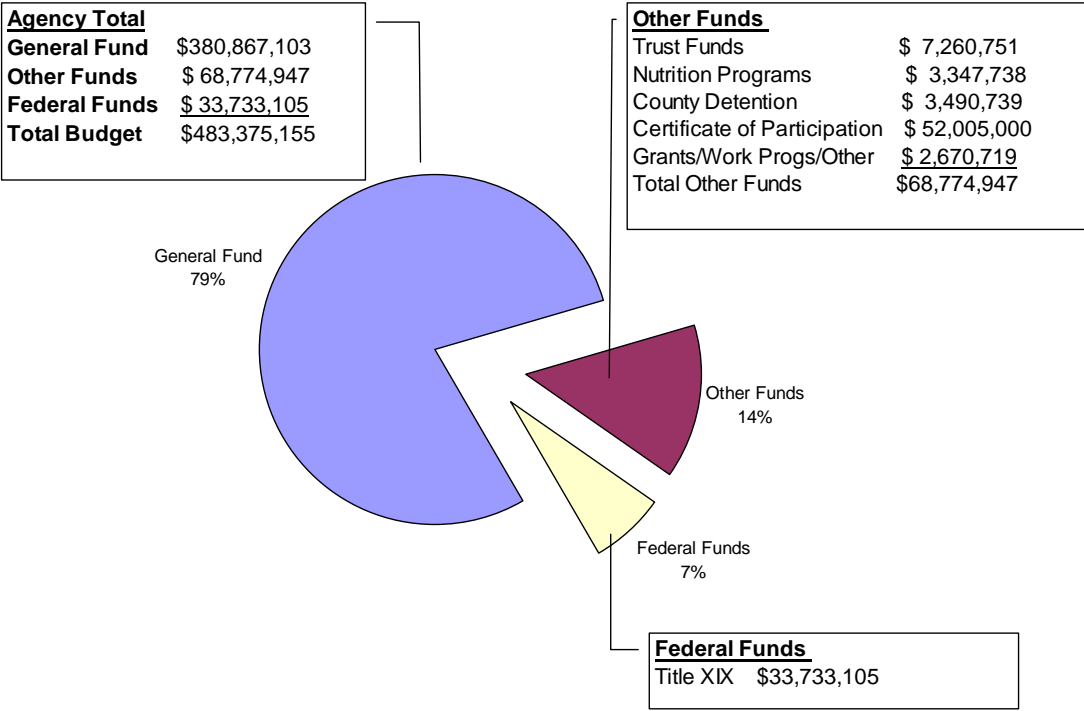


# Budget Narrative

**Revenue Discussion**

Three Fund Sources

Funds to operate OYA come from three sources: General Fund, Federal Funds, and Other Funds. OYA first uses other funds and federal funds to pay expenses. General Fund is the last revenue source spent. The following display shows revenue available, including beginning balances. Other Fund revenue is slightly higher than the expenditure level, resulting in an ending balance.



# Budget Narrative

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## How 2009-11 Revenues are Estimated

### Federal Funds – Title XIX Medicaid

Reimbursement for **Behavioral Rehabilitation Services** (BRS) is the only source of Federal revenue for the Oregon Youth Authority in the 2009-11 biennium. BRS revenues are based on the percentage of costs that are service-related, times the percent of youth who are Title XIX eligible. The Title XIX federal funds participation rate for eligible services is currently 60.86% for FY 2007-2008 and 62.45% for FY 2008-2009 and estimated at 63.10% for FY 2009-2010. The blended rate for the 2009-11 biennium is 63.02% federal funding.

OYA will no longer claim federal reimbursement for **Targeted Case Management** or **Medicaid Administration**. Targeted Case Management (TCM) claiming of reimbursement for Medicaid case management services provided by juvenile justice staff has been eliminated. Targeted Case Management (TCM) rules have been rewritten redefining who can claim Medicaid reimbursement for those services. The rule to eliminate juvenile justice funding became final on March 4, 2008. Federal legislation has been passed to delay the effects of this bill until April 2009. No **Program Support** federal revenue is anticipated in the 2009-11 Agency Request budget.

### Other Funds

**Trust Accounts** - OYA offsets expenditures on behalf of youth in its care by establishing trust accounts and recovering child support, Social Security and other benefits available for care of the youth. Trust receipt estimates are based on 2007-09 experience. OYA tracks expenditures by program and calculates the percentage of expenditures recovered from trust accounts. The 2009-11 estimates for Community Services are based on these historical percentages as applied to each program's budgeted expenditures. The 2007-09 estimates for Facility Services are based on the forecasted OYA youth population multiplied by the historical average recovery.

**Other Sources - USDA / ODE School Nutrition Program** is projected at \$3,347,738 based on eligible percentage of forecasted OYA youth population and the estimated reimbursement rates. **Alcohol and Drug Prevention** funds of \$113,178 come from the DHS Office of Mental Health and Addiction Services. These funds cover a portion of the cost of the Alcohol and Drug programs at Hillcrest Youth Correctional Facility (YCF). **County Detention** reimbursement at the YCF is budgeted at \$3,490,739 for 2009-2011. **Training Academy** and other miscellaneous expenditure reimbursements are estimated to continue at the 2007-09 level. Also, the Agency Request Budget includes other funds limitation for potential **grants** and youth work programs for 2009-2011.

OYA has requested Certificates of Participation totaling \$52.0 million (includes issuance costs) in the 2009-11 Biennium Agency Request Budget.

# Budget Narrative

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## **How Cost is Allocated to Fund Sources**

Community Services expenditures are paid to providers for services authorized for a specific youth by a parole and probation officer. Providers include foster parents, residential treatment centers, etc. When funding these expenditures, the youth's Title XIX eligibility and personal financial resources (trust account) are considered. If there are trust funds available, application is made against the trust account and the funds are taken as an offset to the youth's cost of care (other funds revenue). Then Title XIX eligibility is examined and federal funds claimed if the service provided is Medicaid reimbursable. The remaining or non-reimbursable expenses are paid from the General Fund.

Facility Services are funded with General Fund and are not eligible for federal reimbursement. When funding these expenditures, the youth's personal financial resources (trust account) are also considered. If there are trust funds available, application is made against the trust account and the funds are taken as an offset to the youth's cost of care (other funds revenue). Meals served during the school day are eligible for reimbursement through the United States Department of Agriculture School Nutrition program for youth under 21 years of age. The remaining expenses are paid from the General Fund.

Program Support expenditures in past biennia qualified for federal funding from Title XIX Medicaid Targeted Case Management (TCM) or Title XIX Administration. Medicaid and TCM rules have been rewritten redefining who can claim Medicaid reimbursement for those services. No Program Support federal revenue is anticipated in the 2009-11 Agency Request Budget

# Budget Narrative

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## Risks to Federal Funds

Targeted Case Management (TCM) rules have been rewritten redefining who can claim Medicaid reimbursement for those services. The rule became final on March 4, 2008. Federal legislation has been passed to delay the effects of this bill until April 2009. The rule effectively eliminated Federal reimbursement for case management expenditures for juvenile justice.

Behavior Rehabilitation Services (BRS): The President's FY 2009 budget proposes to clarify and restrict services that can be claimed as Behavior Rehabilitation Services (BRS). This change could preclude Oregon from leveraging federal funds to support its BRS Program for juvenile justice and child welfare clients (\$33,733,105 Federal Funds for the Oregon Youth Authority in the 2009-11 Agency Request Budget).

BRS provides approximately 40% of the funding for residential care and multidimensional treatment foster care providers. These programs represent the largest portion of the community services available to youth on parole or probation.

- Proposed law changes to the BRS program were removed from the Deficit Reduction Act.
- In addition, the Centers for Medicare and Medicaid Services (CMS) has advised they will be revising BRS rules regarding rehabilitation services. Based on information from other states who have tried to amend their Medicaid State Plans, following is a summary of the issues that could be raised in the CMS rules.
  - Oregon's current state plan provides for a daily service unit (daily rate). CMS has indicated that per diem payment may not be acceptable. A change in this area could add administrative costs for both providers and OYA.
  - CMS has asked states to demonstrate how the services are medically necessary and the type of treatment being rendered.
  - CMS has indicated skill training as a non-covered service. A major component of BRS services involves skill training.
  - CMS is questioning how states can meet the freedom of choice requirements in the Medicaid law when services are limited to only certain programs.

Similarly, these potential BRS reductions could affect federal funding that supports treatment services provided by county juvenile departments. Ten Oregon counties claim BRS funding through intergovernmental agreements with the Department of Human Services. Loss of this federal revenue likely would lead to requests for the state to replace the funding and/or increase demand on treatment and close custody services provided by OYA.

## ORBITS Budget Narrative

### DETAIL OF LOTTERY FUNDS, OTHER FUNDS AND FEDERAL FUNDS REVENUE

SOURCE	FUND	2005-07 ACTUAL	2007-09 LEGISLATIVELY ADOPTED	2007-09 ESTIMATED	2009-11		
					AGENCY REQUEST	GOVERNOR'S BUDGET	LEGISLATIVELY ADOPTED
Trust and Agency Receipts							
Administration	OF	2,938,819	2,788,964	2,788,964	3,430,505	-	-
Program	OF	3,447,303	2,953,822	2,953,822	3,830,246	-	-
Nutrition Program	OF	2,383,036	2,846,538	2,846,538	3,347,738	-	-
Cert's of Participation (Constr / Impr Projects)	OF	-	4,305,000	4,305,000	-	-	-
2009-11 COP (Constr / Impr Projects)	OF	-	4,300,000	4,300,000	51,100,000	-	-
Certificate of Participation Proceeds	OF	-	99,999	99,999	905,000	-	-
Alcohol & Drug Abuse Prevention	OF	-	110,850	110,850	113,178	-	-
County Detention Reimbursement	OF	18,960	3,167,640	3,167,640	3,490,739	-	-
Grants	OF	298,456	500,000	500,000	500,000	-	-
Debt Service	OF	61,462	-	-	-	-	-
Work Programs and Other	OF	1,186,407	1,636,936	1,636,936	2,057,541	-	-
Title XIX Medicaid - <i>BRS Special Payments</i>							
Administration	FF	4,770,895	5,386,711	5,386,711	-	-	-
Program - <i>63.02% Biennial Average</i>	FF	16,428,237	23,124,647	23,124,647	33,733,105	-	-
TOTAL	OF	10,334,443	22,709,749	22,709,749	68,774,947	-	-
TOTAL	FF	21,199,132	28,511,358	28,511,358	33,733,105	-	-