

Analysis
Item 17: Department of Human Services
Rebalance

Analyst: Laurie Byerly

Request: Allocate \$7,343,891 from the special purpose appropriation made to the Emergency Board for Oregon Health Authority or Department of Human Services budget challenges.

Analysis: For legal appropriation purposes, the Department of Human Services' (DHS) 2017-19 budget consists of five budget or program groupings: 1) Self Sufficiency, Child Welfare, and Vocational Rehabilitation; 2) Aging and People with Disabilities and Intellectual and Developmental Disabilities; 3) Central Services and State Assessments and Enterprise-wide Costs; 4) Debt Service; and 5) Shared Services.

The DHS rebalance plan reflects program cost increases and savings, revenue changes, and technical adjustments needed to balance the budget. Rebalancing allows the agency, with legislative approval, to move General Fund between appropriations and adjust Other and Federal Funds expenditure limitation to carry out its legislatively approved programs.

Caseload adjustments tie to the fall 2018 caseload forecast; associated budget changes reflect differences between the fall 2017 forecast and that most recent forecast. While a spring 2018 caseload forecast was published, caseload budgets were last modified during the 2018 legislative session (HB 5201) and were based on the fall 2017 forecast.

DHS reports a net rebalance need of \$7.3 million General Fund. To cover this shortfall, the agency is requesting an allocation from the \$30 million special purpose appropriation created in February 2018 to address potential budget issues for either DHS or the Oregon Health Authority (OHA). The DHS rebalance plan also requests a net increase of \$4,973,416 Other Funds expenditure limitation.

Current projections for federal resources indicate DHS will need an adjustment to reduce Federal Funds expenditure limitation by \$11,590,763. This change and a net position decrease of 1 position (1.00 FTE) will need to be reconciled as part of DHS final 2017-19 budget actions during the 2019 legislative session, since the Emergency Board does not have the authority to reduce agency budgets or eliminate positions.

A portion of the DHS rebalance request is caseload-related, but budget challenges in the Child Welfare program are the major driver of cost increases. Costs are partially offset by various program savings, better match rates, and updated budget projections. The rebalance also requests several technical adjustments, primarily position movement between programs; these net to zero.

While many issues are covered in the DHS rebalance plan, budget risks do remain. These include changes to caseloads based on future forecasts, the agency's ability to manage personal services

expenditures including pay equity impacts, volatility in usage-based costs or charges for services, assessment of federal program penalties, federal law or funding changes, and legal costs.

The General Fund budget impact of the agency’s identified costs, savings, and technical adjustments for each program are summarized in the table below:

	Self Sufficiency	Child Welfare	Vocational Rehabilitation	Aging and People with Disabilities	Intellectual and Developmental Disabilities	Central Services	Shared Services*	State Assessments and Enterprise-wide Costs	Total
<i>General Fund \$ in millions</i>									
2017-19 Leg Approved Budget	391.2	580.6	29.5	1,024.3	888.8	35.5	-	247.4	3,197.4
Rebalance Issues									
Costs	4.3	26.9	-	-	4.7	-	-	-	35.9
Savings	-	(8.1)	-	(5.8)	(13.0)	-	-	(1.8)	(28.6)
Tech Adjust/Transfers	(0.3)	0.1	-	0.2	(0.1)	0.2	-	(0.2)	-
Net Chg from Leg Approved	4.0	19.0	-	(5.6)	(8.3)	0.2	-	(2.0)	7.3

While the focus of this analysis is on General Fund budget needs, corresponding Other Funds and Federal Funds expenditure limitations are also being requested by DHS to fully align the budget across fund types. The following program discussions are grouped by legal budget appropriations.

SELF SUFFICIENCY PROGRAM/CHILD WELFARE/VOCATIONAL REHABILITATION (SSP/CW/VR)

The rebalance request for SS/CW/VR reflects net increases of \$23 million General Fund and \$6.5 million Federal Funds, along with a net decrease of \$0.6 million Other Funds.

For Self Sufficiency programs, Temporary Assistance to Needy Families (TANF) caseloads are not declining as quickly as expected back in fall 2018; the average biennial caseload increased by 281 families between forecasts. This 1.5% increase is driving a need of just under \$2 million General Fund. The removal of \$60 million General Fund from the program for 2017-19 to account for falling TANF caseloads has left the program with limited flexibility. The appropriate level of state investment in TANF, along with the agency’s struggle to manage administrative spending caps on TANF, will need to be addressed as part of the 2019-21 legislatively adopted budget.

DHS is requesting \$2.3 million General Fund to support a corrected estimate, with a higher state match, for the program’s share of maintenance and operations cost for the ONE system. DHS’ overall responsibility for system costs also increased with the April 2018 transfer of Oregon Health Plan eligibility staff from OHA to DHS. An additional \$1.6 million Other Funds expenditure limitation will allow SSP to conduct outreach, funded by OHA, to children potentially eligible for services under the Cover All Kids program. Technical budget adjustments for SSP include transferring four positions out to other programs to realign positions that were part of the Medicaid eligibility move.

Since the fall 2017 forecast, the overall number of children served by Child Welfare has decreased by 350 or 1.6%; the biennial average for all caseloads except guardian assistance decreased. The associated budget adjustment is a reduction of \$1.2 million General Fund. This change, along with an

adjustment to correct the enhanced supervision budget that frees up \$6.9 million General Fund, are the only General Fund savings for CW identified in the DHS rebalance plan to help offset costs.

The 2017-19 legislatively approved budget (as of September 2018) for CW is \$111.2 million General Fund (\$189.1 million total funds) higher than the 2015-17 legislatively approved budget. This 23.7% General Fund increase included 332 new positions (219.08 FTE), which the program has found challenging to hire for and keep filled, as described in the CW interim reporting budget note letter (Item 14). Despite stable caseloads and additional resources, the program is projecting a 2017-19 budget deficit of \$26.9 million General Fund.

The deficit is related to a variety of issues, some of which are described below, that will likely need to be closely examined during development of the 2019-21 legislatively adopted budget.

- Expenditures are projected to exceed the capped Title IV-E waiver level by a total of \$1.6 million General Fund. The waiver ends in 2019-21; that adjustment as well as other policy and funding changes driven by the federal government will need to be accounted for in the 2019-21 budget.
- An expected personal services shortfall of \$1.6 million General Fund in CW delivery (field staff); salary (vacancy) savings are not able to offset other costs, mostly for overtime and temporaries.
- In CW design (central support, policy development, and federal compliance staff), the agency is projecting a net personal services deficit of \$3.5 million General Fund. Unlike CW delivery, this portion of the budget is projected to overspend on salaries, primarily due to approximately 75 double filled positions. Historically, design positions have not been built into the workload model so have not kept pace as caseload and program complexity has increased.
- Services and supplies spending in CW delivery is driving a net need of \$10.7 million General Fund, mostly for travel, training, and costs associated with the Oregon Child Abuse Hotline (ORCAH). Also included is about \$1 million General Fund to begin planning for a Comprehensive Child Welfare Information System (CCWIS), which is an optional (and more flexible) case management system supported by guidance and funding from the federal government.
- In CW design, there is a projected services and supplies shortfall of \$9.5 million total funds; \$5.7 million of the total is due to aligning the budgeted General Fund share (39%) of Attorney General charges with the share (53%) need to cover actual expenditures. The remainder of costs are being driven by contracts and travel expenditures.

The Legislative Fiscal Office (LFO) is recommending approval of the requested allocation of and plan for the \$2.5 million special purpose appropriation for CW (Item 18). To capture overtime savings from the caseworker relief pool portion of that plan, LFO is reducing the CW General Fund need in the rebalance by \$500,000 General Fund. Another \$500,000 in General Fund costs are pulled out to account for the additional funding provided out of the \$2.5 million to cover hotline costs.

No rebalance adjustments are needed for the Vocational Rehabilitation program.

AGING & PEOPLE WITH DISABILITIES/INTELLECTUAL & DEVELOPMENTAL DISABILITIES (APD/IDD)

The rebalance request for APD/IDD reflects a net decrease of \$13.9 million General Fund, along with net increases of \$3.5 million Other Funds and \$13.9 million Federal Funds.

For the Aging and People with Disabilities program, the change between fall 2017 and fall 2018 caseloads are not creating a need for corresponding budget adjustments. The overall change in the forecast is a decrease of 1,143 clients (3.17%) but decreases in the in-home caseload was assumed in

the adopted budget. Changes in client mix or acuity and the associated cost per case may also offset potential savings. APD is seeing General Fund savings due to an increase in estate recoveries (\$3.5 million) and a higher than budgeted federal match (\$2.4 million) related to medical eligibility work.

Technical position adjustments in the APD plan include the transfer in of 7 positions from other programs and expenditure neutral budget changes between detail cross references within APD.

For the Intellectual and Developmental Disabilities program, case management enrollment decreased by 1.3% between forecasts, while service caseloads grew by 171 clients, or just under one percent. Cost per case has declined in some services and more than offsets the caseload growth, for net savings of \$0.7 million General Fund.

The program projects meeting a generic \$12 million General Fund reduction approved in the 2017-19 legislatively adopted budget, through previously identified savings and continuing to manage the budget closely. Additional savings of \$10 million General Fund is projected due to a diligent effort made to increase participation rates (higher federal cost-share). A better federal match rate is also expected for the Stabilization and Crisis Unit (SACU), decreasing General Fund need by \$2.8 million.

Technical adjustments and transfers decrease the IDD budget by \$0.2 million total funds; the rebalance plan also includes an increase of \$13.8 million Federal Funds expenditure limitation associated with the General Fund savings or shifts noted above.

CENTRAL SERVICES/STATE ASSESSMENTS & ENTERPRISE-WIDE COSTS/DEBT SERVICE (CS/SAEC/DS)

The General Fund change requested for these programs is a net decrease of \$1.7 million General Fund (\$31.4 million total funds); this is primarily driven by savings of \$1.8 million General Fund in State Assessments and Enterprise-wide Costs.

The savings also has an associated Federal Funds expenditure limitation decrease of \$32.3 million; the full amount of expenditure limitation cannot be removed from the budget due to limited Emergency Board authorities. As a result, LFO recommends restoring \$11,590,763 Federal Funds expenditure limitation; the expenditure limitation adjustment will need to be made in a budget bill during the 2019 legislative session.

Technical adjustments result in the transfer-in of 8 positions to Central Services from other programs. No changes are made to Debt Service.

SHARED SERVICES

Rebalance actions for Shared Services result in a net decrease of \$0.3 million Other Funds expenditure limitation; this includes an increase of \$44,977 Other Funds to cover costs of a position transferred from SSP to Shared (fund type alignment), offset by the transfer out of three positions.

A position transferring out to OHA (DHS abolishment) will have to be reconciled in a budget bill during the 2019 legislative session; eliminating this adjustment from the rebalance adds \$73,148 Other Funds expenditure limitation and 1 position (1.00 FTE) to the agency's request.

Legislative Fiscal Office Recommendation: To implement DHS’ requested rebalance plan with the modifications recommended by the Legislative Fiscal Office in this analysis, LFO recommends the Emergency Board take the following actions on the agency’s budget:

- 1) Allocate \$6,343,891 from the special purpose appropriation made to the Emergency Board for Oregon Health Authority or Department of Human Services budget challenges.
- 2) Approve the transfers between appropriations and expenditure limitations; the net increase to Other Funds expenditure limitation; and position and FTE changes as shown below:

	General Fund	Other Funds	Federal Funds	Total Funds	Pos	FTE
Self Sufficiency						
Child Welfare						
Vocational Rehabilitation	22,030,592	(577,409)	6,505,565	27,958,748	(12)	(12.00)
Aging & People with Disabilities						
Intellectual & Developmental Disabilities	(13,946,216)	3,549,816	13,862,387	3,465,987	7	7.00
Central Services						
State Assessments & Enterprise-wide Costs	(1,740,485)	2,296,942	(20,367,952)	(19,811,495)	8	8.00
Debt Service	-	-	-	-	-	-
Shared Services	-	(222,785)	-	(222,785)	(3)	(3.00)
DHS AGENCY TOTALS	\$ 6,343,891	\$ 5,046,564	\$ -	\$ 11,390,455	0	0.00

17
Department of Human Services
Brickman/Connolly

Request: The Department of Human Service is requesting the following actions as part of its 2017-19 Rebalance Plan:

- Allocate \$7,343,891 from the Special Purpose Appropriation made to the Emergency Board for the Department of Human Services (DHS) and Oregon Health Authority (OHA) for budgetary challenges.
- Transfer \$1,740,485 General Fund from the Central Services and state assessments and enterprise-wide costs appropriation and \$13,946,216 General Fund from the Aging and People with Disabilities and Intellectual/Developmental Disabilities programs appropriation to the Child Welfare, Self-Sufficiency and Vocational Rehabilitation Services appropriation.
- Increase Other Funds expenditure limitation in Central Services and state assessments and enterprise-wide costs appropriation by \$2,296,942.
- Increase Other Funds expenditure limitation in the Aging and People with Disabilities and Intellectual/Developmental Disabilities programs appropriation by \$3,549,816. Transfer \$6,505,565 Federal Funds expenditure limitation from the Central Services and state assessments and enterprise-wide costs appropriation to the Child Welfare, Self-Sufficiency and Vocational Rehabilitation Services appropriation, and
- Transfer \$13,862,387 from the Central services and state assessments and enterprise-wide costs appropriation to the Aging and People with Disabilities and Intellectual/Developmental Disabilities programs appropriation.

Recommendation: Approve the request with the following modifications: Allocate \$5,393,891 General Fund from the Special Purpose Appropriation made to the Emergency Board for DHS and OHA for budgetary challenges. Increase Other Funds expenditure limitation for the Child Welfare, Self-Sufficiency and Vocational Rehabilitation Services appropriation by \$487,850.

Summary: DHS is submitting its second rebalance report for the 2017-19 biennium. The report updates caseload and cost projections through the Fall of 2018 and includes a list of other outstanding issues and risks. After all actions, the Department requests a \$7.3 million General Fund appropriation, a \$5.0 million Other Fund expenditure limitation, and an \$11.6 million savings in Federal Funds. Across the Department, the rebalance request is represented in the following table:

Program	General Fund	Other Funds	Federal Funds	Total	POS	FTE
Self-Sufficiency	4,034,609	1,597,012	1,277,454	6,909,075	(10)	(10.00)
Child Welfare	18,995,983	(2,174,421)	5,228,111	22,049,673	(2)	(2.00)
Vocational Rehabilitation	-	-	-	-	-	-
Aging & People with Disabilities	(5,603,400)	3,500,000	177,350	(1,926,050)	7	7.00
Intellectual & Developmental Disabilities	(8,342,816)	49,816	13,685,037	5,392,037	-	-
Central Services	246,462	333	134,011	380,806	8	8.00
Shared Services	-	(295,933)	-	(295,933)	(4)	(4.00)
Statewide Assessments & Enterprise Wide Costs	(1,986,947)	2,296,609	(32,092,726)	(31,783,064)	-	-
Total	7,343,891	4,973,416	(11,590,763)	726,544	(1)	(1.00)

Discussion: The Department's report includes major rebalance issues and discusses on-going risks.

The most significant risks remaining to the DHS budget after this rebalance are:

- Caseloads and costs per case changes remain a risk to the DHS budget.
- The 15 percent administrative cap on Temporary Assistance for Needy Families (TANF) restricts the amount of TANF funds that can be used for staff and administrative costs in Central Services. The Department is requesting General Fund for the administrative costs above the TANF cap.
- The current proposed federal reauthorization of TANF prevents the Department from using Maintenance of Effort investments from third parties to meet the requirement and would prohibit the use of TANF for Child Welfare and childcare except in restricted transfer opportunities.
- The Department continues to dispute a TANF penalty imposed for the state's failure to meet work participation rates in 2007. The possible penalty is \$7 million.
- The Department is disputing a \$10.5 million Administration on Children and Families (ACF) disallowance finding from the 2013 Secretary of State audit of Title IV-E Foster Care and Adoption Assistance. The disallowance is currently on administrative appeal.
- Federal Family First legislation, which changes Title IV E, including how funding can be used is still pending detailed guidance from the federal government.
- The impact of pay equity remains unknown.

The most significant budget issues for this rebalance are:

- The continuing challenges with the Child Welfare budget, including very high overtime and temporary appointments and Attorney General costs.
- The need to address higher than anticipated costs associated with establishing the new centralized child abuse reporting hotline.

Self Sufficiency

The Self Sufficiency Program (SSP) is reporting a need for \$4.0 million General Fund, \$1.6 million Other Funds expenditure limitation and \$1.3 Federal Funds expenditure limitation.

Based on the Fall 2018 forecast SSP experienced a small growth in caseload with the largest increase occurring in the TANF UN program which is funded solely with General Funds. Overall, the Department is reporting a need of \$2 million General Fund and \$1.5 million Federal Funds limitation to address the costs of the increased caseload during the 2017-19 biennium.

The program is requesting \$2.3 million General Fund to address a miscalculation in the General Fund/Federal Funds split in the cost of maintenance and operations for the ONE system. The Department overestimated the amount of work that could be billed at the 90/10 split and underestimated the amount of work that needed to be billed at the 75/25 split. This resulted in the \$2.3 million shortfall in General Fund. The program is also requesting a \$1.6 million increase in

Other Funds expenditure limitation to cover expenditures associated with outreach activities for Cover All Kids. DHS and OHA have entered into an Interagency Agreement to cover this one-time funding.

Finally, there are a number of technical adjustments to move positions or budget within the agency where the work is occurring. The net result is a \$0.3 million General Fund savings and additional Other Funds and Federal Funds savings.

Child Welfare

The Child Welfare Program is reporting a need for \$19 million General Fund and \$5.2 million Federal Funds expenditure limitation.

The Department is reporting a number of challenges in the Child Welfare Program budget. Both the Safety and Permanency programs have a shortfall in Title IV-E Waiver funding. The Department anticipated changes made under the Waiver would result in a reduction in foster and residential care caseloads. The reduction in caseloads has not occurred causing a shortfall of \$1.5 million General Fund.

The program is reporting a shortfall in Personal Services costs in both Program Delivery and Program Design. In Program Delivery, the \$1.6 million shortfall is caused primarily by overtime and an increase in temporary appointments of staff. The program projects overtime costs will increase 893 percent over the Legislatively Approved Budget (LAB) amount and temporary appointments will increase 301 percent over the LAB amount. The Department notes its projections include an assumed \$6.3 million in staffing costs associated with Oregon Child Welfare Abuse Hotline (ORCAH), as screening staff around the state are consolidated into Portland by April 2019.

In Program Design, the \$3.5 million shortfall is caused by double fills of 73 positions in the Central office. Included in the double filled positions are staff handling central office adoptions and Interstate Compact on the Placement of Children cases who are not included in the workload model even though they carry a caseload.

The program is reporting a \$10.7 million shortfall in Services and Supplies in Program Delivery. Included in the projected shortfall is \$3.1 million in expenditures for the Child Abuse hotline. It is recommended this shortfall be addressed in part by using \$950,000 of the \$2.5 million Special Purpose Appropriation (SPA) provided to DHS to address issues in the Child Welfare program. The balance of \$2.1 million is recommended as part of this request. The department is also requesting \$1 million for an information technology project to upgrade the OR-KIDS system to an optional federal alternative called CCWIS. The Department notes this is a multi-year project but provides no information on the estimated total cost of the project or estimated time of completion. It is recommended that no funding be provided for the CCWIS project until the department provides information to CFO, LFO and the OSCIO on the nature and projected costs of the project. Finally, this request is projecting employee training costs in Child Welfare Program Delivery. The total recommendation is to increase the Services and Supplies in Program Delivery by \$8.8 million General Fund.

The program is requesting \$9.5 million General Fund to address a shortfall in Services and Supplies in Program Design. The shortfall includes \$5.7 million for Attorney General costs. This is due to actual expenditures being higher than the budget. The Department indicates it does not have federal funding to backfill the need in General Fund. The other major item in the request is a shortfall of \$3.7 million in Professional Services.

Offsetting the need for General Fund, the program also experienced savings, including General Fund savings of \$6.9 million in the enhanced supervision budget. Over time the expenditures of enhanced supervision have been coded to regular foster care, where increases are captured in the cost per case calculations. This adjustment recognizes that change. The Permanency caseload in the Fall 2018 Forecast is down slightly from the Spring 2018 Forecast creating a savings of \$1.2 million General Fund.

Finally, there are a number of technical adjustments to move positions or budget authority within the Department where the work is occurring. The most significant shifts are occurring as a result of completing the spending plan for several federal block grants. The net result is a \$0.1 million General Fund increase.

Vocational Rehabilitation

The Vocational Rehabilitation Program does not have any reports for this 2017-19 rebalance plan.

Aging and People with Disabilities

This Aging and People with Disabilities Division's (APD) budget overall provides a savings of \$5.6 million General Fund (\$1.9 million total funds). The savings in this program are due in large part to anticipation for increased estate recoveries, which are expected to generate \$3.5 million in savings. The second item accounting for savings is the program has achieved a higher federal match rate based on medical eligibility determinations. This is expected to generate \$2.4 million in savings.

The rebalance plan also includes technical adjustments, which increases APD's costs, but net to zero at the Department level. The technical adjustments include the movement of positions within APD between the Design and Delivery programs. These technical adjustments net across the program to a \$0.9 million total funds savings (\$0.4 million General Fund) in APD. The technical adjustments result in an additional seven positions within APD.

The total of all APD actions results in \$5.6 million General Fund savings, an increase of \$3.5 million Other Funds expenditure limitation, and a \$0.2 million increase in Federal Funds expenditure limitation.

Intellectual/Developmental Disability

The Intellectual/Developmental Disabilities Division's (I/DD) budget overall provides a savings of \$8.3 million General Fund, but requires additional Other and Federal Funds expenditure limitation of \$13.7 million combined. Generally speaking, I/DD has \$5.6 million of increased General Fund need, offset by \$13.9 million of General Fund savings.

Based on the Fall 2018 forecast, I/DD is experiencing an increased caseload need of \$0.9 million General Fund, primarily for In-Home Supports (mostly adults). The remaining need of \$4.7 million General Fund is tied to the generic \$12 million General Fund savings the program was directed to find during the 2017-19 biennium. The Department, through management decisions and caseload related savings, was able to achieve \$7.3 million in General Fund Savings, but does not anticipate achieving the additional \$4.7 million needed to get to the total \$12 million General Fund savings.

The \$13.9 million in General Fund savings is due to reduced costs primarily for children's In-Home Supports and Children's Intensive In-Home Services. Also, I/DD is experiencing a

reduction in costs per case for Day Support Activities and in Workers' Compensation costs from SAIF due to lower claim activity and an increased dividend. Further reductions (\$8.6 million) are related to work I/DD has done to increase the Federal participation rate for In-Home Supports. An additional \$1.4 million in savings is related to I/DD case management, which has led to higher federal participation rates for County Developmental Disability Programs (CDDPs) and Brokerages. Finally, I/DD has improved its leverage of Federal Funds within the Stabilization and Crisis Unit (SACU), resulting in an additional \$2.3 million General Fund savings. Netting the increased costs against the decreased costs results in an overall savings of \$8.3 million General Fund in I/DD.

The rebalance plan also includes technical adjustments, which decrease I/DD's costs but net to zero at the agency level.

The total of all I/DD actions results in an \$8.3 million General Fund decrease, an increase of \$49,816 Other Funds expenditure limitation and a \$13.7 million Federal Funds expenditure limitation increase.

Central Services

The only adjustments within Central Services are of a technical nature. While they result in an overall increase to Central Services funding (\$0.4 million total funds), they net to zero at the agency level. The adjustments involve the movement of one position from Central Services to the Child Welfare program. The remaining adjustments are the movement of positions from other programs in the Department to Central Services for a net increase of eight positions.

The total of all Central Service actions results in a need of \$246,462 million General Fund, a \$333 increase in Other Funds expenditure limitation and a \$134,011 million Federal Funds expenditure limitation increase.

Shared Services

All expenditures within the Shared Services program are Other Funds. Overall, the rebalance results in a \$295,933 Other Funds savings. All of the actions within Shared Services relate to the transfer of positions into and out of Shared Services from and to other programs in the agency. The final result is a reduction of three positions within Shared Services.

State Assessments and Enterprise Wide Costs

The State Assessments and Enterprise Wide Costs Division's (SAEC) budget overall provides a savings of \$2.0 million General Fund (\$31.8 million total funds). The savings within SAEC are a net result of increases and decreases in State Government Service Charges, Enterprise Technology Services, Information Technology direct services, Shared Services funding, rent and others.

The rebalance plan also includes technical adjustments, which decrease SAEC's costs, but net to zero at the agency level.

The total of all SAEC actions results in a \$2.0 million General Fund savings, a \$2.3 million increase in Other Funds expenditure limitation and a saving of \$32.1 million in Federal Funds.

Legal Reference:

Allocation of \$5,393,891 from the Special Purpose Appropriation made to the Emergency Board for the Department of Human Services and Oregon Health Authority for budgetary challenges in Chapter 99, section 130(1), Oregon Laws 2018, to supplement and transfer the General Fund

appropriation established by chapter 597 (1), Oregon Laws 2017, for the 2017-19 biennium as follows:

<u>Subsection</u>		<u>Amount</u>
(1) Central Services, state assessments and Enterprise Wide Costs	\$	-1,740,485
(2) Child welfare, self-sufficiency and vocational rehabilitation services	\$	+21,080,592
(3) Aging and people with disabilities and developmental disabilities programs	\$	-13,946,216

Increase or transfer the Other Funds expenditure limitation established by chapter 597 (2), Oregon Laws 2017, for the 2017-19 biennium, as follows:

<u>Subsection</u>		<u>Amount</u>
(1) Central Services, state assessments and enterprise wide Costs	\$	+2,296,942
(2) Child welfare, self-sufficiency and vocational rehabilitation services	\$	+487,850
(3) Aging and people with disabilities and developmental disabilities programs	\$	+3,549,816
(4) Shared Services	\$	-295,933

Increase or transfer the Federal Funds expenditure limitation established by chapter 597(3), Oregon Laws 2017, for the 2017-19 biennium.

<u>Subsection</u>		<u>Amount</u>
(1) Central Services, state assessments and enterprise wide Costs	\$	-20,367,952
(2) Child welfare, self-sufficiency and vocational rehabilitation services	\$	+6,505,565
(3) Aging and people with disabilities and developmental disabilities programs	\$	+13,862,387



Oregon

Kate Brown, Governor

Department of Human Services

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October 29, 2018

The Honorable Senator Peter Courtney, Co-Chair
The Honorable Tina Kotek, Co-Chair
State Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048



Re: Department of Human Services (DHS) second rebalance report and request.

Dear Co-Chairpersons:

Nature of the Request: The purpose of this letter is to provide the second DHS Rebalance report and request (attached) of the 2017-19 Biennium to the Emergency Board.

Action Requested: DHS requests acknowledgement of receipt of this second Rebalance report of the 2017-19 Biennium. DHS also requests the committee approve the requested changes including a request of \$7,343,891 General Fund from the Special Purpose Appropriation set aside for OHA and DHS.

Legislation Affected: See Report Attachment A.

If you have questions, please contact Eric Moore at 503-884-4701.

Sincerely,

Eric Luther Moore
DHS Chief Financial Officer
Enclosure

cc: Ken Rocco, Legislative Fiscal Office
Laurie Byerly, Legislative Fiscal Office
George Naughton, Department of Administrative Services
Tamara Brickman, Department of Administrative Services
Cathy Connolly, Department of Administrative Services

"Assisting People to Become Independent, Healthy and Safe"



Report to The State of Oregon December 2018 Emergency Board

The Department of Human Services (DHS) Rebalance Report
 October 29, 2018

Executive Summary and Nature of Request:

The Oregon Department of Human Services (DHS) is submitting its second rebalance report for the 2017-19 biennium to the Emergency Board. This report reflects a number of issues affecting the DHS budget. DHS expects to continue to work with the Legislature, Legislative Fiscal Office and Chief Financial Office to identify any actions management can take to balance the DHS 2017-19 budget.

Budget Issues for 2017-19

At this second rebalance DHS is respectfully requesting \$7,343,891 of additional General Fund (GF) from the \$30 million Special Purpose Appropriation (SPA) set aside for DHS and the Oregon Health Authority (OHA) budgetary challenges. This request does not address the \$2.5 million GF Child Welfare SPA which is being requested separately.

The sections below set out the main GF issues for the department.

The table below summarizes the DHS GF rebalance position by major program area. See attachment A for the appropriation changes that will be discussed throughout this document. Together the issues DHS has at this time are a projected need of \$7.34 million GF.

Program General fund in Millions	LAB	December 2018 Rebalance Request	Proposed LAB
Aging and People with Disabilities	1,024,318,555	(5,603,400)	1,018,715,155
Child Welfare	580,625,162	18,995,983	599,621,145
Individuals with Developmental Disabilities	888,816,503	(8,342,816)	880,473,687
Self Sufficiency	391,161,147	4,034,609	395,195,756
Vocational Rehabilitation	29,533,924	-	29,533,924
Other	282,932,108	(1,740,485)	281,191,623
Total GF	3,197,387,399	7,343,891	3,204,731,290

Program Rebalance Details

This section contains details on the Department's updated budget position by program area (see attachment B for caseload change details from Spring 2018 to Fall 2018).

Aging and People with Disabilities (APD)

APD has a net savings of (\$5.6) million in GF based on the following issues.

- An anticipated increase in Estates Recovery will bring in an additional \$3.50 million in revenue to offset (\$3.50) million GF.
- Over the biennium APD has achieved a higher than budgeted federal match rate related to doing medical eligibility. This is anticipated to save (\$2.37) million GF.

APD also requests corresponding Other and Federal Funds limitation changes for the actions above, netting to \$3.5 million in other funds limitation and an increase in Federal Funds limitation of \$177k.

APD also has portions of several technical adjustments that move positions to APD from other areas of the department or realigning the budget in actions that while are a “cost” to APD of \$234k GF and net to \$0 GF and Total Fund (TF) impact agency wide.

Intellectual and Developmental Disabilities (I/DD)

While a budget of great concern early in the biennium due to the unspecified \$12 million-dollar reduction, this budget has hopefully turned a corner. Management actions have led to the final reduction of \$4.7 million of the original \$12 million and a bit more. Current projections and updates based on the new forecast now show a savings in I/DD of a net (\$8.34) million GF based on the following issues:

I/DD had a net remaining challenge of \$4.7 million GF due to the miscellaneous reduction. In addition, there is a moderate need of \$0.90 million due to changes in the caseload forecast.

These are offset by the following:

The main driver of savings has been the result of a concerted effort on the part of DHS Management, CDDPs and Brokerages to increase the participation rate of those eligible for Medicaid reimbursement. By being more diligent in assessing Medicaid eligibility there are anticipated savings of a net (\$10.01) million between program and case management activities. Reductions in cost per case are projected to save (\$1.56) million GF. Finally, it is projected that SACU will achieve (\$2.80) million in savings due to getting a better match rate on certain activities.

I/DD has one technical adjustment that while “saves” I/DD (\$100k) GF is net \$0 GF and TF agency wide.

I/DD is also requesting \$50k in other funds limitation as well as an increase of federal fund limitation by \$13.69 million. The increase in federal fund limitation is primarily tied to the participation rate savings.

Child Welfare (CW)

Child Welfare has been the most challenging budget to manage in 2017-19. Due to needs and unbudgeted requests for changes in service delivery models CW has a net GF need of \$19.00 million based on the following issues.

- Anticipated shortfall in the Title IV-E Waiver capped allocation of \$1.55 million TF. The assumption at the establishment of the Waiver was that the foster and residential care caseloads would go down, freeing up IV-E funds to pay for Waiver projection interventions (SPRF and the LIFE intervention). However, IV-E eligible foster and residential care caseloads have not gone down, and we anticipate a small shortfall in 2017-19.
- Budget shortfall in personal services in child welfare delivery of \$1.61 million GF primarily driven by overtime costs. Management is actively pursuing ways to limit overtime while still providing safe child placements. This includes an assumption of \$6.43GF in Personal Services

for the projected needs of the Oregon Child Abuse Hotline (ORCAH) due to anticipated increases in calls with implementation of the central hotline based on the experience of other states.

- Budget shortfall in service and supplies in Child Welfare Delivery of \$10.75 million GF. This is primarily driven by projected costs for the CW ORCAH of approximately \$3 million GF. In addition, there is one million GF anticipated for the beginning of the SACWIS to CCWIS project to make the current ORKIDS system compliant with new requirements of the federal government. This is the beginning of a multiyear project required by the federal government. DHS has also seen a spike in in-state travel costs due to increased transportation and training travel costs. DHS is working on better ways to E-meet and E-Train to reduce in-state travel costs.
- Budget shortfall in CW Design Personal Services of \$3.51 million GF. The overage in personal services in CW Design is due primarily to Double Fills (DFs). CW Design currently has about 75 DFs (this number fluctuates a bit at any point in time). These DFs are necessary to support field staff due to increased field workload and increase in complexity of issues within that workload. Additional staff were also necessary to support central office adoptions and interstate compact (ICPC), who have increased workload and have federally required timelines. These positions are not earned with other staff in the workload model.
- Budget shortfall in CW Design S&S of \$9.5 million GF. This is primarily due to a shortfall in GF on the CW AAG line item. Over time fund splits in this category have gotten off course from actual expenditures. This is not an issue of DOJ overcharging DHS. It is that the GF in the budget is lower than actual expenditures. Therefore, this budget shows a savings in FF and a problem in GF. The FF does not exist to offset the GF problem. This is a structural problem with the DHS CW AAG budget line that will continue to be an issue if not corrected. The current issue is \$5.67 million GF. There is also a projected shortfall in professional services of \$3.7 million GF. These represent the vast majority of the Design issue. This was identified as a risk in the December 2017 rebalance letter.

These are partially offset by the following:

- Savings in the enhanced supervision budget. Over time the expenditures for enhanced supervision have been coded to regular foster care. They are therefore captured in the Cost per Case calculations for regular foster care. However, this budget has not been adjusted accordingly in the past. This leads to GF savings of (\$6.90) million.
- Permanency caseload is slightly down from Spring forecast causing a slight savings of (\$1.16) million.

CW also has a series of Technical adjustments that add to a net \$0 GF and TF agency wide. The impact of these technical adjustments is a “cost” to CW of \$130k GF.

Self Sufficiency (SSP)

Self Sufficiency has a net need of \$4.03 million GF. There are three challenges, one of which is other funds only. The first is a request for \$1.98 million GF for increased TANF Basic and TANF UN caseloads based on the most recent forecast. While remaining at low levels we are beginning to see a flattening or slowing decline in these caseloads. The second is related to the maintenance and operations of the ONE system. After further analysis based on actual expenditure history it was identified that there was an overestimation of the 90/10 match available and an underestimation of the 75/25 match. This leads to a need of \$2.32 million GF. The third “challenge” to the DHS budget is a request for other funds limitation related to cover all kids in the Oregon Health Plan. This is a onetime other funds only request of \$1.6 million as a transfer into DHS from OHA for these outreach services in 2017-19.

The remaining items in SSP are technical adjustments that add to \$0 GF and TF for the agency. Again, here mostly due to positions being moved to better align with business need. These actions “save” SSP an additional (\$274k).

As there are no savings in TANF the requirements of the budget note in HB 5006 (2017) are not at issue during this rebalance.

Vocational Rehabilitation (VR)

VR has no issues for the 2017-19 rebalance and believes that it can avoid an order of selection in 2017-19 at this point. The Order of selection must be planned for about 6 months in advance and is dependent on three factors. First, funding, second, staffing and finally, service availability. At this point DHS does not anticipate entering an order of selection in 2017-19. However, as caseloads rise and staffing levels remain stagnant there may be issues in the near future that VR will need to consider.

Central Services

Central services have a series of technical adjustments that add to \$0 GF and TF agency wide. This creates a “cost” to Central services of \$246k. These are all related to movement of positions from other programs to central services to better align budget with how the work is being done.

Statewide Assessments and Enterprise-wide Costs (SAEC)

SAEC is anticipating to save a net (\$1.99) million GF.

SAEC has a net savings of (\$1.75) million GF between the various puts and takes within the SAEC Budget. This budget includes items such as State Government Service Charges, Enterprise Technology Services (ETS), Information Technology Direct Services (Computer replacements), Shared Services Funding, facilities rent and projects and other statewide assessments and enterprise wide charges to DHS.

SAEC also has a portion of the technical adjustments that net to \$0 GF and TF agency wide relating to the SAEC portion of the position movements described in other sections. This leads to a net “savings” to SAEC of (\$240k) GF.

Shared Services

Shared Services has one other fund “challenge” of \$45.0k in OF limitation related to double booked other funds limitations needed for the transfer of a position from Self Sufficiency to the Office of Payment Accuracy and Recovery (OPAR) which is a shared service. This is offset by “savings” related to transfer of positions from shared services to program to better align budget to services being provided.

Risks

Outside the normal risks of normal increases in costs per case or caseloads, in DHS programs there are several other significant risks to the DHS budget in 17-19:

- I/DD caseloads and cost per case continue to be somewhat volatile but appear to be more in line with forecast. While it appears this starting to plateau, the risk remains that the caseload forecast is low and/or cost per case rises during the biennium.
- Other caseloads and costs per case are also a risk to the DHS budget.
- The risk that the Secretary of State allowable costs to the federal government is lowered compared to what is assumed at LAB. DHS has received billings that do not align with the budgeted amounts assumed to be federal funds. More performance audits are being performed than compliance audits. Performance audits are not federally match able. The Secretary of State

has provided through the price list an estimated split between federally reimbursable audits and non-federally reimbursable audits. The GF only audits have so far been the majority of audits being performed by the SOS. This rebalance assumes the higher GF split based on actuals so far this biennium.

- The 15% admin cap in TANF is a significant risk to the DHS budget. As spending on TANF programs drop, so does the 15% cap. This means that any spending above the cap must be moved to the General Fund. DHS is monitoring this issue closely.
- Possible changes to TANF regulations that would prevent any TANF being spent in CW and would eliminate third party Maintenance of Effort (MOE). This could impact this biennium in a negative way. TANF is under the current federal continuing resolution that expires on December 7th. Proposed changes to TANF may have significant impacts on this biennium and into the future.
- The impact of “pay equity” has not been determined for DHS yet. DHS has assumed an impact of \$5 million GF in anticipation of pay equity. DHS will not know the true impact of pay equity until later this year. This may be more or less than the actual impact.
- SAEC has outstanding issues in most usage-based areas of the state government service charge and ETS services. DHS has accounted for some higher than budgeted costs in this rebalance. However, if additional increases in usage-based fees continues there may still be an issue for DHS in closing it’s 17-19 budget.
- TANF penalty for 2007. This penalty has been levied by the Federal Government for not meeting work requirements in the TANF program in 2007. DHS recently received another letter providing appeal rights before reducing the FFY 2020 grant and requiring GF backfill of that amount. It is unlikely that this will occur in 17-19 based on the most recent letter. DHS is filing another appeal to this penalty of over \$7.0 million.
- \$10,500,000 Administration on Children and Families (AFS) disallowance finding from the 2013 Secretary of State Audit of Title IV-E Foster Care and Adoptions Assistance. The disallowance is currently with the Department of Appeal Board. DHS Child Welfare has provided significant documentation to ACF that demonstrates that the all the federal funds were refunded in FFY 2014 but the issue is still ongoing with the federal government. DHS believes it has provided sufficient documentation to avoid this disallowance, but the federal government has not yet come to the same conclusion. DHS is still in process of appealing this disallowance. If unsuccessful DHS may have to repay the Federal Government this biennium. This is not assumed in the current rebalance numbers.
- Family First legislation, DHS is still waiting on federal guidance as to what can and can’t be charged to 4-E under the new regulations. It is uncertain at this time as to the impact in this or future biennium until further guidance is received.

Conclusion

DHS looks forward to working with the Legislature to address the budget issues outlined in this report and will continue to work with the Legislative Fiscal Office on the budget and outstanding issues to ensure that the Legislature has the information it needs to make decisions about this rebalance report and request. As will be set out in a separate letter, DHS will also be making two other requests. First is for the \$2.5 million SPA for Child Welfare. Second will be for some other funds limitation to allow hospitals to collocate, at the hospitals expense, caseworkers directly in the hospital with the goal of reducing the length of stay of the person in the hospital and expedite the transition to a more appropriate and presumably less costly placement.

DHS 2017-19 December 2018 Rebalance Appropriation and Limitation Adjustments

DEPARTMENT OF HUMAN SERVICES			ATTACHMENT A				
2017-19 January Rebalance/February 2018 Session							
APPROPRIATION AND LIMITATION ADJUSTMENTS							
PROGRAM	PROPOSED LEGISLATION / SECTION	Appr #	FUND TYPE	REBALANCE ADJUSTMENTS	NET ADJUSTMENTS	Position	FTE
Central Services/SAEC	ch 597 1(1)	87401	General	(1,740,485)	(1,740,485)		
	ch 597 2(1)	34401	Other	2,296,942	2,296,942		
	ch 702 sec105	34403	Other	-	-		
	ch 597 3(1)	64401	Federal	(31,958,715)	(31,958,715)		
	Total			(31,402,258)	(31,402,258)	8	8.00
Shared Services	ch 597 2(4)	34402	Other	(295,933)	(295,933)	(4)	(4.00)
Debt Service	ch 597 1(4)	87402	General, Debt Service	-	-		
	ch 702, sec104	87403	IE/ME Debt Service	-	-		
	Total			-	-		
SSP/CWVR	ch 597 1(2)	87101	General	23,030,592	23,030,592		
	ch 597 2(2)	34101	Other	(577,409)	(577,409)		
	ch 597 4	62101	Federal Non LTD	-	-		
	ch 597 3(2)	64101	Federal	6,505,565	6,505,565		
	Total			28,958,748	28,958,748	(12)	(12.00)
APD/IDD	ch 597 1(3)	87301	General	(13,946,216)	(13,946,216)		
	ch 597 2(3)	34301	Other	3,549,816	3,549,816		
	ch 597 3(3)	64301	Federal	13,862,387	13,862,387		
	Total			3,465,987	3,465,987	7	7.00
			Total	726,544	726,544	(1)	(1.00)
	Total		General	7,343,891	7,343,891		
			General DS	-	-		
			Other	4,973,416	4,973,416		
			Federal	(11,590,763)	(11,590,763)		
			Federal Non-Limited	-	-		
			Total	726,544	726,544		

Attachment B
Total Department of Human Services Biennial Average Forecast Comparison

	2017-19 Biennium		% Change Between Forecasts	Fall 2018 Forecast		% Change Between Biennia
	Spring 18 Forecast	Fall 18 Forecast		2017-19	2019-21	
Aging & People with Disabilities						
Long-Term Care: In Home	19,172	18,754	-2.2%	18,754	19,561	4.3%
Long-Term Care: Community Based	11,887	11,803	-0.7%	11,803	12,040	2.0%
Long-Term Care: Nursing Facilities	4,348	4,347	0.0%	4,347	4,331	-0.4%
Child Welfare (children served)						
Adoption Assistance	10,676	10,671	0.0%	10,671	10,651	-0.2%
Guardianship Assistance	1,918	1,945	1.4%	1,945	2,201	13.2%
Out of Home Care ¹	7,717	7,697	-0.3%	7,697	7,730	0.4%
Child In-Home	1,640	1,658	1.1%	1,658	1,647	-0.7%
Intellectual and Developmental						
Total Case Management Enrollment ²	27,946	27,780	-0.6%	27,780	30,429	9.5%
Total I/DD Services ³	18,830	18,919	0.5%	18,919	19,519	3.2%
Self Sufficiency						
Supplemental Nutrition Assistance Program (Households)	364,346	365,997	0.5%	365,997	332,351	-9.2%
Temporary Assistance for Needy Families (Families: Cash/Grants)	18,520	18,840	1.7%	18,840	17,538	-6.9%
Vocational Rehabilitation	10,357	10,536	1.7%	10,536	11,197	6.3%

1. Includes residential and foster care.

2. Some clients enrolled in Case Management do not receive any additional I/DD services.

3. Total I/DD services will not include Brokerage Enrollment. Brokerage Enrollment caseload forecast was discontinued beginning Fall 2017.