



Oregon Department of Human Services

# Department of Human Services

## Financial Update

*Emergency Board*

*Human Services Subcommittee*

*September 2008*

- **Summary of DHS 2007-09 Financial Position**
- **Details of DHS 2007-09 Financial Position**
- **Management Plan**

# **SUMMARY OF DHS FINANCIAL POSITION**

September 25, 2008

# HISTORY

---

- **January 2008 rebalance** **\$23 million GF surplus**  
This surplus was used to establish two DHS Special Purpose Appropriations and for investments to improve services. Investment included:
  - Community Based Care provider rate increase
  - Funding for child welfare caseworkers
  - Oregon State Hospital program improvements.
  
- **Spring 2008** **Management actions**  
The department began to develop and implement prudent management plans in light of growing caseload trends and emerging economic conditions.
  
- **June 2008 E-Board report** **\$7.3 million GF need**
  
- **September 2008 E-Board report** **\$71.6 million GF need**  
This includes the use of the \$15.1 million DHS Special Purpose Appropriation to help address the budget challenges identified in this financial update.

# Summary of Changes Since June 2008

## SEPTEMBER 2008 - E-BOARD FINANCIAL UPDATE : Issue Summary

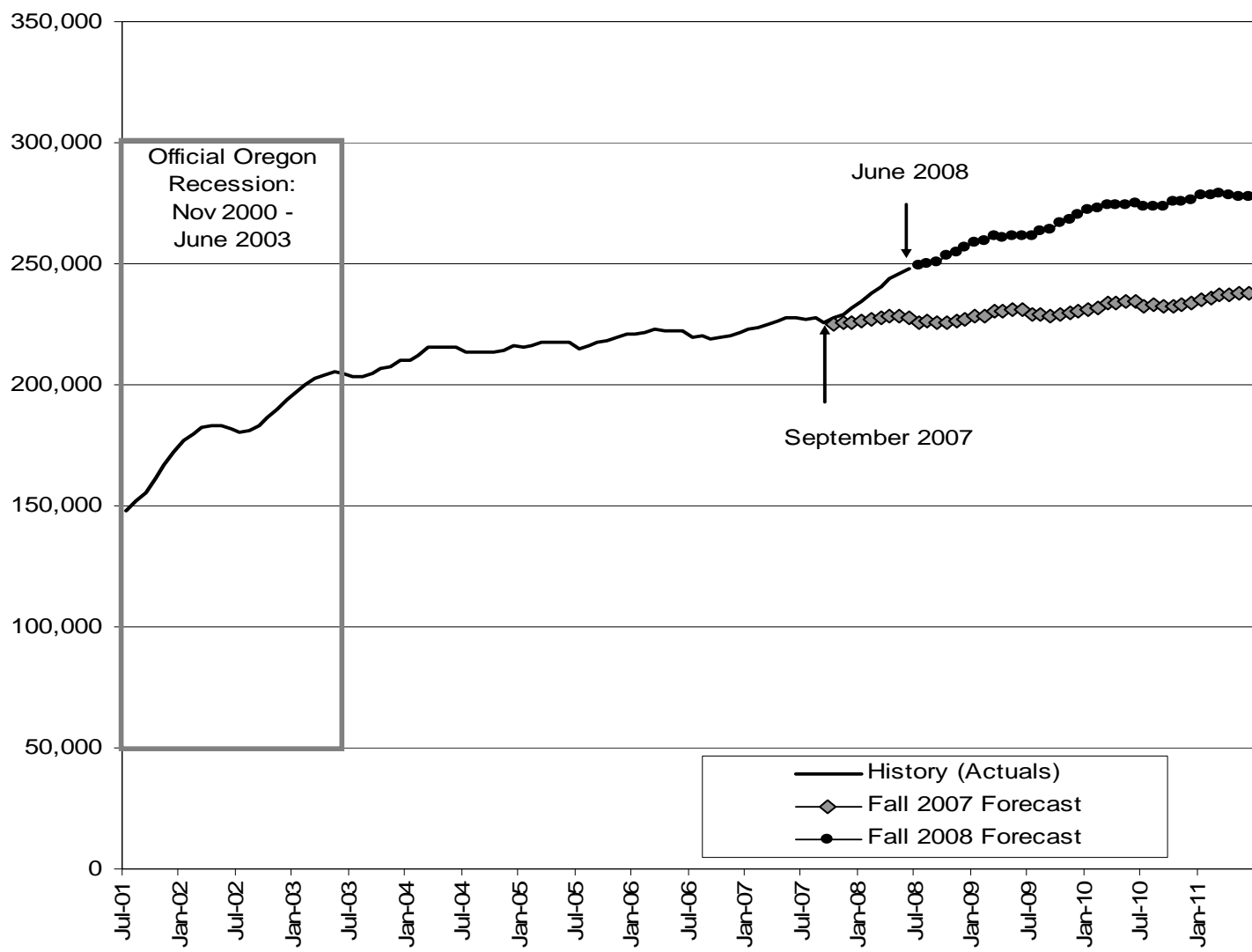
|   | September 2008<br>General Fund<br><u>Need (Savings)</u><br><u>(Millions)</u> | June 2008<br>General Fund<br><u>Need (Savings)</u><br><u>(Millions)</u> |
|---|--|---|
| Program caseloads and costs changes - Fall 2008 Forecast effect           | 41.8   | 0.1   |
| Decline in DMAP/TURA Tobacco Tax Funding                                  | 21.0   | 7.0   |
| Unfunded Portion of 2007-09 Salary Package                                | 10.1   | Unknown   |
| Remaining need for OSH - CIP Funding (from SPA)                           | 2.4  | 1.7   |
| Other Revenue shortfalls  | 5.3  | 2.7   |
| Added cost related to MMIS system efficiency (timely payments)            | 3.0  | Unknown   |
| Effect of Federal rule / interpretation changes on Federal Revenues       | 57.1   | 55.3  |
| Management Actions to address budget issues                               | (43.6)   | (32.3)  |
| Requested Legislative Action to move GF between appropriations            | (8.0)  | (11.9)  |
| Requested Legislative Action to use the DHS Special Purpose Appropriation | (15.1)   | (17.5)  |
| Requested Legislative Action to use the OSH Special Purpose Appropriation | (2.4)  | (1.7)   |
| OSH - 2007-09 Costs projections in excess of budget                       | -  | 3.9   |
| <br>Net General Fund Position   | <br>71.6   | <br>7.3   |

## Caseload

---

- **Fall 2008 Forecast as compared to Fall 2007 Forecast**
  - **Oregon Health Plan up 4% (approximately 15,400 People)**
  - **TANF up 15% (approximately 2,500 Families/ 6,250 People)**
  - **Food Stamps up 8% (approximately 18,300 Households or 40,000 individuals)**

### Total Food Stamps (Households)



September 25, 2008

## Caseload

---

| <b><u>PROGRAM:</u></b>                         | <b><u>GF Need/(Savings) in Millions</u></b> |
|--|---|
| <b>Medical Assistance Programs</b>             | <b>\$32.27</b>                              |
| <b>Self Sufficiency - TANF Programs</b>        | <b>\$17.70</b>                              |
| <b>Child Welfare Programs</b>                  | <b>(\$1.11)</b>                             |
| <b>Vocational Rehabilitation Programs</b>      | <b>\$0.08</b>                               |
| <b>SPD Programs – Long Term Care</b>           | <b>(\$7.97)</b>                             |
| <b>SPD Programs – Developmentally disabled</b> | <b><u>\$0.85</u></b>                        |
| <b>Net change – DHS Programs</b>               | <b>\$41.82</b>                              |

## Tobacco Tax

---

Tobacco Tax revenue projected to decline by \$21 million.

The Office of Economic Analysis prepared this forecast and have identified two major reasons for the projected decline:

- A greater declining trend in cigarette consumption than in prior forecasts.
- Effects of general economic conditions.

# **FINANCIAL POSITION DETAILS**

**Refer to pages 1-13, Report 10 in E-Board Binder**

# MANAGEMENT PLAN

## Management Plan

---

- **Implement \$57.5 million GF reductions by a combination of financial management actions and estimated program savings that will not directly affect DHS clients or program services.**
- **Closely monitor and update caseload costs each month to develop more accurate estimates for the remainder of the biennium.**
- **Report back to E-Board at December meeting with a rebalance plan that includes updated information regarding Federal policy changes, State revenues, and Caseload trends.**

## Management Plan

---

**General Fund Need** **\$71.6 million GF**

**Management action options identified that will not directly affect DHS clients or program services:**

- **Personal services (Payroll) reductions** - \$ 7.6 mil
- **Service and supply reductions** - \$ 5.7 mil
- **Redirecting other fund and federal block grant fund balances** - \$31.2 mil
- **Estimated program savings** - \$13.0 mil
- **Total Management Actions** - \$57.5 mil

**Remaining GF Need** **\$14.1 mil**

# DHS Management Action Plan to Rebalance the 2007-09 Budget

## 1. **Personal services (payroll) reductions** **\$7.6 mil**

### Management actions include:

- a. DHS hiring freeze (excluding direct service positions): - \$3.8 million
- b. Reductions in overtime and temp costs: - \$3.3 million
- c. Other Personal Service efficiencies: - \$0.5 million

### Effects of actions:

(With continued caseload growth, there may be) -

- a. Reduced capacity to provide support services.
- b. Less timely processing and response.
- c. Delays of provider and client hearings.
- d. Reduced capacity of management to manage.

# DHS Management Action Plan to Rebalance the 2007-09 Budget

## 2. Service and supply reductions

**\$5.7 mil**

### Management actions include:

- |   |                 |
|---|-----------------|
| a. Reduced use of contracted services           | - \$2.7 million |
| b. Reductions of supplies, travel, and training | - \$1.1 million |
| c. Reduce usage of Attorney General services    | - \$0.8 million |
| d. Delay of selected facility repairs           | - \$0.7 million |
| e. Reduced usage of State Data Center services  | - \$0.4 million |

### Effects of actions:

- Delays in system support response.
- Delays in system projects that include contracted services.
- Delays in improving staff skills and abilities.

# DHS Management Action Plan to Rebalance the 2007-09 Budget

## 3. Redirecting other fund and federal block grant fund balances: \$31.2 mil

### Management actions include:

- a. Use of available Other Funds (OF) fund balances -\$23.8 mil.
- b. Use of available Federal Fund (FF) block grant balances -\$ 7.4 mil.

### Effects of actions:

- a. Sets DHS back in improving working capital and cash flow.
- b. Will require DHS to borrow more funding at the end of the biennium to address cash flow, with an estimated \$500,000 of added interest expense.
- c. Sets DHS back in regard to accrual policies with GAAP.
- d. Removes cushion for OF or FF revenue declines.

## 4. Estimated program savings

**\$13 mil**

## Management Plan Summary

---

- **General Fund problem assuming** **\$71.6 million**
  - Continue June management actions
  - Return remaining SPA
  - Fund shift
  
- **New management actions** **-\$57.5 million**
  
- **Remaining problem** **\$14.1 million**
  
- **Upside risks**
  - Federal stimulus package
  - Recession in caseload forecast
  
- **Downside risks**
  - Caseloads – no evidence economy turning
  - Federal Policy

## Management Plan Summary

---

- **Remaining options:**
  - Pay service providers/clients less
  - Reduce number of people served
  - Reduce services/benefits offered to people
  - Additional Revenue
  
- **Choices are difficult**
  
- **We propose to come back in December with specific recommendations**
  - Limited options
  - May require statutory change
  - Many require federal approval
  - Likely to be long term
  
- **Additional loan amount needed for cash flow**