

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5549-A

Carrier – House: Rep. Nathanson

Carrier – Senate: Sen. Winters

JOINT COMMITTEE ON WAYS AND MEANS

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

Vote: 23 – 0 – 3

House

Yeas: Barker, Buckley, Frederick, Huffman, Jenson, Komp, McLane, Nathanson, Read, Richardson, Smith, Tomei, Williamson

Nays:

Exc: Freeman, Hanna

Senate

Yeas: Bates, Devlin, Edwards, Girod, Hansell, Monroe, Steiner Hayward, Thomsen, Whitsett, Winters

Nays:

Exc: Johnson

Prepared By: Dustin Ball, Blake Johnson and Kate Nass, Department of Administrative Services

Reviewed By: Laurie Byerly and Linda Ames, Legislative Fiscal Office

Meeting Date: May 10, 2013

Agency

Department of Human Services
Oregon Health Authority

Biennium

2011-13

DHS Budget Summary

	2011-13 Legislatively Approved Budget ⁽¹⁾	2011-13 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
			\$ Change	% Change
General Fund	\$ 2,168,567,997	\$ 2,168,567,997	\$0	0.0%
General Fund Debt Service	\$ 16,869,093	\$ 16,869,093	\$0	0.0%
Other Funds	\$ 514,095,196	\$ 516,471,949	\$ 2,376,713	0.5%
Federal Funds	\$ 3,378,868,122	\$ 3,427,786,418	\$ 48,918,296	1.4%
Federal Funds Nonlimited	\$ 2,514,345,331	\$ 2,514,345,331	\$0	0.0%
Total	\$ 8,592,745,739	\$ 8,644,040,788	\$ 51,295,009	0.6%

Position Summary

Authorized Positions	7,405	7,411	6	0.1%
Full-time Equivalent (FTE) positions	7,311.44	7,312.13	0.69	0.0%

OHA Budget Summary

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
			\$ Change	% Change
General Fund	\$ 1,637,896,745	\$ 1,638,993,077	\$ 1,096,332	0.1%
General Fund Debt Service	\$ 54,161,379	\$ 53,065,047	\$ (1,096,332)	-2.0%
Lottery Funds	\$ 10,158,046	\$ 10,158,046	\$0	0.0%
Other Funds	\$ 2,338,772,544	\$ 2,355,777,262	\$ 17,004,718	0.7%
Other Funds Nonlimited	\$ 3,316,231,621	\$ 3,316,231,621	\$0	0.0%
Federal Funds	\$ 5,159,360,185	\$ 5,185,712,295	\$ 26,352,110	0.5%
Federal Funds Nonlimited	\$ 107,103,462	\$ 107,103,462	\$0	0.0%
Total	\$ 12,623,683,982	\$ 12,667,040,810	\$ 43,356,828	0.3%

Position Summary

Authorized Positions	4,108	4,108	0	0.0%
Full-time Equivalent (FTE) positions	3,999.04	3,999.04	0.00	0.0%

⁽¹⁾ Includes adjustments through March 2013

Summary of Revenue Changes

Senate Bill 5549 rebalances budgets for the Department of Human Services (DHS) and Oregon Health Authority (OHA) with available resources. OHA and DHS programs and operations are funded by a mix of General Fund, Lottery Funds, Other Funds, and Federal Funds. The rebalance plan results in no change in General Fund revenue. About \$20 million in additional Other Funds revenue is primarily due to increased costs in the Oregon Health Plan (OHP) Standard program, which is funded through provider assessments and matched with Federal Funds through the Medicaid program. These matching federal dollars are reflected in just over \$75 million in additional Federal Funds revenue, which also includes a significant increase related to the Self Sufficiency Modernization project.

Summary of Human Services Subcommittee Action

The Human Services Subcommittee approved a budget rebalance plan that carries out the DHS and OHA programs and operations for the remainder of the 2011-13 biennium. The plan reflects updated estimates of various caseload costs, other program costs and savings, and non-General Fund revenues. It shifts General Fund appropriations between budget structures, but both DHS and OHA expect to complete the 2011-13 biennium within each agency's current General Fund budget. The plan approved by the Subcommittee requests that the Department of Administrative Services reschedules \$1,469,444 General Fund for DHS and \$237,309 General Fund for OHA. The rebalance plan includes net increases in Other Funds expenditure limitation (\$19,381,431) and Federal Funds expenditure limitation (\$75,270,406).

DEPARTMENT OF HUMAN SERVICES

The Subcommittee rebalance plan expects DHS to complete the 2011-13 biennium within its current General Fund budget, which includes \$5 million General Fund added to DHS budget in HB 5052 (2013). Those dollars were unscheduled until the agency updated its 2011-13 caseload and budget estimates. Of the \$5 million, the plan requests that \$1,469,444 General Fund be rescheduled at this time; the rest would remain unscheduled pending final biennium close out adjustments. The plan also adds \$2,376,753 Other Funds expenditure limitation, \$48.9 million Federal Funds expenditure limitation, and six limited duration positions (0.69 FTE).

The rebalance plan in the Children, Adults, and Families (CAF) program area results in a net savings of \$976,500 General Fund, an increase of \$417,556 Other Funds expenditure limitation, and an increase of \$54,082,870 Federal Funds expenditure limitation. For Self Sufficiency programs, the 2011-13 biennial average caseload for the Temporary Assistance for Needy Families (TANF) program has decreased from the fall forecast. This is in part due to federal action in January 2013 extending the Emergency Unemployment Compensation program, which helps mitigate an expected increase in TANF cases built into the fall forecast. However, costs per case for some program components have increased since that last forecast, driving a net increase of \$1,469,444 General Fund. The Subcommittee budget rebalance plan includes the request to reschedule a portion (\$1,469,444) of the HB 5052 funding to allow DHS to cover increased caseload costs while continuing to serve Job

Opportunity and Basic Skills (JOBS) clients. Additionally, the rebalance plan also includes \$46,511,044 Federal Funds expenditure limitation to complete the 2011-13 biennium portion of the Self Sufficiency Modernization (SSM) project. While additional federal revenues for the project were expected all along, the agency held its request for expenditure limitation pending a review of overall project limitation needed to close out the biennium.

The rebalance plan increases Federal Funds expenditure limitation by \$7.2 million for the Vocational Rehabilitation program, based on federal grant authority and projected expenditures under the current five-year plan.

In Child Welfare, the rebalance plan accommodates a net \$77,489 General Fund increase resulting from fluctuations in costs per case for substitute care and adoptions. Also associated with caseload changes is a net increase of \$417,556 Other Funds and \$1,358,675 Federal Funds. The plan includes a technical adjustment moving \$976,500 General Fund from Child Welfare to Central Services. In the CAF program support budget, \$45,117 total funds is added to cover recently announced telecomm rate increases.

The Subcommittee rebalance plan for Seniors and People with Disabilities (SPD) reflects a net decrease of \$192,976 General Fund and \$6,334,050 Federal Funds expenditure limitation. The plan increases Other Funds expenditure limitation by \$1,959,157 and adds six limited duration positions (0.69 FTE). The net position change for SPD is five positions (-0.31 FTE) due to the transfer of one position (1.00 FTE) from SPD to Central Services. Ongoing actions to reduce administrative expenditures are part of the plan.

In the Aged and Physical Disability (APD) programs, changes in caseload and cost per case are driving net increases of \$45,939 General Fund, \$1,381,007 Other Funds expenditure limitation, and \$638,790 Federal Funds expenditure limitation. The program is also requesting an increase of \$931,089 General Fund to address an accounting error that applied an incorrect federal match rate on expenditures; a corresponding Federal Funds decrease is included. A prior uptick in projected estate recoveries results in a need of an additional \$1 million Other Funds expenditure limitation.

The rebalance plan for APD includes \$240,845 Other Funds expenditure limitation and six limited duration positions (0.69 FTE) to carry out the DHS efforts under the State Innovation Model (SIM) grant that OHA was awarded on February 21, 2013. APD is responsible for working with OHA, Coordinated Care Organizations (CCOs), and stakeholders to promote alignment between medical care and long-term care services. The agency is also involved with payment transformation/financial accountability initiatives falling under the model. Grant funding supports three program analysts, a policy analyst, an information specialist, and an administrative support position. Project activities include creating memorandums of understanding between CCOs and long term care organizations, supporting policy development/direction, and performing data collection and analysis. Activities are expected to continue through the fall of 2016.

Participation rate, caseload, and cost per case changes in the Developmental Disabilities (DD) program result in net decreases of \$1,422,745 General Fund, \$662,655 Other Funds, and \$5,170,020 Federal Funds. Drivers include higher costs for adult foster care and DD client shifts between state and group homes.

The Subcommittee also approved an increase of \$690,416 General Fund to address an accounting error that applied an incorrect federal match rate on expenditures; a corresponding Federal Funds expenditure limitation decrease is included. The plan includes a technical adjustment moving \$385,952 total funds and one position (1.00 FTE) from SPD to Central Services. In the SPD program support budget, \$24,294 total funds is added to cover recently announced telecomm rate increases.

For Central Services, the Subcommittee approved an increase of \$1,169,476 General Fund and Federal Funds (cost allocation) from the two technical adjustments noted previously: transfer in from CAF (Child Welfare) of \$976,500 General Fund incorrectly applied in December 2012 and the transfer in of one position (\$385,953 total funds, 1.00 FTE). No changes were made in Shared Services or Debt Service budget structures.

Even though the DHS budget is balanced with this plan, potential areas of risk and uncertainty remained in the budget. For example, the plan is contingent on the agency's ability to continue to manage caseloads and for projected revenues to materialize. The TANF caseload is particularly sensitive to the economy and is very challenging to predict during the transition from recession to recovery. In addition, while DHS expects to manage internally impacts of federal sequestration (reduced grants over the last quarter of 2011-13), and a small caseload amount in SPD, there may be unforeseen consequences that could affect the agency's budget or program delivery.

OREGON HEALTH AUTHORITY

The Subcommittee approved a budget plan for the Oregon Health Authority (OHA) that completes the 2011-13 biennium within its current General Fund budget, after shifting appropriations between budget structures. The plan adds \$17,004,718 Other Funds expenditure limitation and \$26,352,110 Federal Funds expenditure limitation.

The rebalance plan makes several adjustments to Medical Assistance Programs (MAP). Rebalance issues in this program result in overall net savings of \$1,291,792 General Fund, a net increase of \$17,961,249 Other Funds, and a net increase of \$32,162,407 Federal Funds. The plan includes General Fund savings of \$1.2 million from slightly lower caseloads, and a reduction in General Fund need due to an increase in tobacco tax revenue of \$2.0 million. These savings are offset by a General Fund need of \$2.7 million (\$8.4 million total funds) due to a one-time shift caused by the difference in timing of payments for fee-for-service clients transitioning into Coordinated Care Organizations. The rebalance plan includes an unspecified management action in the amount of \$751,851. As a result of the December 2012 rebalance, \$237,309 General Fund was unscheduled and the Subcommittee requests this be rescheduled to reduce the expected shortfall and unspecified management action.

The Oregon Health Plan (OHP) Standard caseload is higher than originally projected. Additional expenditure limitation of \$15.6 million Other Funds and \$26.2 million Federal Funds is included in the Subcommittee's rebalance plan to accommodate the increased caseload level.

The plan for Public Health results in an increase of \$142,000 Other Funds expenditure limitation to reflect a higher forecast for tobacco tax revenues for the Tobacco Use Reduction Account.

The Subcommittee plan for Central and Shared Services includes a net increase in General Fund of \$2.4 million to fund state assessments and risk charges after accounting for cost allocation actuals to date. Adjustments between fund sources for cost allocation also include a decrease in Other Funds of \$1.1 million and an increase in Federal Funds of \$1 million. Interest earnings on bond proceeds generated \$1.1 million more than anticipated, which will be applied to General Fund debt service, resulting in a corresponding General Fund savings to the budget. Finally, Federal Funds limitation is reduced by \$4.8 million to reflect updated expenditure projections related to the State Innovation Model grant.

While this plan leaves OHA balanced, there are no resources available if caseloads go up, costs increase, or revenues come in lower than expected over the next few months. These are always risks. In particular, the timing and amount of revenues received by MAP through the Designated State Health Program (DSHP) continues to be a budget risk.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

SB 5549-A

Department of Human Services/Oregon Health Authority
 Dustin Ball, Blake Johnson, Kate Nass -- (503) 378-3119

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
SUBCOMMITTEE ADJUSTMENTS (from LAB)									
Department of Human Services									
Children, Adults and Families	\$ (976,500)	\$ 0	\$ 417,556	\$ 0	\$ 54,082,870	\$ 0	\$ 53,523,926	0	0.00
Seniors and People with Disabilities	\$ (192,976)	\$ 0	\$ 1,959,157	\$ 0	\$ (6,334,050)	\$ 0	\$ (4,567,869)	5	-0.31
Central Services	\$ 1,169,476	\$ 0	\$ -	\$ 0	\$ 1,169,476	\$ 0	\$ 2,338,952	1	1.00
TOTAL Department of Human Services	\$	\$ 0	\$ 2,376,713	\$ 0	\$ 48,918,296	\$ 0	\$ 51,295,009	6	0.69
Oregon Health Authority									
Health Care Programs	\$ (1,291,792)	\$ 0	\$ 17,961,249	\$ 0	\$ 32,162,407	\$ 0	\$ 48,831,864	0	0.00
Public Health	\$ -	\$ 0	\$ 142,000	\$ 0	\$ -	\$ 0	\$ 142,000	0	0.00
Central Services	\$ 238,371	\$ 0	\$ (1,243,931)	\$ 0	\$ (3,556,069)	\$ 0	\$ (4,561,629)	0	0.00
Direct Charge Services	\$ 2,149,753	\$ 0	\$ 145,400	\$ 0	\$ (2,254,228)	\$ 0	\$ 40,925	0	0.00
Debt Service	\$ (1,096,332)	\$ 0	\$ -	\$ 0	\$ -	\$ 0	\$ (1,096,332)	0	0.00
TOTAL Oregon Health Authority	\$	\$ 0	\$ 17,004,718	\$ 0	\$ 26,352,110	\$ 0	\$ 43,356,828	0	0.00
TOTAL ADJUSTMENTS	\$	\$ 0	\$ 19,381,431	\$ 0	\$ 75,270,406	\$ 0	\$ 94,651,837	6	0.69
SUBCOMMITTEE RECOMMENDATION *	\$	\$ 0	\$ 19,381,431	\$ 0	\$ 75,270,406	\$ 0	\$ 94,651,837	6	0.69