget rebalance plan that carries out the DHS programs and operations for the remainder of the 2009-11 biennium. This plan reflects updated estimates of program caseloads, costs per case, and non-General Fund revenues. It shifts General Fund appropriations between budget structures, but DHS expects to complete the 2009-11 biennium within its current General Fund budget. The plan as approved by the Subcommittee also decreases Other Funds expenditure limitation by \$16.6 million and increases Federal Funds expenditure limitation by \$80.9 million.

The plan uses agency-estimated surpluses of \$3.1 million General Fund, forecasted tobacco tax revenues of \$5.4 million Other Funds, federal CHIPRA bonus payments of \$15.1 million and a reduced TMSA payment of \$6.5 million Other Funds. This additional federal revenue includes a CHIPRA performance bonus for federal fiscal year 2010, as a result of Oregon's successful effort in simplifying enrollment processes and increasing Medicaid enrollment of children. The 2009 Legislature approved a TMSA allocation of \$30 million to support expenditures in the Oregon Health Plan. Because TMSA revenues have declined over the last couple of years, there is not enough in the account to make the full distribution and still pay debt service during the 2011-13 biennium. Reducing the TMSA allocation now to \$6.5 million does mean that about \$30 million in distribution will be available late in the 2011-13 biennium. The rebalance adjustments approved by the Subcommittee will leave the agency balanced, but without any reserves if caseload goes up or the final tobacco revenues come in short for the 2009-11 biennium.

Caseload forecasts are slightly lower overall for the agency resulting in \$2.0 million General Fund savings. Caseloads in the Temporary Assistance to Needy Families (TANF) programs continue to exceed the forecast, although Employment Related Day Care caseloads have been lower than the 10,000 caseload cap set for the program. Increases in Medical Assistance Programs (MAP) are driven by Oregon's current economic downturn coupled with agency-directed outreach efforts to increase health care participation for children. This outreach effort contributed also to caseload growth in the Children's Health Insurance Program (CHIP) within MAP. In SPD, caseloads are up in Developmental Disabilities (DD) support and comprehensive services, but these are offset by savings in Oregon Project Independence (OPI).

The Subcommittee discussed the continued need for General Fund to cover interest charges for loans from the state treasury to address expected cash flow problems late in the biennium. As in the past, the agency will borrow these funds until certain Other Funds revenues are received, primarily provider taxes, tobacco taxes, and some SPD provider advances.

The plan uses \$46,000 General Fund and \$35,000 Federal Funds to cover costs to begin initial planning for a child welfare differential/alternative response model in anticipation of program changes in 2011-13. The differential response model adds an alternative child welfare intervention using community-based services for families who do not require the traditional investigation.

The plan also uses \$0.5 million General Fund for the department to begin transitioning geropsychiatric patients from the Oregon State Hospital into community settings. The department would be eligible to receive federal funds for the treatment of patients in the long term care community, whereas federal support is generally not available for these clients in the Oregon State Hospital.

The Subcommittee plan adds \$30,000 Other Funds and \$40,000 Federal Funds for the Oregon Healthy Kids program, as a result of receiving a grant from the Ford Foundation. It also reduces the budget by \$0.8 million Federal Funds since the CHIPRA tri-state demonstration grants will not be fully spent in 2009-11 and will carry over into 2011-13. In SPD, large Other Funds and Federal Funds limitation increases, \$10 million and \$73.9 million respectively, largely reflect changes in the caseload mix in the Medicare Buy-In programs and increased federal program revenues in several DD programs.

A delay in reports necessary to reconcile final payments to DRG hospital facilities will carry-forward expected savings in the Medical Assistance Program to 2011-13. These reports are from the Centers for Medicare and Medicaid Services (CMS). The cost of \$1.5 million General Fund in 2009-11 will be a savings to the 2011-13 budget.

Federal funds expenditure limitation is increased by \$13,621,679 to start work on the Health Insurance Exchange information system. The agency has received \$48 million in federal grant funds for this purpose. The Subcommittee approved the increase, but asked the Department of Administrative Services to unschedule the expenditure limitation increase pending approval of the grant request by the Full Committee on Ways and Means. That approval is now complete. Given legislative concerns with project implementation, the following budget note was approved.

Budget Note:

The agency is directed to work closely with the Legislative Fiscal Office as the agency implements the Health Insurance Exchange IT Project (HIX). By July 1, 2011, the agency is directed to acquire appropriate external independent quality assurance (QA) support and additional independent internal performance focused quality assurance support. In addition the agency must provide LFO with the essential foundational project definition, oversight, and execution documents identified in the HIX Project Legislative Oversight Plan described below.

The agency is directed to work with LFO to develop an HIX Project Legislative Oversight Plan that provides clear direction to both the agency and the legislature on how the HIX Project implementation will be conducted, overseen, and status reported to agency management and to the legislature. This HIX Project Legislative Oversight Plan should be completed no later than June 1, 2011 and will identify all key activities, milestones, measures, and products necessary to assure that the HIX Project proceeds according to schedule and budget. It will include key activities and deliverables related to: (a) project definition and planning; (b) project management; (c) project governance, oversight, and control; (d) stewardship and accountability; (e) performance and success management; (f) risk management; (g) organizational change and business process re-engineering management; and (h) quality management. A key component of this oversight plan will be the development of appropriate HIX Project off-ramps (and associated trigger events) should the HIX Project deviate significantly from Project goals, schedule, progress expectations, milestone dates, scope, and cost.

The agency will consult with LFO and obtain LFO's approval before hiring the independent external Quality Assurance (QA) contractor, and provide monthly regular project status reports, independent QA oversight reports, and independent project performance QA reports as they are developed. The agency will provide regular performance reviews of program/project progress and avail itself of clearly defined project "off-ramps" should major changes in project scope, estimates, costs, schedule, resource needs, risks, or progress occur. LFO will be immediately notified should the need to take a project "off-ramp" be identified. In addition, the agency is expected to report on implementation progress to the appropriate interim committee (as determined by LFO) by October 2011, and again during the February 2012 session.

The Subcommittee-approved rebalance plan includes no new position authority, but includes technical adjustments that shift positions among the Administrative Services Division, Health Services, and Children, Adults and Families.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5053-A

Department of Human Services
 Kelly Freels, Blake Johnson, Kate Nass -- (503) 378-3742

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2009-11 Legislatively Approved Budget at March 2011 *	\$ 3,215,063,396	\$ 10,903,639	\$ 1,584,261,694	\$ 40,000,000	\$ 8,348,670,189	\$ 2,294,721,966	\$ 15,493,620,884	11,616	11,056.07
<u>SUBCOMMITTEE ADJUSTMENTS</u>									
Administrative Services Division	\$ 179,445	\$ 0	\$ (2,058)	\$ 0	\$ 195,369	\$ 0	\$ 372,756	(1)	-0.50
Children, Adults and Families	\$ (864,878)	\$ 0	\$ (1,426,190)	\$ 0	\$ (8,784,483)	\$ 0	\$ (11,075,551)	(1)	-1.00
Health Services	\$ 606,853	\$ 0	\$ (20,543,345)	\$ 0	\$ 16,119,661	\$ 0	\$ (3,816,831)	2	1.50
Seniors and People with Disabilities	\$ 78,580	\$ 0	\$ 5,323,658	\$ 0	\$ 73,403,975	\$ 0	\$ 78,806,213	0	0.00
TOTAL ADJUSTMENTS	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(16,647,935)</u>	\$ <u>0</u>	\$ <u>80,934,522</u>	\$ <u>0</u>	\$ <u>64,286,587</u>	<u>0</u>	<u>0.00</u>
SUBCOMMITTEE RECOMMENDATION *	\$ <u>3,215,063,396</u>	\$ <u>10,903,639</u>	\$ <u>1,567,613,759</u>	\$ <u>40,000,000</u>	\$ <u>8,429,604,711</u>	\$ <u>2,294,721,966</u>	\$ <u>15,557,907,471</u>	<u>11,616</u>	<u>11,056.07</u>
% Change from 2009-11 Leg Approved Budget	0.0 %	0.0 %	-1.1 %	0.0 %	1.0 %	0.0 %	0.4 %	0.0 %	0.0 %

*Excludes Capital Construction Expenditures