



# Oregon

Kate Brown, Governor

Department of Human Services

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The Honorable Senator Devlin, Co-Chair  
The Honorable Representative Buckley, Co-Chair  
Joint Ways and Means Committee  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048



RE: The Department of Human Services (DHS) May 2015 Rebalance Report

Dear Co-Chairs:

### **Executive Summary and Nature of Request:**

DHS is presenting its third rebalance report for the 2013-15 biennium. DHS is proposing a budget rebalance that results in a balanced budget, i.e., if the plan is accepted, the agency will not need any new General Fund (GF) at this time.

The report reflects a number of issues affecting the DHS budget, primarily programmatic in nature and due mostly to issues not directly within the agency's ability to control. Though there are budget challenges that have come up since the December 2014 rebalance, DHS has put together a proposed budget that, with minor technical adjustments and management actions, results in a balanced budget. Therefore, DHS is not requesting any new General Fund at this time outside of a shift of funding from Oregon Health Authority (OHA) as described below. This rebalance report also requests an increase in Other Fund (OF) and Federal Fund (FF) limitation.

### **Summary of Costs, Risks and Savings:**

The major General Fund issues/risks discussed in December 2014 were:

- Risk of caseload and cost-per-case changes especially in Intellectual and Developmental Disabilities (I/DD) and Aging and People with Disabilities (APD) caseloads due to volatility created by the K Plan.

As you'll see in the detail provided below, caseload and cost-per-case in both of those programs are higher than projected in the Spring 2015 forecast.

Additionally, in December 2014, the Department presented information to the Emergency Board regarding the United States Department of Labor (USDOL) rule changes that were projected to cost up to \$18.2 million GF this biennium. Since that time, USDOL has issued notice that it will not enforce those rule changes from January 1, 2015 through June 30, 2015. In addition, significant portions of the rules have been vacated as a result of a decision by the D.C. District Court. The USDOL is currently appealing that decision with the D.C. Court of Appeals with a decision expected in late summer/early fall. USDOL has also issued notices to states, including Governor Brown, that they plan on moving forward with the rules as soon as the court rules and any state not making progress toward implementation will be subject to appropriate sanctions. Accordingly, DHS has again included this as a risk and not a challenge in this rebalance.

As noted, even with additional projected costs in the budget, DHS is not requesting new additional GF.

DHS is able to balance its budget due to the following:

- First, savings in both Temporary Assistance to Needy Families (TANF) and Child Welfare programs are available to offset issues in Aging and People with Disabilities (APD) and Intellectual and Developmental Disabilities (I/DD).
- Second, personnel management actions started back when the salary pot was underfunded and discussed at the December rebalance, were continued in part to help mitigate projected program cost overruns.
- Third, an additional amount of TANF contingency funding has been received that allows the offset of GF in the TANF program for use to offset needs elsewhere.
- Finally, DHS is requesting a transfer of unspent GF from the Addictions and Mental Health program within the OHA.

In short, unless caseload forecasts dramatically change or other new, unexpected issues arise before the end of the biennium, with those management actions and the technical adjustments recommended in this report, DHS expects that it can balance its General Fund budget.

Finally, DHS requests an increase in Other Funds limitation of \$13.8 million and Federal Fund limitation of \$47.2 million.

The overall (recommended) May rebalance position of the agency is set out in the table below:

(See attachment B for more details by appropriation.)

Fund	LAB as of January 2015	Rebalance Adjustments	May 2015 Rebalance
DHS			
General Fund	2,317,254,470	1,771,403	2,319,025,873
Debt Service (GF)	13,790,835	(878,597)	12,912,238
Other Funds	511,617,767	13,794,042	525,411,809
Federal Funds	6,509,603,551	47,316,842	6,556,757,396
<b>Total Funds</b>	<b>9,352,266,623</b>	<b>62,003,690</b>	<b>9,414,270,313</b>

**Program Rebalance Details and Agency Action:**

This section contains more details on the General Fund movement (see attachment A for caseload change details from Fall 2014 to Spring 2015).

Summary of GF Rebalance issues:

Overview of GF Rebalance Issues									
	APD	IDD	Self Suff	CW	Central	SAEC	PDS	Dbt Serv	TTL
<b>Program</b>	\$ 7.88	\$ 6.60	\$ (8.77)	\$ (8.28)	\$ -	\$ -	\$ -	\$ -	\$ (2.57)
<b>Delivery</b>	\$ 2.00	\$ 1.90	\$ (0.67)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3.23
<b>Design</b>	\$ (1.17)	\$ -	\$ -	\$ (1.63)	\$ -	\$ -	\$ -	\$ -	\$ (2.81)
<b>Revenue</b>	\$ 0.89	\$ -	\$ -	\$ -	\$ -	\$ 0.42	\$ 2.61	\$ (0.88)	\$ 3.04
<b>TECH Adj</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TTL</b>	\$ 9.60	\$ 8.50	\$ (9.44)	\$ (9.92)	\$ -	\$ 0.42	\$ 2.61	\$ (0.88)	\$ 0.89

**Aging and People with Disabilities (APD)** has a net need of \$9.6 million GF. The major driver is a spike in both caseload and cost-per-case.

**Summary of APD Increased Cost Drivers:**

In the In-Home program, the increased need is \$6.5 million driven primarily by higher than forecasted caseloads. In the Community Based Care program, the increased need is \$2.7 million, driven by increased caseloads and higher actuarial rates for the Program of All Inclusive Care for the Elderly (PACE program). The

Nursing Facility program need is also up by \$4.1 million due to an increase in the forecasted number of cases anticipated since the Fall forecast.

There is also a projected problem in the Oregon Supplemental Income Program (OSIP) of about \$1.8 million GF due to a change in Maintenance of Effort (MOE) countable payments. Previously, payments for room and board were categorized as allowable expenditures towards the Department's maintenance of effort requirements. A recent federal review has concluded that those payments are not eligible to be applied to Oregon's MOE. As a result, DHS will need to spend an additional \$1.8 million on countable expenditures to meet MOE.

In addition, there is a need of \$2.0 million GF to remedy a cost-allocation issue identified by a federal audit of the Disability Determination Services budget.

**Summary of APD Management Actions to Offset Increased Costs:**

There are four major areas of savings that are projected within APD, based on spending patterns. 1) Special Purpose Appropriation savings; 2) OPI savings; 3) other APD program savings; and 4) savings from personnel management.

**Savings in the programs related to the Senior Special Purpose Appropriation (SPA) of (\$3.6) million GF.** The SPA savings are in three program areas: 1) The enhanced Oregon Project Independence (OPI) funding for adults 60 and over, while completely obligated, is likely to underspend by (\$1.68) million GF; 2) The overall \$3.3 million GF in training budgets in the SPA, while completely obligated, are projected to underspend by (\$451k) GF; and 3), The pilot OPI program for younger persons with disabilities, while completely obligated, is anticipated to underspend by (\$1.46) million GF based on recent expenditure patterns.

**Savings in the OPI program.** Contracts have been let to cover the entire budgeted amount, however spending projections anticipate an underspend of (\$2.7) million GF. It's worth noting that, as with the SPA savings, there is a risk that higher spending trends will ultimately occur in the last months of the biennium that could cause a problem for this budget.

Third, there is (\$0.9) million GF savings due to a slow start to newly contracted service in APD.

Program Delivery and Design have also continued to be intentionally managed to a lower than budgeted manner to offset the known program issues in APD with a projected savings of \$(1.2) million GF.

Finally, during the February 2014 Special Session, APD had transferred \$892,806 in GF to the Addictions and Mental Health program within the Oregon Health Authority to expand the availability of Enhanced Care Outreach Services (ECOS) to seniors and people with disabilities. Once it goes live, ECOS will support individuals with a mental illness who receive long term care services in APD licensed care settings. These services will ensure the safety and well-being of the individuals and stabilize their living situation. To maximize the state’s investment in ECOS, AMH and APD program representatives have been working with Medical Assistance Program (MAP) representatives to expand ECOS to be included as a state-wide benefit in the Medicaid program with coordinated prior authorization criteria and processes. Staff is currently developing that criteria, but are not ready to go live as early as the originally planned March 2015 date. Accordingly, the dollars that were set aside for the expansion have not been spent.

Until then, AMH supports returning these GF expansion funds to APD to help offset some of the higher costs APD is experiencing as they are developing settings for high-intensity individuals.

The overall net rebalance adjustment request for APD is a need of \$9.6 million GF as detailed in the table below:

Fund	LAB as of January 2015	Rebalance Adjustments	May 2015 Rebalance
APD			
General Fund	725,066,544	9,603,040	734,669,584
Other Funds	162,073,357	3,286,234	165,359,591
Federal Funds	1,575,530,793	22,189,877	1,597,720,670
<b>Total Funds</b>	<b>2,462,670,694</b>	<b>35,079,151</b>	<b>2,497,749,845</b>

**Intellectual and Developmental Disabilities (I/DD)** caseloads and costs per case continue to increase due to the K Plan. This has driven the overall program budget up \$15.01 million GF. The major driver is the forecasted increase in both Adult and Children’s In-Home Supports programs’ caseload. This is specifically true for Adult In-Home Supports, 24 hour residential services, Non relative Foster Care and Children’s Intensive In-Home Supports.

This need is offset partially by a projected (\$6.5) million GF savings in the Support Services costs-per-case, primarily due to savings in the Personal Support Workers (PSW) Health Insurance Trust. The savings reflects the excess of budgeted funds that were calculated for the 13-15 negotiations. There was a difference in the actual methodology negotiated that results in the program costing less than what was budgeted. There is also a SAIF refund in the PSW program area, as the actual experience in terms of payments were less than payments.

This budget continues to be one of the most difficult budgets to forecast within DHS. As we gain more experience with the K Plan and begin to get better data on utilization, it will be easier to accurately project increases or decreases in costs and caseloads much earlier. The program is also brainstorming on ways to mitigate costs without impacting the current program in order to increase fiscal sustainability of the program into the future.

The overall net rebalance adjustment request for I/DD is \$8.5 million GF as detailed in the table below:

Fund	LAB as of January 2015	Rebalance Adjustments	May 2015 Rebalance
Individuals with Developmental Disabilities			
General Fund	574,125,096	8,498,089	582,623,185
Other Funds	28,756,404	10,513,851	39,270,255
Federal Funds	1,158,908,259	18,264,495	1,177,172,754
<b>Total Funds</b>	<b>1,761,789,759</b>	<b>37,276,435</b>	<b>1,799,066,194</b>

**Self Sufficiency** has a total net savings of \$(9.4) million GF.

There are cost increases in this budget area; namely, the Employment Related Daycare (ERDC) caseload is not dropping as expected with the waiting list, meaning more families are staying employed. In addition, the costs-per-case are increasing because more parents are choosing higher cost, licensed child care. This is leading to an estimated problem of \$6.5 million GF. However, TANF caseload savings are anticipated at (\$11.1) million which will more than offset the ERDC issues. In addition, due to the known issues in other areas of the budget, personal service costs were managed to achieve an anticipated (\$.7) million in GF savings. Finally additional TANF contingency funding of (\$4.1) million will offset GF liabilities in other programs.

The overall net rebalance adjustment request for SSP is \$(9.4) million GF as detailed in the table below:

Fund	LAB as of January 2015	Rebalance Adjustments	May 2015 Rebalance
Self Sufficiency			
General Fund	348,940,683	(9,440,086)	339,500,597
Other Funds	136,863,602	0	136,863,602
Federal Funds	2,976,651,469	4,158,560	2,980,810,029
<b>Total Funds</b>	<b>3,462,455,754</b>	<b>(5,281,526)</b>	<b>3,457,174,228</b>

**Child Welfare**, has \$(9.9) million GF savings. There are three major drivers of the savings. First, caseloads have gone down in all but one area of Child Welfare. Foster Care (or Wellbeing) represents a savings of \$(3.9) million and Adoptions and Guardianship Assistance (or permanency) makes up a net \$(0.1) million and child safety programs, while contracted to spend to the budget, are anticipated to underspend by \$(0.9) million based on spending patterns. Second is a projected savings in Child Welfare personal services of (\$1.6) million GF, again due to personnel management. The final area of savings relates to an audit finding that DHS was claiming too much 4-E in foster care but not claiming as much FF as it could have been in Adoption Assistance cases. It is anticipated that DHS will reclaim (\$3.4) million in GF due to additional FF funding for these Adoption Assistance cases.

The overall net rebalance adjustment request for CW is \$(9.9) million GF as detailed in the table below:

Fund	LAB as of January 2015	Rebalance Adjustments	May 2015 Rebalance
Child Welfare			
General Fund	439,023,095	(9,916,128)	429,106,967
Other Funds	23,048,472	(6,043)	23,042,429
Federal Funds	462,502,356	3,119,059	465,621,415
<b>Total Funds</b>	<b>924,573,923</b>	<b>(6,966,109)</b>	<b>917,770,881</b>

**Vocational Rehabilitation Services**

This budget is running on a rolling five year budget plan and, at this point in the biennium, projects coming in on budget with no needs at this time.

**Central, State Assessments and Enterprise-Wide Costs (SAEC), Shared Services and Program Design Services (PDS)**

The SAEC and PDS budgets have anticipated cost challenges totaling \$3.0 million GF. This is due to two issues. First, the SAEC is anticipated to have a challenge of \$0.4 million GF due to cost allocation hitting GF slightly higher than budgeted. The second issue is that there were over \$10 million GF in Q-bonds anticipated to be sold for the modernization project in 2013-15. Prior to shutting down the project there were \$2.6 million GF in eligible expenditures incurred by DHS. DHS had budgeted the \$2.6 million as OF to be garnered with the second sale of Q-bonds by the state. However, it was determined that it would be better overall for Oregon’s Bond rating to not sell bonds at this time for this closed project. This leaves the DHS PDS budget with a hole of \$2.6 million GF that cannot be offset by Q-bonds. DHS requests backfill of these funds using savings from other areas of the DHS budget.

Fund	LAB as of January 2015	Rebalance Adjustments	May 2015 Rebalance
Central Services, Shared Services, SAEC, PDS			
General Fund	209,232,715	3,026,488	212,259,203
Other Funds	158,551,174	0	158,551,174
Federal Funds	261,571,724	(415,149)	261,156,575
<b>Total Funds</b>	<b>629,355,613</b>	<b>2,611,339</b>	<b>631,966,952</b>

**Debt Service**

Before the first Q-Bond sale of the biennium, DHS decided to instead issue a letter of intent and not sell any bonds in the first sale. This was done in order to save debt service funding of (\$878,597) GF. Combined with the decision not to sell any bonds this biennium, this savings is available to offset other issues within DHS and is assumed to do so in this rebalance.

**Outstanding Issues and Risks**

In addition to the specific issues outlined above, DHS makes note of the following outstanding budget issues and risks in the 13-15 biennium:

1. Ongoing Caseload Forecast Risks: Caseload in several DHS program areas will continue to be difficult to accurately predict given the significant program changes represented in the 2013-15 budget, as well as the significant uncertainty regarding federal programs.
2. USDOJ/Lane v. Kitzhaber litigation is ongoing and impacts to the 2013-15 budget are unknown at this time.

### **Action Requested**

DHS requests that the General Fund actions set out in its rebalance plan be made in order to true up appropriations to projected expenditures. DHS requests no GF at this time, aside from the funding coming from OHA AMH as described above. DHS requests OF limitation of \$13.8 million, Federal fund limitation of \$47.2 million and the technical adjustments necessary to manage the DHS budget as set out in attachment B.

### **Legislation Affected**

See Attachment B.

Respectfully submitted,



Eric Luther Moore  
DHS Chief Financial Officer

cc: Ken Rocco  
George Naughton  
Laurie Byerly  
Tamara Brickman  
Art Ayre  
Erinn Kelley-Siel  
Ralph Amador  
Sara Singer

## Attachment A

<b>Total Department of Human Services Biennial Average Forecast Comparison</b>						
	<b>2013-15 Biennium</b>		<i>% Change Between Forecasts</i>	<b>Spring 2015 Forecast</b>		<i>% Change Between Biennia</i>
	<b>Fall 14 Forecast</b>	<b>Spring 15 Forecast</b>		<b>2013-15</b>	<b>2015-17</b>	
<b>Self-Sufficiency</b>						
Supplemental Nutrition Assistance Program (Households)	437,387	437,890	0.1%	437,890	419,753	-4.1%
Temporary Assistance for Needy Families - Basic & UN (Families: Cash Assistance)	32,953	32,212	-2.2%	32,212	28,050	-12.9%
<b>Child Welfare (children served)</b>						
Adoption Assistance	11,101	11,146	0.4%	11,146	11,322	1.6%
Guardianship Assistance	1,382	1,380	-0.1%	1,380	1,569	13.7%
Out of Home Care	7,319	7,206	-1.5%	7,206	6,972	-3.2%
Child In-Home	1,543	1,463	-5.2%	1,463	1,314	-10.2%
<b>Vocational Rehabilitation</b>	8,936	8,922	-0.2%	8,922	10,100	13.2%
<b>Aging &amp; Physical Disabilities</b>						
Long-Term Care: In Home	14,438	14,994	3.9%	14,994	18,115	20.8%
Long-Term Care: Community Based	11,526	11,530	0.0%	11,530	11,913	3.3%
Long-Term Care: Nursing Facilities	4,219	4,275	1.3%	4,275	4,043	-5.4%
<b>Intellectual and Developmental Disabilities</b>						
Total Case Management Enrollment	22,303	22,383	0.4%	22,383	24,438	9.2%
Total I/DD Services	16,067	16,169	0.6%	16,169	18,278	13.0%

## Attachment B

### DHS 2013-15 May 2015 Rebalance Appropriation and Limitation Adjustments

<b>DEPARTMENT OF HUMAN SERVICES (DHS)</b>					
<b>2013-15 May 2015 Rebalance</b>					
<b>APPROPRIATION AND LIMITATION ADJUSTMENTS</b>					
<b>PROGRAM</b>	<b>PROPOSED LEGISLATION/ SECTION</b>	<b>FUND</b>	<b>REBALANCE ADJUSTMENTS</b>	<b>REQUEST FROM E-FUND RESERVE</b>	<b>NET ADJUSTMENTS</b>
<b>SS/CWVR</b>	ch 675, 1(2)	General	(19,356,214)	-	(19,356,214)
	ch 675, 2(2)	Other	(6,043)	-	(6,043)
	ch 675, 3(2)	Federal	7,277,619	-	7,277,619
	ch 675, 4	Federal, Non Limited	-	-	-
		<b>Total</b>		<b>(12,084,638)</b>	<b>-</b>
<b>APD/DD</b>	ch 675, 1(3)	General	18,101,129	-	18,101,129
	ch 675, 2(3)	Other	13,800,085	-	13,800,085
	ch 675, 3(3)	Federal	40,454,372	-	40,454,372
		<b>Total</b>		<b>72,355,586</b>	<b>-</b>
<b>Central Services/PDS/SAEC</b>	ch 675, 1(1)	General	3,026,488	-	3,026,488
	ch 675, 2(1)	Other	-	-	-
	ch 675, 3(1)	Federal	(415,149)	-	(415,149)
		<b>Total</b>		<b>2,611,339</b>	<b>-</b>
<b>Debt Service</b>	ch 675, 1(4)	General, Debt Service	(878,597)	-	(878,597)
<b>Shared Services</b>	ch 675, 2(4)	Other	-	-	-
<b>Total</b>		General	1,771,403		
		General, Debt Service	(878,597)		
		Other	13,794,042		
		Federal	47,316,842		
		Federal Non-Limited	-		
		<b>Total</b>	<b>62,003,690</b>		