# ANALYSIS

## Item 8: Department of Human Services

## Fall 2025 Rebalance

**Analyst:** Gregory Jolivette

**Request:** Acknowledge receipt of a report on the 2025-27 financial status and budget rebalance request for the Department of Human Services.

**Analysis:** The Department of Human Services (DHS) is presenting its first financial report of the 2025-27 biennium in anticipation of legislative actions during the 2026 session. The report identifies several issues affecting the DHS budget, including changes in forecasted caseload levels, costs per case, federal fund receipts, and other program changes arising since the 2025 legislative session. The agency estimates the fiscal impact of these changes is a net General Fund cost of $91.5 million, an Other Funds expenditure limitation increase of $40.6 million, and a Federal Funds expenditure limitation increase of $208.8 million. The rebalance requests a net increase of 15 positions (12.58 FTE), including positions associated with changes in the caseload forecast, and the cumulative workload from recently enacted bills.

The figure to the right shows the main cost drivers for the fall 2025 rebalance. Updated caseload and cost per case account for 83.5% of the identified General Fund costs. The agency also reports unbudgeted costs associated with a position classification study, as well as a SNAP penalty for federal fiscal year 2023. These and other costs are partially offset by higher provider tax and federal fund revenues. Each of the major General Fund and limitation adjustments are discussed below.

**DHS 2025-27 Rebalance #1**
*General Fund Request*

| Item | | Amount |
|---|---|---|
| Caseload | | 109,412,570 |
| Cost Per Case | | 24,843,885 |
| HSS Class Study | | 17,422,077 |
| SNAP Penalty | | 7,843,436 |
| Other | | 1,358,070 |
| FMAP | | (33,855,483) |
| Provider Tax | | (35,513,340) |
| **Total GF Request** | **$** | **91,511,215** |

***General Fund Adjustments***

<u>Caseload: $109.4 million General Fund cost.</u> The 2025-27 legislatively adopted budget for DHS is built on the spring 2025 forecast of program caseloads. Based on the more recent fall 2025 forecast, the agency requests $109.4 million General Fund to cover higher caseloads in the Aging and People with Disabilities, Intellectual/Developmental Disabilities, and Child Welfare programs.

The figure to the right compares the forecasts of biennial average monthly caseload for each program: Vocational Rehabilitation (VR), Child Welfare (CW), Temporary Assistance to Needy Families (TANF), Intellectual/Developmental Disabilities (I/DD), Aging and People with Disabilities (APD), and the Supplemental Nutrition Assistance Program (SNAP).

| DHS 2025-27 Biennial Average Monthly Caseload | | | | |
|---|---|---|---|---|
| Program | Budgeted Spring 2025 Forecast | Proposed Fall 2025 Forecast | Change Actual | Percent |
| VR | 9,854 | 7,788 | (2,066) | -21.0% |
| CW | 16,251 | 16,275 | 24 | 0.1% |
| TANF | 21,026 | 20,862 | (164) | -0.8% |
| I/DD | 28,050 | 28,779 | 729 | 2.6% |
| APD | 40,009 | 40,341 | 332 | 0.8% |
| SNAP | 442,953 | 429,087 | (13,866) | -3.1% |

Compared to the spring 2025 caseload forecast:

- VR total caseload is down 21%. The forecast drop in caseload is associated with Order of Selection, a process used by VR agencies to prioritize services when there are not enough resources to serve all eligible individuals. Notably, the rebalance report does not include a budget adjustment corresponding to the decrease in caseload. VR is not a mandated caseload program.
- The overall CW caseload is mostly on track. At the program level, however, the Foster Care caseload is up 6.1%, and In-Home is up 5.6%, while Adoption and Guardianship Assistance are down 3.5% and 0.8%, respectively. CW is a mandated caseload.
- The overall TANF total caseload is about 1% lower. The larger one-parent caseload (17,413 families) is up 0.8%, while the smaller two-parent caseload (3,449 families) is down 8%. TANF is not a mandated caseload.
- The overall I/DD caseload is 2.6% higher, driven by demand for In-Home Support and Residential Care for both children and adults. I/DD is a mandated caseload.
- The overall APD caseload is about 1% higher driven mostly by greater demand for In-Home and Nursing Facility services. APD is a mandared caseload.
- The SNAP caseload is 3.1% lower, which partly reflects recent federal policy changes. There is no associated budget adjustment since SNAP benefits are still 100% Nonlimited Federal Funds. SNAP is a mandated caseload.

<u>Costs Per Case: $24.8 million General Fund cost</u>. Based on more recent expenditures, the agency is reporting higher costs per case in the I/DD and CW programs, partially offset by lower costs in APD. The increase in I/DD costs reflects the continued shift of consumers to more expensive services, as well as higher utilization of authorized in-home support hours. In CW, residential treatment services were underfunded due to a miscalculation of the spring 2025 cost per case. For the VR program, the rebalance requests General Fund to backfill for the loss

of Youth Transition Program revenue and to address costs associated with Order of Selection, which prioritizes higher need/higher cost enrollees.

Human Services Specialist Class Study: $17.4 million General Fund cost. The Human Services Specialist (HSS) was a four-level series that included more than 3,200 DHS workers involved in making eligibility determinations, issuing benefits, referring clients for other programs, and other related activities. Effective July 1, 2025, the HSS series was replaced with the Public Benefits Specialist series, which increased the salary and other personnel expenses for most workers who were previously in the HSS series. This change was based on a collectively bargained class study conducted in 2024 by the Department of Administrative Services and was included in the August 2025 report on compensation plan changes. The personal services costs associated with a class study were not captured in the Salary Pot calculations, which typically cover cost of living adjustments, regular step increases, and health care coverage cost increases. Accordingly, the rebalance report estimates a need of $17.4 million General Fund ($32.6 million total funds) to cover related costs.

SNAP Penalty: $7.8 million General Fund cost. In a letter dated June 28, 2024, the U.S. Department of Agriculture (USDA) notified the Oregon Legislative Assembly that based on Oregon's federal fiscal year 2023 SNAP payment error rate of 16.76%, the state was being assessed a penalty of $15.7 million. Under an agreement with USDA, Oregon was allowed to pay half the penalty and reinvest the balance into the program with the aim of reducing future payment errors. The rebalance report requests $7.8 million to pay the penalty portion. It should be noted that the reinvestment portion of the agreement was spread over two biennia, with some of the costs covered in 2023-25 and the balance ($4.6 million) to be covered in the current biennium. The latter is included in the agency's HR 1 request because of its relevance to the proposed effort to reduce the state's payment error rate.

Other: $1.4 million General Fund cost.

- Workload Model Positions: $1 million. Based on caseload growth, the rebalance requests funding for additional state staff (3 positions, 2.0 FTE) in ADP and contract positions for I/DD brokerage services.
- SAEC/Shared Services Position Funding: $0.4 million. DHS requests five positions (3.75 FTE) in Shared Services to manage workload associated with various bills which individually did not justify additional staff. This includes a payroll analyst in the Office of Financial Services, an Operations and Policy Analyst 2 in the Shared Services Administration, an Operations and Policy analyst 3 and Administrative Specialist 2 in the Background Check Unit, and an Operations and Policy Analyst 3 in the Office of Health, Safety, and Employment Well-Being.

Federal Medical Assistance Percentage: $33.9 million General Fund savings. The Federal Medical Assistance Percentage (FMAP) is the basis for budgeting General Fund and Federal Funds for Medicaid programs. For 2025-27, the legislatively adopted budget assumed FMAP of 57.80%. The updated base FMAP is slightly higher at 58.07%, resulting in General Fund savings of $33.9 million across multiple programs.

Provider Tax Adjustment: $35.5 million General Fund savings. As a result of the higher long term care caseload and rates, provider tax revenue is estimated to increase from an estimated $186.2 million to $221.7 million. The agency is requesting $35.5 million Other Funds expenditure limitation in the APD program to allow the provider tax to be used in lieu of General Fund.

***General Fund Adjustments by Program***

The table below displays the General Fund adjustments by major program. The overall net General Fund increase of $91.5 million represents a 1.2% increase above the 2025-27 legislatively adopted budget (LAB).

DHS Rebalance #1 Request By Program
*General Fund $ in millions*

| | SSP | CW | VR | APD | I/DD | OEP | CS | Shared | SAEC | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| 2025-27 Leg Adopted Budget | 340.6 | 1,150.4 | 44.9 | 2,417.9 | 2,486.7 | 438.4 | 96.9 | - | 470.8 | 7,446.6 |
| Rebalance Issues | | | | | | | | | | |
| Costs | - | 30.9 | 12.3 | 47.5 | 66.4 | 18.8 | 10.6 | - | 0.5 | 187.0 |
| Savings | (2.4) | (5.7) | (0.1) | (29.1) | (18.7) | (36.2) | (2.2) | - | (1.1) | (95.5) |
| **Net Change from LAB** | **(2.4)** | **25.2** | **12.2** | **18.4** | **47.7** | **(17.4)** | **8.4** | **-** | **(0.6)** | **91.5** |

Notably, compared to the LAB, the requested adjustments for Central Services and Vocational Rehabilitation represent an 8.7% and 27.2% increase, respectively.

Central Services Structural Budget Shortfall. Due to an outdated cost allocation assumption and the ongoing challenge of carrying non-budgeted positions, the Central Services budget is projected to have a General Fund deficit of $10.2 million. The rebalance report states the agency is developing a long-term solution to address the structural budget issue. In the meantime, DHS has proposed to transfer a portion of the funds identified as savings in the table above on a one-time basis to Central Services to cover the projected budget shortfall in the current biennium.

***Expenditure Limitation Adjustments***

The rebalance proposes an Other Funds expenditure limitation increase of $40.6 million, and a Federal Funds limitation increase of $208.8 million. These net figures capture limitation adjustments associated with several issues discussed above (e.g., updated caseload, cost per case, FMAP, and provider tax revenues). Other significant expenditure limitation increases include $1 million Other Funds related to a Youth Experiencing Homelessness Program grant, and $2.1 million Other Funds for the use of Youth Transition Program fund reserves in lieu of GF in the VR program.

***Potential Risks and Outstanding Issues***

The rebalance identifies several potential risks and outstanding issues, including further changes in caseload and cost per case; federal policies that impact the population that DHS serves; and legislative actions that impact cost drivers.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means acknowledge receipt of the Department of Human Services' budget rebalance report, with the understanding the Legislative Fiscal Office will develop recommendations for budgetary changes to be included in a budget reconciliation bill during the 2026 legislative session.

**Request:** Report on the first rebalance of the 2025-27 biennium for the Oregon Department of Human Services (ODHS); increase General Fund appropriation by $91,511,215, increase Other Funds expenditure limitation by $40,637,318, increase Federal Funds expenditure limitation by $208,759,899, and establish 15 positions (12.58 FTE).

**Recommendation:** Acknowledge receipt of the report.

**Discussion:** ODHS has submitted its first rebalance report for the 2025-27 biennium. The report updates caseload and cost projections through the fall of 2025. It also revises revenues and federal financing assumptions and requests other adjustments and corrections. Finally, the plan includes a list of other outstanding risks and issues. After accounting for all rebalance actions, the Department anticipates a need for an additional $91.5 million General Fund, a $40.6 million Other Funds expenditure limitation increase, a $208.8 million Federal Funds expenditure limitation increase, and the establishment of 15 positions (12.58 FTE). In addition to the rebalance report, the Department will have two separate letters for the Committee regarding the costs of non-state employee bargaining and spending needs driven by House Resolution 1, the federal budget reconciliation act passed in July 2025. Those requests are not reflected in this rebalance report. The Department is requesting the rebalance adjustments be recommended for approval during the February 2026 Legislative Session.

The primary driver of a greater budget need is due to increased forecasted caseload in the Intellectual and Developmental Disabilities (I/DD) programs, resulting in an increase of $46.9 million General Fund. In addition to increased I/DD caseload, cost per case continues to rise, resulting in an additional $18.0 million General Fund due largely to higher levels of service and increased hour utilization for adult in-home services. Within Aging and People with Disabilities (APD), an increased forecasted caseload also led to an additional $45.2 million, which included $19.6 million for a larger increase to the Oregon Project Independence–Medicaid (OPI-M) caseload. Other significant changes in the rebalance report include an increase in the Residential Treatment caseload within Child Welfare, and a classification and compensation change for the Human Services Specialist position series and Human Services Case Managers, which impacted 3,251 positions within ODHS.

The following table lays out the General Fund costs, savings, management actions, and technical adjustments from the 2025-27 Legislatively Adopted Budget for each of the programs under the rebalance proposal:

**Department of Human Services**

**First Rebalance of the 2025-27 Biennium (General Fund only)**

| Division | 2025-27 General Fund Leg. Adopted Budget | Costs | Savings | Management Actions/Technical Adjustments | Net Rebalance Changes | 2025-27 General Fund Change from Leg. Adopted |
|---|---|---|---|---|---|---|
| I/DD | $ 2,486.7 | $ 66.4 | $ (17.9) | $ (0.8) | $ 47.7 | $ 2,534.4 |
| APD | $ 2,417.9 | $ 47.9 | $ (66.5) | $ 37.0 | $ 18.4 | $ 2,436.3 |
| Child Welfare | $ 1,150.4 | $ 30.9 | $ (1.3) | $ (4.5) | $ 25.2 | $ 1,175.7 |
| Oregon Eligibility Partnership | $ 438.4 | $ 18.8 | | $ (36.2) | $ (17.4) | $ 421.0 |
| Vocational Rehabilitation | $ 44.9 | $ 12.2 | | $ (0.0) | $ 12.2 | $ 57.1 |
| Self Sufficiency Program | $ 340.6 | $ 3.1 | $ (2.8) | $ (2.7) | $ (2.4) | $ 338.2 |
| Central Services, SAEC* | $ 567.8 | $ 0.6 | $ - | $ 7.2 | $ 7.8 | $ 575.6 |
| **Total** | **$ 7,446.7** | **$ 180.1** | **$ (88.5)** | **$ (0.1)** | **$ 91.5** | **$ 7,538.3** |

**Statewide Assessments and Enterprisewide Costs.*

*All dollars are in millions; rounding may occur. SAEC Debt Service costs of $10.1 million are not included above.*

*Shared Services is not shown above as the division has no General Fund budget.*

Technical adjustments may generate a cost or savings for a specific division, but they net to zero across the Department. Management actions are similar to technical adjustments and are made to reflect transfers between divisions; however, they may not always net to zero across the Department.

The Federal Medical Assistance Percentage (FMAP) rate impacts the amount of General Fund needed to maintain programs. With this rebalance, the standard FMAP rate increased by 0.27 percent from spring 2025, increasing from 57.80 percent to 58.07 percent. This resulted in a $33.9 million General Fund savings across the Department.

Following are the major program, revenue, and forecast issues specific to each division:

**Intellectual and Developmental Disabilities (I/DD)**

For this rebalance, I/DD has a net need for an additional $47.7 million General Fund, $17,321 Other Funds expenditure limitation, and $140.5 million Federal Funds expenditure limitation for a total of $188.2 million. The need for additional General Fund is primarily due to an upwardly revised caseload forecast and cost per case increases for Adult In-Home Supports. Other factors also include workload model updates and technical adjustments.

The caseload within I/DD shows a net increase of approximately $46.9 million General Fund, due to increases primarily within In-Home agency support. Specifically, the Children's In-Home agency caseload increased by 30 individuals a month, or 10.2 percent ($20.3 million General Fund) and Adult In-Home support agency increased by 418 cases per month, or 5.2 percent ($25.6 million General Fund). Growth in the Adult and Children's In Home agency support is offset by savings for In-Home support for Personal Support Workers (PSW), as the adult and children's caseload receiving services from PSWs shows significant decreases of 4.5 percent and 7.7 percent, respectively. The transition to In-Home agency support has existed for years and is expected to continue, reflecting consumer choice and labor market supply. The rate paid for In-Home agency support is greater than for PSW's and the administrative burden to ensure care is available is placed on the agency and not the individual or family. The growth in hours utilized and transition to In-Home agency support will likely continue to drive up costs within I/DD. Likewise, there is also a notable increase in residential services for Adult 24-hour group homes of 111 cases per month (2.5 percent), which somewhat correlates with a decrease of 126 cases per month (5.3

percent) in Adult Foster Care. Forecasting data has shown there to be a trend of individuals moving from Adult Foster Care to Adult 24-hour residential. Adult 24-hour residential is a higher level of service and generally more costly than Adult Foster Care.

Cost per case has a net increase of approximately $18.0 million General Fund, which is largely due to increases in In-Home support services and an increased cost in Children's 24-hour Residential. In-Home support services for adults served by PSW's are experiencing significant cost-per-case growth, due to utilization of more hours, a new wage and step system and increase in allowable overtime, all changes that were newly implemented as part of the 2023-25 collective bargaining agreement. Cost per case for Adult In-Home (PSW) has increased $704 per case or 14.7 percent ($35.1 million).

Technical adjustments net to zero across the Agency. I/DD also had eight position reclassifications, which resulted in a net zero change for 2025-27. The reclassifications were approved by the Department of Administrative Services Chief Human Resources Office.

The combined changes and budgetary impact to I/DD under the rebalance plan are shown in the following table:

**I/DD**

| Issue | General Fund | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|---|---|---|---|---|---|---|
| Caseload Changes | $ 46.9 | | $ 88.6 | $ 135.4 | | |
| Cost per Case Changes | $ 18.0 | | $ 33.7 | $ 51.7 | | |
| FMAP Update | $ (17.1) | $ 0.0 | $ 17.1 | $ - | | |
| Brokerage Workload Model | $ 0.7 | | $ 0.9 | $ 1.6 | | |
| CIIS Workload Model | $ 0.1 | | $ 0.1 | $ 0.1 | 1 | 0.5 |
| Technical Adjustments | $ (0.8) | $ 0.0 | $ 0.1 | $ (0.7) | | |
| **Total** | **$ 47.7** | **$ 0.0** | **$ 140.5** | **$ 188.2** | **1** | **0.50** |

*All dollars are in millions; rounding may occur.*

**Aging and People with Disabilities (APD)**

The Aging and People with Disabilities program (APD) has a net General Fund need of $18.4 million, $36.0 million Other Funds expenditure limitation, and $85.0 million Federal Funds expenditure limitation for a total of $139.4 million total funds. The primary reason for the increase is due to the caseload. This rebalance also includes FMAP and workload model updates, an HHS classification study with increased costs, and other transfers and technical adjustments. There were also significant savings related to the Nursing Facilities provider tax, which brought in more revenue than was expected, allowing APD to free up $35.5 million General Fund.

Overall, caseload changes result in projected General Fund increase of $45.2 million ($98.4 million total funds). The increase in caseload also includes new realized projections regarding Oregon Project Independence – Medicaid (OPI-M), which had been delayed until mid-2023-25. Now there is enough data for the Office of Forecasting, Research, and Analysis (OFRA) to begin forecasting this service, with the understanding that the projection is based on the most recent six months of dependable data on actual expenditures. This accounts for $19.6 million General Fund, and $46.4 million total funds regarding the caseload. The fall 2025 rebalance reflects updated caseload changes by service area as follows:

- Nursing Facilities: 2.3 percent increase.
- Community Based Care: 3.0 percent decrease.
- In-Home Services: 2.5 percent increase.

The increase in caseload is primarily for nursing services, with complex nursing increasing caseload by 16.7 percent. This is partially offset by a decrease in bariatric nursing of 22.1 percent. In-Home Agency services are also a key factor, showing an increase of 13 percent since the spring 2025 forecast. These changes increase General Fund by $17.4 million, $43.8 million total funds.

A classification study for the Human Services Specialist (HSS) series and Human Services Case Manager position was included as part of the 2023-25 collective bargaining agreement with the Service Employees International Union (SEIU). This is discussed with more detail within the OEP section of this rebalance, given that OEP is the largest program affected. The impact on APD results in a need for an additional $2.4 million General Fund, $4.7 million total funds.

APD technical adjustments include moving the Area Agencies on Aging (AAA) budget from OEP back to APD where those contracts are managed. This aims to restore clarity, simplify financial management, and reduce operational risk. This resulted in a $36.4 million General Fund increase to APD and a corresponding decrease in OEP. APD also included nine position reclassifications that resulted in a net zero change for 2025-27. The reclassifications were approved by the Department of Administrative Services Chief Human Resources Office. There is also a reduction of $968,141 General Fund to Services and Supplies for APD, which is used to offset needs in Central Services. To help clear non-budgeted positions, a position transfer from APD to Central Services (OEMS & OPI) reduces two positions (2.00 FTE) and increases them in Central Services. During the 2025-27 budget process, within Senate Bill 296, six positions were placed in Central Services but were meant to be placed in APD; this action adds six positions (5.28 FTE) to APD and increases General Fund by $2.1 million and total funds by $4.3 million. For Senate Bill 739, a net zero adjustment using funding from AAAs is made to ensure state positions are funded adequately.

The combined changes and budgetary impact to APD under the rebalance plan are shown in the table below:

**APD**

| Issue | General Fund | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|---|---|---|---|---|---|---|
| Nursing Facilities Provider Tax Revenue | $ (35.5) | $ 35.5 | | $ - | | |
| Caseload Changes | $ 45.2 | | $ 53.2 | $ 98.4 | | |
| Cost Per Case Changes | $ (15.4) | | $ (22.8) | $ (38.2) | | |
| FMAP Update | $ (15.5) | | $ 15.5 | $ - | | |
| Workload Model - State w/o HOP | $ 0.1 | | $ 0.1 | $ 0.1 | 1 | 0.75 |
| Workload Model - State HOP | $ 0.2 | | | $ 0.2 | 1 | 0.75 |
| Human Services Specialist Class Study | $ 2.4 | $ 0.0 | $ 2.2 | $ 4.7 | | |
| SB 739 Fund Split Correction | $ (0.1) | | $ 0.1 | $ - | | |
| ARPA SLRF Workforce Spending | | $ 0.4 | | $ 0.4 | | |
| Technical Adjustments | $ 37.0 | $ 0.0 | $ 36.8 | $ 73.8 | 2 | 1.28 |
| **Total** | **$ 18.4** | **$ 36.0** | **$ 85.0** | **$ 139.4** | **4** | **2.78** |

*All dollars are in millions; rounding may occur.*

**Child Welfare**

The Child Welfare program reflects a net increase of $25.2 million General Fund ($37.6 million total funds). These amounts include savings and challenges, management actions as well as technical adjustments that net to zero across the Department. The primary driver leading to the net General Fund increase is cost per case increases related to caseload changes and changes in the number of children eligible for federal matching funds.

Based on the Fall 2025 Caseload Forecast, total Child Welfare caseloads are projected to be nearly unchanged in the current biennium, although caseload-driven costs are increasing as growth in Out of Home Care, which tends to carry higher costs per case, increased, offsetting savings in adoptions assistance. The largest percentage increase in caseload and costs occurred in the Residential Treatment budget, with a 24.7 percent increase in the caseload with a General Fund impact of $17.1 million, total funds $24.4 million. The Residential Treatment Services area has been working to build capacity; specifically subacute psychiatric residential treatment capacity was expanded by 14 beds in January 2025 and has been consistently utilized. Capacity was expanded to provide consistent and efficient access for children in foster care who meet medical necessity for psychiatric residential care. The decline in Regular Foster Care over the last five or six years has subsided, and the caseload is returning to slow, steady growth. This trend is expected until more prevention and preservation work is embedded within the child welfare system.

Due to the complexity of the systems and accounting processes in Psychiatric Residential Treatment Services (PRTS), there was an error in estimating cost per case. The process for recording PRTS provider revenue in prior biennia was processed as a refund rather than a refinance, understating the cost per case in the Residential Treatment Services area. ODHS estimates a need of $9.7 million General Fund, $14.0 million total funds on a one-time basis to correct the cost per case understatement.

A large portion of the Central Services budget deficit is solved through transferring $5.0 million General Fund from Child Welfare to Central Services. The savings in Child Welfare are from Services and Supplies and the implementation of an additional 30-day hiring pause. Child Welfare had 12 position reclassifications that resulted in a net zero change for 2025-27. The reclassifications were approved by the Department of Administrative Services Chief Human Resources Office.

Additional information about the Child Welfare budget adjustments is included in the following table:

**Child Welfare**

| Issue | General Fund | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|---|---|---|---|---|---|---|
| Regular FMAP adjustments | $ (1.3) | | $ 1.3 | $ - | | |
| Residential Treatment cost per case correction | $ 9.7 | | $ 4.3 | $ 14.0 | | |
| Cost per case changes | $ (0.0) | | $ (1.0) | $ (1.0) | | |
| Personal Care increased wages | $ 0.3 | | $ 0.4 | $ 0.8 | | |
| Caseload changes | $ 20.1 | | $ 6.4 | $ 26.5 | | |
| One-time funding transfer to Central Services to close budget gap | $ (5.0) | | | $ (5.0) | | |
| Human Services Specialist and Human Services Case Manager reclassification | $ 0.8 | | $ 0.3 | $ 1.1 | | |
| Position reclassification | | | | $ - | -2 | |
| Technical Adjustments | $ 0.6 | $ 0.1 | $ 0.6 | $ 1.2 | | |
| **Total** | **$ 25.2** | **$ 0.1** | **$ 12.4** | **$ 37.6** | **-2** | |

*All dollars are in millions; rounding may occur.*

**Oregon Eligibility Partnership**

Oregon Eligibility Partnership (OEP) was formed as a new division within ODHS in the 2023-25 biennium to consolidate the budget for administration of the ONE system, along with program eligibility workers and supporting staff.

For the fall 2025 rebalance, OEP identified several increased costs, along with a technical adjustment that resulted in a net reduction to the division of $17.4 million General Fund. OEP technical adjustments included moving the AAA budget from OEP back to APD, where those contracts are managed. This resulted in a $36.4 million General Fund reduction to OEP and a corresponding increase in APD. Additionally, 17 positions and associated funding were moved from SSP to OEP, where the work is more appropriately aligned. This position transfer adjustment is effectively administrative clean-up from funding and position related transfers made with the creation of OEP in the 2023 Legislatively Adopted Budget. A transfer of General Fund to mitigate the Central Services budget is requested, along with an Other Funds and Federal Funds expenditure limitation increase to align the budget with anticipated expenditures.

In federal fiscal year (FFY) 2023, Oregon incurred a SNAP payment error rate penalty of $15.7 million from Food and Nutrition Service (FNS) due to the state's high error rate relative to the national average. As part of the settlement, Oregon is required to pay the at-risk liability amount of $7,843,436 (50 percent of the penalty). Oregon submitted a reinvestment plan to FNS to direct the other 50 percent of these funds toward system and process improvements. The state is working to implement corrective actions as part of the reinvestment plan. The funding for the reinvestment component is included in the Department's House Resolution 1 request. This component only addresses the penalty from FFY 2023. Oregon's payment error rate peaked in FFY 2022, the year after the pandemic, and has continued to drop since that time.

A classification study for the Human Services Specialist (HSS) series and Human Services Case Manager position was included as part of the 2023-25 collective bargaining agreement with the Service Employees International Union (SEIU). The Department of Administrative Services led the classification study along with ODHS staff serving as subject matter experts. The study was concluded in May 2025, with classification changes taking effect on July 1, 2025. The classification study impacted approximately 3,251 positions across ODHS, with the largest impact within OEP. The impact on OEP results in a need for an additional $11.0 million General Fund, $19.6 million total funds. Across ODHS the impact from implementing the study's findings is $17.4 million General Fund, $32.6 million total funds. In the future, it is recommended that classification and compensation changes that are likely to result in a large fiscal impact be completed with more robust planning and coordination with budget offices, to build changes into the budget process at more appropriate times.

## Oregon Eligbility Partnership

| Issue | General Fund | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|---|---|---|---|---|---|---|
| SNAP penalty for federal fiscal year 2023 error rate | $ 7.8 | | | $ 7.8 | | |
| FTE Increase | | | | | | 0.08 |
| Human Services Specialist and Human Services Case Manager reclassification | $ 11.0 | | $ 8.6 | $ 19.6 | | |
| One-time funding transfer to Central Services to close budget gap | $ (2.4) | $ 0.8 | $ 6.1 | $ 4.6 | | |
| Technical Adjustments | $ (33.8) | $ 0.0 | $ (33.0) | $ (66.8) | 17 | 17.00 |
| **Total** | **$ (17.4)** | **$ 0.9** | **$ (18.2)** | **$ (34.7)** | **17** | **17.08** |

*All dollars are in millions; rounding may occur.*

### Self Sufficiency Programs

Self Sufficiency programs (SSP) have a net decrease of $2.4 million General Fund ($10.7 million total funds). The primary driver impacting General Fund costs is the impact of the classification and compensation changes resulting from the HSS and Human Services Case Manager study. This increase is primarily offset by program caseload savings, specifically an 8.2 percent projected decline in the two-parent Temporary Assistance for Needy Families (TANF) caseload that reduced General Fund by $3.0 million. Oregon's two-parent TANF program is supported by General Fund only. The TANF basic program shows a slight uptick in caseload at 0.8 percent, resulting in an increase of $0.3 million General Fund, $1.4 million total funds.

The passage of House Resolution 1 by the federal government has resulted in the elimination of funding for Supplement Nutrition Assistance Program-Nutrition Education (SNAP-Ed). Food and Nutrition Service (FNS) is allowing states with carry-over funding already obligated to spend the remaining funds in FFY 2026. Oregon SNAP-Ed will spend the remaining federal funding of $2.8 over FFY 2026. The elimination of the program funding will result in a loss of approximately $9.5 million annually for Oregon. This rebalance reduces Federal Funds expenditure limitation by $16.4 million to account for the elimination of the funding for the program. In fiscal year 2024, SNAP-Ed provided direct nutrition education at over 300 sites, including schools, senior centers and community organizations, reaching over 25,000 Oregonians. A total of over 475,000 Oregonians accessed or participated in SNAP-Ed services. The primary contracted agency for delivering nutrition education is Oregon State University Extension Service. Currently, there is no available funding to keep the program going in the absence of federal support. According to ODHS, nutrition education is still required in state statute, so changes likely are needed to address the future of the program and/or the Department's obligations.

In addition to the elimination of SNAP-Ed funding, the federal government has made additional changes to emergency food assistance programs resulting in a reduction of $13.8 million to align the budget with projected available funding. The largest reduction is to The Emergency Food Assistance Program (TEFAP) Local Food Purchase Assistance Cooperative Agreement Program at $10.7 million. TEFAP is a federal program providing emergency food assistance (fruits, veggies, dairy, meats) to low-income individuals via food banks and pantries. The Local Assistance Cooperative Agreement Program within TEFAP is designed to build resilient food systems by directing the funds to buy foods from local, regional, and historically underserved producers.

The federal government shutdown in October 2025 impacted the availability of SNAP benefits for Oregonians. As part of the state's response to the food emergency created by the federal government shutdown, the Governor approved the use of TANF carryforward funds on a one-time basis to provide an additional $5.0 million for Oregon's food bank system and $1.0 million for emergency food assistance for Oregon's tribes. SSP is requesting an increase of $6.0 million Federal Funds expenditure limitation for the emergency food assistance.

SSP is requesting a $1.0 million increase to Other Funds expenditure limitation to expend grant funds received from the Oregon Community Foundation to continue direct cash transfers within the Youth Experiencing Homelessness program. This grant provides $1,000 a month over a period of two years and is anticipated to help 42 youth receive unconditional cash transfers who are also receiving supportive services.

The primary technical adjustment is the net transfer of 17 positions (17.00 FTE) and associated funding to OEP. This position transfer adjustment is effectively administrative clean-up from funding and position related transfers made with the creation of OEP in the 2023 Legislatively Adopted Budget. Additionally, one position (1.00 FTE) was transferred from APD to SSP.

Additional information about the Self Sufficiency budget adjustments is included in the following table:

**Self-Sufficiency Program**

| Issue | General Fund | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|---|---|---|---|---|---|---|
| SSP caseload changes | $ (2.8) | $ (0.0) | $ (3.4) | $ (6.2) | | |
| Refugee cash and medical assistance grant limitation alignment | | | $ (1.5) | $ (1.5) | | |
| Refugee Assistance Program limited duration positions extension | | | $ 0.6 | $ 0.6 | 1 | 1.00 |
| SNAP Ed grant limitation alignment | | | $ (16.4) | $ (16.4) | | |
| Summer EBT limitation for increased benefit utilizaiton | | | $ 16.4 | $ 16.4 | | |
| My Future My Choice Limitation | | | $ 0.3 | $ 0.3 | | |
| Federal changes to Emergency Food Assistance | | | $ (13.8) | $ (13.8) | | |
| Emergency food assistance due to federal shutdown | | | $ 6.0 | $ 6.0 | | |
| Youth Experiencing Homelessness | | $ 1.0 | | $ 1.0 | | |
| Human Services Specialist and Human Services Case Manager reclassification | $ 3.1 | | $ 4.0 | $ 7.1 | | |
| One-time funding transfer to Central Services to close budget gap | $ (0.8) | | | $ (0.8) | | |
| Technical Adjustments | $ (1.9) | $ 0.0 | $ (1.5) | $ (3.4) | -16 | -16.00 |
| **Total** | **$ (2.4)** | **$ 1.0** | **$ (9.3)** | **$ (10.7)** | **-15** | **-15.00** |

*All dollars are in millions; rounding may occur.*

### Vocational Rehabilitation Program

The Vocational Rehabilitation (VR) program shows a net increase of $12.2 million General Fund ($21.6 million total funds). The main cost drivers for this increase originate from multiple challenges spanning across Order of Selection (OOS) with a challenge of $12.2 million General Fund, it's Inclusive Career Advancement Program (ICAP) grant, which establishes eight limited duration positions (6.00 FTE), as well as a few technical adjustments and factors affecting state supported employee services. This request also assumes the award of a one-time federal grant reallotment of $7.1 million Federal Funds expenditure limitation, which is usually awarded to the program.

Over the past five years, the number of eligible participants has been lower and the need for OOS was also not as essential. However, the number of participants has increased, and the need for OOS has grown for FFY 2025 to 2026. Additionally, the cost for services has increased relating to the Individualized Plan for Employment (IPE) with client services per participant being $2,918 per participant in 2020, and $3,836 per participant in FFY2024. This has left VR with a deficit of approximately $12.2 million General Fund that is required to continue providing services at the same level. To help mitigate costs, VR has looked at cost containment measures. Notably, VR has taken steps to phase out, reduce or cancel certain contracts, including some contracts for individuals with an individualized plan for employment. Regarding services, VR also shifted to more in-house services vs. purchased services. Also, with the implementation of the OOS, there have been significant decreases in overtime requests from staff, which has produced cost savings for the program. Despite these actions VR is still experiencing a budget deficit from declining revenue and rising expenditure as it relates to OOS.

The combined changes and budgetary impact to VR under the rebalance plan are shown in the following table:

**Vocational Rehabilitation**

| Issue | General Fund | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|---|---|---|---|---|---|---|
| Order of Selection | $ 12.2 | | | $ 12.2 | | |
| Rehabilitation Re-allotment Request | | | $ 7.1 | $ 7.1 | | |
| Youth Transition Program - Carry Forward | | $ 2.1 | | $ 2.1 | | |
| ICAP Grant Re-request LD positions | | | | $ - | 8 | 6.00 |
| State Supported Employee Services | | | $ 0.2 | $ 0.2 | | |
| Technical Adjustments | $ (0.0) | $ 0.0 | $ 0.0 | $ 0.0 | | |
| **Total** | **$ 12.2** | **$ 2.1** | **$ 7.3** | **$ 21.6** | **8** | **6.00** |

*All dollars are in millions; rounding may occur.*

**Central Services, Shared Services, State Assessments and Enterprise-wide Costs**
Central Services provides essential business support to ODHS programs, helping programs achieve their mission, vision, and best outcomes for Oregonians. ODHS Shared Services supports both ODHS and OHA by providing business services to ensure accountability, data driven decisions, and stewardship of resources. Shared Services are completely Other Funded. The State Assessments and Enterprise-wide Costs (SAEC) division pays for statewide assessments and other administrative costs for the Department's Shared Services positions.

The rebalance request for the three administrative divisions totals $7.8 million General Fund ($0.5 million total funds). The majority of this increase is due to a funding transfer from other areas of the Department's budget to help close a budget deficit in Central Services. This increased the Central Services General Fund budget by $10.2 million, although it nets to zero on an agency-wide basis. Other technical adjustments reduced the Department's administrative divisions by $2.9 million General Fund, mostly due to moving positions and funding related to Senate Bill 296 (2025) to APD. Central Services had seven position reclassifications that resulted in a net zero change for 2025-27. The reclassifications were approved by the Department of Administrative Services Chief Human Resources Office. Within Shared Services, 15 positions were reclassified to align positions with the work duties.

Shared and SAEC have a request to increase administrative support positions due to the cumulative impact of bills passed in the 2025 Legislative Session. Shared Services supports both ODHS and the Oregon Health Authority, which received a combined 509 additional positions in the 2025-27 Legislatively Adopted Budget. As a result, the Department is requesting an additional Payroll Analyst position to keep payroll processing ratios manageable.

### Central Services, Shared Services, SAEC

| Issue | General Fund | Other Funds | Federal Funds | Total Funds | Positions | FTE |
|---|---|---|---|---|---|---|
| Office of Immigrant and Refugee Advancement grant | | $ 0.1 | | $ 0.1 | | |
| Human Services Specialist and Human Services Case Manager reclassification | $ 0.1 | | | $ 0.1 | | |
| New position requests related to 2025 legislation | $ 0.4 | $ 1.1 | $ 0.3 | $ 1.8 | 5 | 3.75 |
| Office of Financial Services Payroll Analyst position | $ 0.1 | $ 0.2 | $ 0.0 | $ 0.2 | 1 | 0.75 |
| One-time funding transfer to close budget gap | $ 10.2 | $ (0.8) | $ (6.1) | $ 3.2 | | |
| Technical Adjustments | $ (2.9) | $ 0.1 | $ (3.1) | $ (6.0) | -3 | -2.28 |
| Position reclssification | | | | | -1 | -1.00 |
| **Total** | **$ 7.8** | **$ 0.6** | **$ (9.0)** | **$ (0.5)** | **2** | **1.22** |

*All dollars are in millions; rounding may occur.*

### Outstanding Issues

The Department raised several outstanding issues as part of the fall 2025 rebalance that did not have a corresponding budgetary ask at this juncture but may in the future. These include an ongoing budget deficit in Central Services due to a mismatch between budget and actuals for positions funded through a cost allocation formula, permanent non-budgeted positions and costs in the Office of Resilience and Emergency Management. VR continues to face budget challenges due to caseload and rising costs to serve individuals, despite instituting an Order of Selection (waitlist).

Oregon
Tina Kotek, Governor

**Oregon Department of Human Services**
*Office of the Director*
500 Summer St. NE, E-15
Salem, OR 97301
Voice: 503-945-5600
Fax: 503-581-6198

December 12, 2025

The Honorable Senator Kate Lieber, Co-Chair
The Honorable Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

RE: ODHS Fall 2025, 2025-27 Biennium 1st Rebalance Report

Dear Co-Chairpersons:

**Nature of the Request**

The Oregon Department of Human Services (ODHS) requests receipt of this letter as its Fall 2025 Rebalance Report for the 2025-27 biennium.

**Background**

Every biennium, by the time ODHS Legislatively Adopted Budget (LAB) is developed, ODHS submits its projections for 3-6 months in advance. Caseloads, one of the major driver of the ODHS's budget, is forecasted twice a year in Spring and Fall each year. This necessitates a rebalance process for ODHS due to the size of its budget and the impact of the even minimum percentage change in our projections. Based on actual expenditures through August 2025 and updated projections through the end of the 2025-27 biennium, ODHS is projecting a $91.5M General Fund net challenge for the rebalance issues, which constitutes about 1.2% of ODHS LAB General Fund appropriation. The agency is projecting an increase of Other Funds limitation by $40.6 million and an increase of Federal Funds limitation by $208.8 million.

ODHS has identified net $161 million in General Fund budget challenges and management actions and $69.5 million in General Fund savings. The major contributors to the General Fund challenges are Caseload and Cost Per Case increases. The major contributors to the General Fund savings are Federal Medical Assistance Percentage increases and Nursing Facilities Provider Tax increases.

| **Overview of ODHS General Fund Standpoint in Millions** | |
|---|---|
| Program | Rebalance Request |
| Aging and People with Disabilities | $ 18.4 |
| Intellectual and Developmental Disabilities | $ 47.7 |
| Child Welfare | $ 25.2 |
| Self Sufficiency | $ (2.4) |
| Oregon Eligibility Partnership | $ (17.4) |
| Vocational Rehabilitation | $ 12.2 |
| Central Services | $ 8.4 |
| State Assessments and Enterprise-wide Costs | $ (.6) |
| **TOTAL Net General Fund Request** | **$ 91.5** |

## Aging and People with Disabilities (APD)

APD has a net challenge of $18.4 million General Fund, a net increase of $36 million Other Funds and a net increase of $85 million Federal Funds limitation.

Major APD General Fund savings and challenges are as follows:

- *Savings*
    - $35.5M in Provider Tax update increase, and a corresponding $35.5M increase in Other Funds. This action updates APD's Provider Tax revenue estimate for Fall 2025. The estimate of $221.7M was determined using legislatively adopted Nursing Facility rates and the Fall 2025 forecasted caseload. Annual provider financial statement data is used to project this estimate. The following are the drivers resulting in the increase: caseload growth, increased number of billed bed days, rate increases, and increased utilization of more costly services such as complex, bariatric and ventilator. Previously, Provider Tax revenue for 25-27 was estimated at $186.2M. This increase of Provider Tax revenue will be used to offset General Fund expenditures within APD's Nursing Facilities.

- $15.5M in FMAP increase. Federal Medical Assistance Percentage (FMAP) is the percentage rate used to determine the matching funds rate allocated to each state annually to certain medical and social service programs. Oregon's Fall 2025, 2025-2027 FMAP increased by 0.27% when compared to the Spring 2025 biennial average, 57.80% to 58.07%.

- *Challenges*
  - $29.8M in Fall 2025 Forecast Caseload and Cost per Case increase for OPI-M, HOP, and Other APD caseloads. Of which, Cost Per Case only is $15.4M savings, while the caseload increase is $45.2M. OPI-M is the major driver in caseload challenge and a major driver in cost per case savings (25-27 LAB funded and average monthly average cost per case at $1,500; however, current data only supports an average of $1,100). For 2025-27 Fall 2025 forecast represents the caseload change for APD is an overall 0.70% increase from the Spring 2025 forecast. The primary drivers in caseload increase are Nursing Facilities and In-Home Care:
    - Nursing Facilities: 2.3% increase. Driver of increase is observed in Complex services, 16.7% increase, and slight increase in Enhanced services, in an adjusted forecast cost of $43.1M GF. Countering this need is a decrease in cases per month for both Basic and Bariatric services, a combined savings of $23.1M GF. The savings only offsets the need driven by Complex costs by 50%, netting a $20M GF problem. APD is addressing the increases in Complex cases by partnering with the Office of Payment Accuracy and Recovery (OPAR) to conduct an audit on at least one Nursing Facility billing complex medical add on at a higher rate than other facilities.
    - Community Based Care: 3% decrease. Decreases in forecasted caseload is observed in every service under the Community Based Care umbrella. Contracted Residential and PACE services are the significant drivers of savings generated because of the higher average cost per case coupled with a significant downward forecast adjustment. Overall Community Based Care adjusted forecasted caseload resulted in a $22.1M GF savings.
    - In-Home Services: 2.5% increase. Significant increase observed within In-Home Agencies with an increase of 13%, which is the driver of the adjusted forecast cost, $23.1M GF. All other In-Home Supports services' forecasts were slightly adjusted down which resulted in a combined caseload savings of $3.6M GF, to

only slightly offset the cost of In-Home Agencies adjusted forecast, netting a $19.5M GF problem.

    - The Healthier Oregon Program (HOP) caseload change, overall 22.9% increase. The cost impact is $8.2M GF (mainly in Nursing Facilities and In-Home Care).

  - $36.4M AAA funding technical move from OEP to APD. Reestablishing APD as the central funder and contract administrator for the Area Agencies on Aging restores clarity, simplifies financial management, and reduces operational risk. It strengthens statewide program integrity and oversight while maintaining OEP's influence over eligibility policy and performance expectations. This realignment supports efficient stewardship of public funds and reinforces the shared mission of providing consistent, high-quality services for Oregon's aging population.
  - $2.4M for HSS position classifications study. The Department of Administrative Services (DAS) Chief Human Resources Office (CHRO) Classification and Compensation Unit completed the salary selective portion of the Human Services Specialists (HSS1, HSS2, HSS3 and HSS4) and Human Services Case Manager Class Study and Allocation. The change in Salary Ranges was presented during the September 2025 Legislative Days by DAS as a report on compensation plan changes, along with their estimates of the DAS Salary Package. However, this allocation resulted in an increase in Personal Service dollars for these classifications which was not captured in the budget preparation compensation plan or Salary Pot /bargaining calculations. All changes are effective retroactive to July 1, 2025. The Salary Selective was calculated for 3,251 staff across Oregon Department of Human Services (ODHS) and included salaries and OPE. The pricing includes the additional amount related to the salary range increases, as well as the additional cost of the two COLAs and new top step after the salary selectives are applied, above and beyond what was already calculated in the Salpot. This request is specific to the division in which the impact will occur, but there will be impacts in multiple divisions, adding up to approximately $17.3 million General Funds.

**<u>Intellectual and Developmental Disabilities (IDD)</u>**

IDD has a net challenge of $47.7M General Fund, a net increase of $140.5M Federal Funds limitation.

Major IDD General Fund savings and challenges are as follows:

- *Savings*
    - $17.1M in FMAP increase. Federal Medical Assistance Percentage (FMAP) is the percentage rate used to determine the matching funds rate allocated to each state annually to certain medical and social service programs. Oregon's Fall 2025, 2025-2027 FMAP increased by 0.27% when compared to the Spring 2025 biennial average, 57.80% to 58.07%.

- *Challenges*
    - $64.9M in Caseload and Cost Per Case increases. These include $46.9M in IDD caseload growth from Spring 2025 to Fall 2025 Forecast. Adult 24-hour residential services show a 2.5% caseload increase. Some of this increase is due to individuals transferring in from other services. Forecasting data has shown a trend of individuals moving from Adult Foster Care to Adult 24 Hour Residential. This explains some of the change in Adult Foster Care service showing a 5.3% caseload decrease. Children's 24-hour residential shows a 12.9% caseload increase while Children's Foster care shows a 6.4% caseload decrease. Adult In Home - PSW's show a 4.5% caseload decrease while Adult In Home Agency providers show a 5.2% caseload increase. We see a similar trend In Children's In-Home Services, with PSW's showing a 7.7% caseload decrease and Agencies showing a 10.2% caseload increase.

**Child Welfare (CW)**

CW has a net challenge of $25.2M General Fund, a net increase of $12.4M Federal Funds limitation.

Major CW General Fund savings and challenges are as follows:

- *Savings*
    - $5M one-time only transfer to Central Services. One-time reduction to Services and Supplies and savings from implementing an additional

30 days of hiring pause. Funding to be used to offset needs in Central Services.

- *Challenges*
    - $20.1M in Caseload and Cost Per Case increases. For the first time in several years, all the main foster care caseloads are increasing. The largest increase in caseload and costs occurred in the Residential Treatment budget, with a 24.73% increase in the caseload ($17M GF). The second largest dollar increase is in Regular Foster Care. The growth in caseload in the Regular Foster Care area has been expected due to the sustained declines in this area over the past 6 or more years. Future foster care caseloads are expected to remain steady or grow until more prevention and preservation work is embedded. Further, the federal HR1 bill which reduces key economic supports for families experiencing poverty went into effect in July 2025. The economic impacts will likely increase stressors for families, which can impact the foster care caseload. Areas with a decrease in caseload are Adoption Assistance and Guardianship Assistance. As the foster care caseload has gone down, the number of new adoption and guardianship cases has gone down as a natural consequence. As a larger number of older youth age-off of these caseloads, the impact is an overall reduction.
    - $9.7M correction. In the 2023-25 biennium the Office of Financial Services processed provider remittances from prior biennia of $7.1 million. This reduced the total amount spent in the Residential Treatment Services budget. The reduction of the total amount spent led to understating the cost per case in the Residential Treatment Services area. This correction is a one-time action due to the one-time nature of the remittances being from prior biennia. This budget action corrects the Spring 2025 Reshoot cost-per-case and related caseload budget actions

**<u>Self-Sufficiency Programs (SSP)</u>**

SSP has a net savings of $2.4M General Fund, a net decrease of $9.3M Federal Funds limitation.

Major SSP General Fund savings and challenges are:

- *Savings*
    - $2.8M in Caseload and Cost Per Case decreases. TANF caseload has decreased. With the major cost impact of TANF UN (two parents with children) decrease of 8.2%.
    - $2.2M in position transfers to OEP. This Technical Adjustment (TA) records the final realignment of positions (16) and finalizes the movement of positions and funding between divisions and ensures proper alignment within the cost structure.
- *Challenges*
    - $3.1M for HSS position classifications study. The Department of Administrative Services (DAS) Chief Human Resources Office (CHRO) Classification and Compensation Unit completed the salary selective portion of the Human Services Specialists (HSS1, HSS2, HSS3 and HSS4) and Human Services Case Manager Class Study and Allocation.

**<u>Oregon Eligibility Partnership (OEP)</u>**

OEP has a net savings of $17.4M General Fund, a net decrease of $18.2M Federal Funds limitation.

Major OEP General Fund savings and challenges are:

- *Savings*
    - $36.4M AAA funding technical move from OEP to APD. Reestablishing APD as the central funder and contract administrator for the Area Agencies on Aging restores clarity, simplifies financial management, and reduces operational risk. It strengthens statewide program integrity and oversight while maintaining OEP's influence over eligibility policy and performance expectations. This realignment supports efficient stewardship of public funds and reinforces the shared mission of providing consistent, high-quality services for Oregon's aging population.
    - $2.4M in one-time only transfer to Central Services. One-time reduction to Services and Supplies and savings from implementing an additional 30 days of hiring pause. Funding to be used to offset needs in Central Services.

- *Challenges*
  - $11M for HSS position classifications study. The Department of Administrative Services (DAS) Chief Human Resources Office (CHRO) Classification and Compensation Unit completed the salary selective portion of the Human Services Specialists (HSS1, HSS2, HSS3 and HSS4) and Human Services Case Manager Class Study and Allocation.
  - $7.8M SNAP Penalty. There is a penalty (contingency) payment due because of Oregon not improving its error rate enough in FFY2024, which is $7,843,436 for FFY2023. This will become a formal penalty payment as soon as we receive the payment request letter, which is being delayed due to the government shutdown. The FFY 2023 penalty is due 60 days after the letter is received.

**<u>Vocational Rehabilitation (VR)</u>**

VR has a net challenge of $12.2M General Fund and a net increase of $7.3M in Federal Fund limitation.

Major VR General Fund challenges are:

- *Challenges*
  - $12.2M for Vocational Rehabilitation Services due to the circumstances impacting costs to serve its clients in plan and sustaining the VR program services thereby allowing foothold to rise out of the Order of Selection.

**<u>Central Services (CS)</u>**

CS has a net challenge of $8.4M General Fund, a net decrease of $8M Federal Funds limitation.

Major CS General Fund savings and challenges are as follows:

- *Savings*
  - $2.1M transfer to APD. In the 25-27 LAB process, 6 LD positions, and the funds associated with those positions, were erroneously placed in Central Services/Director's Office. The bill and budget report for SB296

(Hospital Discharge) erroneously listed Central Services as the recipient of the funds and positions, but they were meant for APD. These positions were keyed into APD as part of the LAB process, however, to pass audit, reconciliation accounts had to be used to offset the budget, position and FTE counts. This action reverses the reconciliation amounts in order for the division to receive appropriate budget and formal position/FTE legislative authority.

- *Challenges*
    - $10.2M in Central Services is projected to have a GF deficit. The main issues causing the GF shortfall have to do with a structural funding mismatch and remaining non-budgeted positions costs. ODHS has been reducing the number of non-budgeted positions throughout the biennium, Central Services has been the most challenging area with still 30 long term non-budgeted positions left. We are working on two proposed actions to place some of those into vacant positions and the rest would be requested as part of HR1 workload increase. The largest portion of the deficit is caused by a structural funding mismatch. After cost allocation is run the actual fund split for Central Services is about 62% GF 3% OF and 35% FF. Of the 389 budgeted positions in central 188 (48%) have a budgeted fund split with less than 60% GF (some reaching only 50%). This results in a higher GF need than Central is budgeted for. We are working on both of these issues and have a plan to resolve these by the next biennium. Meanwhile, to cover the deficit for this biennium, we are moving one-time only funds from other appropriations to carry Central Services through this biennium.

**<u>State Assessments and Enterprise-wide Costs (SAEC)</u>**

SAEC has a net savings of $0.6M General Fund, a net decrease of $1M Federal Funds limitation.

Major SAEC General Fund savings and challenges are as follows:

- *Savings*
    - $1.7M in Postage and Handling cost transfer. In 2020 DAS changed billing practices for Postage and handling creating a decision to centralize billing. An estimated amount was transferred to SAEC based on past

expenditures and projections. As DAS is no longer requiring prepaid Postage and Handling, DAS is now billing programs directly instead of centralizing. This is to transfer the current budget amount back out to divisions. The amount to be transferred is based on a percentage of FTE. This action has an ODHS net zero impact.

- *Challenges*
  - $1M in positions and other transfers. This request is to catch up for the cumulative effect of bills passing without resources, a payroll analyst position request and other transfers in the department.

<u>Potential Risk Factors and Outstanding Issues</u>

ODHS continuously monitors and informs the Governor's Office and LFO about ongoing potential risks and outstanding issues that are outside of our control. Examples include the following:

- Caseload and CPC fluctuations are an ongoing factor that is influenced by the economy, employment, and global or local events. Spring and Fall forecasting help ODHS to be prepared for such fluctuations to the best extent possible.
- Migration of population between states that impacts availability of workforce levels needed to maintain services for the population ODHS supports.
- Natural disasters or public health emergencies.
- Global economic and political environment that impacts the levels of immigration to the state of Oregon.
- Federal policies that directly impact the population that ODHS serves, including immigration policies.
- Federal regulations and penalties due to maintenance of effort, requirements of minimum participation rates, new HR1 related SNAP and Medicaid policies, and other funding issues (VR Order of Selection).
- Legislative actions that impact cost drivers.
- The hybrid work structure that is not yet accounted for in workload models or workforce classification structure creates challenges for ODHS to keep up with the demand and pace of the evolving operations needs.
- Retiring legacy IT systems and transitioning to the new systems.

**Agency Request**

Acknowledge receipt of the ODHS Fall 2025 Rebalance Report.

**Legislation Affected**

See Attachment A.

Sincerely,

Liesl Wendt, ODHS Director

Rob Kodiriy, ODHS CFO

ENC: Summary Table; Attachment A – Legislation Affected; Attachment B – Caseload Forecast Changes.

EC: Amanda Beitel, Legislative Fiscal Office
Gregory Jolivette, Legislative Fiscal Office
Kate Nass, Department of Administrative Services
Mike Streepey, Department of Administrative Services
Paul Johnson, Department of Administrative Service

**Summary of ODHS Challenges and Savings by Fund Type (in Millions)***

| | Rebalance - Rounded Millions | | | |
|---|---|---|---|---|
| | General Fund | Other Fund | Federal Fund | Total Funds |
| Caseload | 109.41 | (0.05) | 144.76 | 254.12 |
| Committee/Council pos auth | - | - | - | - |
| CPC | 12.60 | - | 14.77 | 27.36 |
| FMAP | (33.86) | 0.00 | 33.85 | - |
| HSS class study | 17.42 | 0.04 | 15.16 | 32.62 |
| NF Provider Tax | (35.51) | 35.51 | - | - |
| OF & FF limitation changes | - | 3.61 | (1.74) | 1.86 |
| OI | - | - | - | - |
| Other "fund split" corrections | (0.06) | - | 0.06 | - |
| Position/FTE adj | - | - | - | - |
| Reclass Savings | - | - | - | - |
| Revenue only | - | - | - | - |
| Shared Svc position requests | - | 1.20 | - | 1.20 |
| SSP LD positions | - | - | 0.61 | 0.61 |
| TA | (0.07) | 0.26 | (0.07) | 0.11 |
| VR LD positions | - | - | - | - |
| VR OOS Caseload | 12.25 | - | - | 12.25 |
| Workload Model | 1.00 | - | 1.07 | 2.07 |
| SNAP FFY23 Penalty | 7.84 | - | - | 7.84 |
| SAEC Shared Svc position funding | 0.49 | 0.06 | 0.31 | 0.86 |
| Grand Total | **91.51** | **40.64** | **208.76** | **340.91** |

* Due to rounding, numbers may not be exact

**Oregon Department of Human Services**
**2025-27 First Rebalance (January 2026 Joint Interim W&M/February 2026 Legislative Session)**
**Appropriation and Limitation Adjustments**
**Attachment A**

| Division | Oregon Laws 2025/ Section/ Subsection | Fund | Rebalance Adjustment |
|---|---|---|---|
| Central Services | ch 549 1(1) | General | 8,457,721 |
| | ch 549 2(1) | Other | (723,224) |
| | ch 549 3(1) | Federal | (7,955,872) |
| | | TOTAL | (221,375) |
| SAEC | ch 549 1(2) | General | (632,278) |
| | ch 549 2(2) | Other | (101,119) |
| | ch 549 2(2) | Federal | (997,420) |
| | | TOTAL | (1,730,817) |
| Shared Services | | | |
| | ch 549 2(8) | Other | 1,461,980 |
| | | TOTAL | 1,461,980 |
| SSP | ch 549 1(3) | General | (2,421,862) |
| | ch 549 2(3) | Other | 965,025 |
| | ch 549 3(3) | Federal | (9,266,956) |
| | ch 549 4 | Federal Non-Ltd | - |
| | | TOTAL | (10,723,793) |
| VR | | | |
| | ch 549 1(4) | General | 12,201,183 |
| | ch 549 2(4) | Other | 2,073,047 |
| | ch 549 3(4) | Federal | 7,343,326 |
| | | TOTAL | 21,617,556 |
| APD | | | |
| | ch 549 1(6) | General | 18,380,936 |
| | ch 549 2(6) | Other | 35,579,425 |
| | ch 549 2(10) | OF - ARPA COVID | 437,875 |
| | ch 549 3(6) | Federal | 85,002,304 |
| | | TOTAL | 139,400,540 |

**Oregon Department of Human Services**
**2025-27 First Rebalance (January 2026 Joint Interim W&M/February 2026 Legislative Session)**
**Appropriation and Limitation Adjustments**
**Attachment A**

| | | | |
|---|---|---|---|
| IDD | | | |
| | ch 549 1(7) | General | 47,705,230 |
| | ch 549 2(7) | Other | 17,321 |
| | ch 549 3(7) | Federal | 140,465,451 |
| | | TOTAL | 188,188,002 |
| | | | |
| CW | | | |
| | ch 549 1(5) | General | 25,209,561 |
| | ch 549 2(5) | Other | 53,390 |
| | ch 549 3(5) | Federal | 12,373,632 |
| | | TOTAL | 37,636,583 |
| | | | |
| OEP | | | |
| | ch 549 1(8) | General | (17,389,276) |
| | ch 549 2(9) | Other | 873,598 |
| | ch 549 3(8) | Federal | (18,204,566) |
| | | TOTAL | (34,720,244) |

**Attachment B**

**Total Oregon Department of Human Services Biennial Average Forecast Comparison**

| | 2025-27 Biennium | | | *% Change Between Forecasts* | Fall 2025 Forecast | | | *% Change Between Biennia* |
|---|---|---|---|---|---|---|---|---|
| | **Spring 25 Forecast** | **Fall 25 Forecast** | **Change** | | **2025-27** | **2027-29** | **Change** | |
| - | | | | | | | | |
| **Self Sufficiency** | | | | | | | | |
| Supplemental Nutrition Assistance Program (Households) | 442,953 | 429,087 | -13,866 | -3.1% | 429,087 | 416,503 | -12,583 | -2.9% |
| Temporary Assistance for Needy Families (Families: Cash/Grants) | 21,026 | 20,862 | -164 | -0.8% | 20,862 | 20,774 | -88 | -0.4% |
| | | | | | | | | |
| **Child Welfare (children served)** | | | | | | | | |
| Adoption Assistance | 8,331 | 8,036 | -295 | -3.5% | 8,036 | 7,910 | -126 | -1.6% |
| Guardianship Assistance | 2,634 | 2,613 | -21 | -0.8% | 2,613 | 2,645 | 32 | 1.2% |
| Out of Home Care[1] | 4,130 | 4,384 | 254 | 6.2% | 4,384 | 4,517 | 133 | 3.0% |
| Child In-Home | 1,176 | 1,242 | 66 | 5.6% | 1,242 | 1,262 | 20 | 1.6% |
| | | | | | | | | |
| **Aging & People with Disabilities[2]** | | | | | | | | |
| Long-Term Care: In Home | 22,179 | 22,789 | 610 | 2.7% | 22,789 | 24,985 | 2,197 | 9.6% |
| Long-Term Care: Community Based | 13,590 | 13,202 | -388 | -2.9% | 13,202 | 13,455 | 253 | 1.9% |
| Long-Term Care: Nursing Facilities | 4,240 | 4,351 | 111 | 2.6% | 4,351 | 4,419 | 69 | 1.6% |
| | | | | | | | | |
| **Intellectual and Developmental Disabilities[2]** | | | | | | | | |
| Total Case Management Enrollment[3] | 40,679 | 41,098 | 419 | 1.0% | 41,098 | 44,818 | 3,720 | 9.1% |
| Total I/DD Services | 28,050 | 28,779 | 729 | 2.6% | 28,779 | 30,684 | 1,905 | 6.6% |
| | | | | | | | | |
| **Vocational Rehabilitation** | 9,854 | 7,788 | -2,066 | -21.0% | 7,788 | 7,372 | -416 | -5.3% |

1. Includes treatment services placements and foster care.
2. APD Long-Term Care and Total IDD Services caseloads include Healthier Oregon clients.

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