



Oregon

John A. Kitzhaber, MD, Governor

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October 27, 2014



The Honorable 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: The Department of Human Services (DHS) Rebalance Report
To The State of Oregon December 8, 2014 Emergency Board

Executive Summary and Nature of Request:

DHS is presenting its second rebalance report for the 2013-15 biennium. This report is before the Emergency Board's Human Service Subcommittee. The report reflects a number of issues affecting DHS' budget, primarily programmatic in nature and due mostly to issues not directly within the agency's ability to control. Though there are budget issues that have come up since the February 2014 rebalanced budget, DHS has put together a balanced budget that, with minor technical adjustments and management actions, results in a balanced budget. Therefore, DHS is not requesting any additional General Fund at this time.

The two major General Fund issues/risks that were discussed in February were:

- Unfunded Salary pot need of \$18 million GF.
- Risk of caseload and cost per case changes especially in I/DD and APD caseloads due to volatility created by the K Plan.

Additionally, in September 2014, the Department presented information to the E-Board regarding the United States Department of Labor (USDOL) rule changes that were projected to cost up to \$18.2 million GF this biennium. Since that time, USDOL has issued notice that it will not enforce those rule changes from January 1, 2015 through June 30, 2015. Accordingly, DHS has included this as a risk and not a challenge in this rebalance.

"Assisting People to Become Independent, Healthy and Safe"

Even with additional projected costs in the budget, DHS is not requesting additional GF at this time due to projected savings in two areas:

- First, personnel management actions started back when the salary pot was underfunded were expanded to help mitigate projected program cost overruns. This has meant that while APD was budgeted at 90.8% of the workload model, actual staffing in the Field represents 85.1% of the workload model; Self Sufficiency was budgeted at 76.7%, but actual staffing is at 72.2%; and Child welfare is now, after initially being under, close to reaching its budgeted ratios as of October of 2014.
- Second, savings in both Temporary Assistance to Needy Families (TANF) and Child Welfare programs are available to offset issues in APD and I/DD.

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

As it has done at the end of prior biennia, DHS also requests a scheduling of Other Fund limitation of \$30 million to accommodate an anticipated loan to meet the agency's cash flow needs at the end of the biennium. DHS asks that the portion accommodating the loan (\$30 million Other Funds) be scheduled to allow DHS to access the loan when and as needed. Finally, DHS requests an increase in Other funds limitation of \$9.6 million and Federal Fund limitation of \$45.8 million.

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

(See attachment B for more details by appropriation.)

Fund	September 2014 E-Board	Rebalance Adjustments	December 2014 Rebalance
DHS			
General Fund	2,316,072,381	0	2,316,072,381
Debt Service (GF)	13,790,835	0	13,790,835
Other Funds	501,842,250	9,592,561	511,434,811
Federal Funds	6,463,843,621	45,759,930	6,509,603,551
Total Funds	9,295,549,087	55,352,491	9,350,901,578

Program Rebalance Details and Agency Action

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

Summary of GF Rebalance issues:

Overview of GF rebalance issues										
	APD		I/DD		Self Suf	CW		Central SAEC	PDS	TTL
Program	\$ 5.2	\$	15.2	\$	(0.5)	\$	(6.9)	\$ 0.5		\$ 13.5
Delivery	\$ (1.9)	\$	2.9	\$	(6.1)	\$	(1.2)			\$ (6.3)
Design	\$ (0.5)	\$	(1.6)	\$	3.7	\$	0.1			\$ 1.7
Revenue	\$ (2.5)	\$	(0.3)	\$	(5.9)	\$	-			\$ (8.7)
Tech Adj	\$ (0.5)	\$	-	\$	5.6	\$	(5.9)	\$ 0.2	\$ 0.4	\$ (0.2)
TTL	\$ (0.2)	\$	16.2	\$	(3.2)	\$	(13.9)	\$ 0.5	\$ 0.2	\$ 0.4

Adults and People with Disabilities (APD) has a small need of \$0.3 million GF not including the technical adjustments which lead to an overall savings in APD of \$(0.2) million GF. This budget is basically balanced. The program issues of \$5.2 million GF are driven by a net problem in In-Home cases where we have seen large growth (about \$9.5 million GF), especially in Hourly Home Care Worker caseload. There is also a projected overspend in the Oregon Supplemental Income Program (OSIP) of about \$2.3 million GF due to higher utilization than projected. These are partially offset by a net savings in Nursing Facility costs of \$(1.1) million GF savings due to anticipated higher revenue from estate recoveries. While net cost per case dropped in Nursing Facilities, this was offset by increased bed days that were higher than projected but are trending down. In addition there are savings in Community Based Care Settings of \$(5.3) GF million due to a caseload drop in Adult Foster Care and a cost per case reduction in Assisted Living.

Program Delivery and Design have been managed to a lower than budgeted manner to offset the known program issues in APD with a projected savings of \$(2.4) million GF. In addition there are two revenue savings in this budget. First, is a SAIF rebate of \$(0.5) million GF and the second is carryover provider tax from 2011-13 of \$(2.0) million that can offset GF. Finally technical adjustments reduce this budget by \$(0.5) million GF. The overall net rebalance adjustment request for APD is a slight savings of \$(0.2) million GF as detailed in the table below:

Fund	September 2014 E-Board	Rebalance Adjustments	December 2014 Rebalance
APD			
General Fund	723,578,204	(231,660)	723,346,544
Other Funds	153,354,819	8,718,538	162,073,357
Federal Funds	1,565,861,423	9,669,370	1,575,530,793
Total Funds	2,442,794,446	18,156,248	2,460,950,694

Individuals with Developmental Disabilities (I/DD) caseloads and costs per case have increased due to the K Plan. This has driven the overall program budget up \$15.2 million GF. The major driver is the forecasted increase in the Children’s In-Home Program caseload, but the adult I/DD caseload is also running higher than projected.

The \$2.9 million GF issue in Delivery is related to Medicaid participation rates coming in lower than originally anticipated, leading to a higher GF need. This is offset by savings in the Design budget of \$(1.6) million GF, which is being managed to cover some program cost overages in this area. In addition, a SAIF refund will offset about \$(0.3) million GF in this budget.

This budget includes the highest risk of all the DHS budgets at this time. As we gain more experience with the K Plan and begin to get better data on utilization, it will be easier to more accurately project increases or decreases in costs and caseload much earlier than currently is possible. The program is also brainstorming ways to mitigate costs without impacting the current program to increase fiscal sustainability of the program into the future.

The overall net rebalance adjustment request for I/DD is \$16.2 GF as detailed in the table below:

Fund	September 2014 E-Board	Rebalance Adjustments	December 2014 Rebalance
Individuals with Developmental Disabilities			
General Fund	557,868,134	16,256,962	574,125,096
Other Funds	28,756,404	0	28,756,404
Federal Funds	1,147,733,715	11,174,544	1,158,908,259
Total Funds	1,734,358,253	27,431,506	1,761,789,759

Self Sufficiency has a total net savings of \$(8.8) million GF excluding technical adjustments of \$5.6 million GF leaving a net savings of \$(3.2) million GF.

After the unprecedented increase in Temporary Assistance to Needy Family (TANF) cases during the Great Recession, DHS is finally seeing employment outcomes increase and caseloads decrease leading to a net program savings of \$(0.5) million GF (even with higher than anticipated costs per case). Due to unanticipated costs associated with client notices during the Federal government shut down, DHS projects an overspend of \$3.7 million in GF in Self Sufficiency Design. These costs are offset by the management of Personal Services costs in program Delivery, saving a projected \$(6.1) million GF.

Self Sufficiency also has two revenue offsets to GF need in SSP programs, including a SNAP bonus of \$(3.9) million and additional TANF contingency funding of \$(2.0) million. Finally technical adjustments increase net costs by \$5.6 million GF leaving a net savings of \$(3.2) million GF.

The overall net rebalance adjustment request for SSP is \$(3.2) million GF as detailed in the table below:

Fund	September 2014 E-Board	Rebalance Adjustments	December 2014 Rebalance
Self Sufficiency			
General Fund	352,424,329	(3,214,690)	349,209,639
Other Funds	140,453,601	(3,589,999)	136,863,602
Federal Funds	2,973,385,707	3,265,762	2,976,651,469
Total Funds	3,466,263,637	(3,538,927)	3,462,724,710

Child Welfare, without technical adjustments, has \$(8.0) million GF savings and with technical adjustments has a net savings of \$(13.9) million GF. There are two primary drivers of the savings. First, both cost per case and caseloads have gone down in Child Welfare. This is true in each of the programs as caseloads decline with Foster Care representing a savings of \$(6.4) million and Adoptions and Guardianship Assistance making up a net \$(0.5) million. Second is a projected savings in Child Welfare Delivery of \$(1.2) million GF, again due to personnel management. There is a small need of \$56,736 GF projected in Child Welfare Design due to increased costs related to the implementation of the new Title IV-E waiver. With technical adjustments of \$(5.9) million GF, the net savings in Child

Welfare is \$(13.9) million GF. There are no new revenue sources in this program area.

The overall net rebalance adjustment request for CW is \$(13.9) million GF as detailed in the table below:

Fund	September 2014 E-Board	Rebalance Adjustments	December 2014 Rebalance
Child Welfare			
General Fund	453,135,322	(13,843,272)	439,292,050
Other Funds	22,633,011	415,461	23,048,472
Federal Funds	440,982,044	21,520,312	462,502,356
Total Funds	916,750,377	8,092,501	924,842,878

Vocational Rehabilitation Services

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

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

The Central budget is anticipated to have a small \$500K GF need due to higher than budgeted AAG costs.

The SAEC and PDS budgets both have small GF technical adjustments of \$0.2 and \$0.4 million respectively. All together this appropriation is projected to have challenges of \$1.1 million of GF most of which are due to technical adjustments to move budget to the right place.

Fund	September 2014 E-Board	Rebalance Adjustments	December 2014 Rebalance
Central Services, Shared Services, SAEC, PDS			
General Fund	208,200,055	1,032,660	209,232,715
Other Funds	154,319,657	4,048,561	158,368,218
Federal Funds	261,441,782	129,942	261,571,724
Total Funds	623,961,494	5,211,163	629,172,657

Line of Credit

Each biennium DHS needs a line of credit to be able to deal with cash flow issues at the end of the biennium and through the close of the biennium December 31, 2013. Due to providers taxes and prepayments that must be reconciled as well as accrued expenditures, DHS is asking for permission to schedule the \$30,000,000 in OF limitation in order to access a line of credit from the treasury that will be accessed only as needed depending on cash flow issues throughout the remainder of the biennium. A treasury loan may be needed as early as February or March. DHS actively manages cash flow to limit interest costs.

Outstanding Issues and Risks

In addition to the specific issues outlined above, DHS makes note of the following outstanding budget issues and risks:

1. Ongoing Caseload Forecast Risks: Caseload in several DHS program areas will continue to be difficult to accurately predict given the significant program changes represented in the 2013-15 budget, as well as the significant uncertainty regarding federal programs with the continuing resolution set to expire December 11, 2014 for the 2015 Federal Fiscal year.
2. The Federal 2015 budget has not yet been finally addressed by Congress, which may mean additional sequester and/or other cuts beyond December 11, 2014 when the current continuing resolution ends. In addition, unless Congress takes action, TANF expires at the same time.
3. District Attorney representation in Child Welfare dependency cases continues to be at risk in some counties.
4. TANF Penalties – as previously reported DHS currently faces five potential federal TANF-related penalties of up to \$60 million. However, due to timing of the federal publication of workload participation numbers, DHS does not believe that any penalty due will be assessed during the 2013-15 biennium. In addition, DHS is working with the Federal Government on a corrective action plan to reduce or eliminate some or all of the penalties. Increases in case managers have led to increased workload participation and DHS is encouraged that it will be successful in meeting the corrective action plan requirements.
5. USDOJ/Lane v. Kitzhaber litigation is ongoing and impacts to 2013-15 budget are unknown at this time.
6. The 2013-15 impact of the USDOL commitment not to enforce the new FLSA regulations are still under legal review at this time.

Action Requested

DHS requests that the General fund actions set out in its rebalance plan be made in order to true up appropriations to projected expenditures. DHS requests no GF at this time. DHS requests OF limitation of \$9.6 million, Federal fund limitation of \$45.8 million and the technical adjustments necessary to manage the DHS budget as set out in attachment B.

Legislation Affected

See Attachment B.

Respectfully submitted,



Eric Luther Moore
DHS Chief Financial Officer

cc: Ken Rocco
George Naughton
Laurie Byerly
Tamara Brickman
Jim Carbone
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Ralph Amador
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Attachment A

Total Department of Human Services Biennial Average Forecast Comparison						
	2013-15 Biennium		<i>% Change Between Forecasts</i>	Fall 14 Forecast		<i>% Change Between Biennia</i>
	Spring 14 Forecast	Fall 14 Forecast		2013-15	2015-17	
Self-Sufficiency						
Supplemental Nutrition Assistance Program (Households)	429,661	437,386	1.8%	437,386	421,679	-3.6%
Temporary Assistance for Needy Families - Basic & UN (Families: Cash Assistance)	33,336	32,953	-1.1%	32,953	29,048	-11.9%
Child Welfare (children served)						
Adoption Assistance	11,190	11,101	-0.8%	11,101	11,182	0.7%
Guardianship Assistance	1,365	1,382	1.2%	1,382	1,557	12.7%
Out of Home Care	7,477	7,319	-2.1%	7,319	7,285	-0.5%
Child In-Home	1,717	1,543	-10.1%	1,543	1,441	-6.6%
Vocational Rehabilitation	8,836	8,936	1.1%	8,936	9,963	11.5%
Aging & Physical Disabilities						
Long-Term Care: In Home	13,863	14,438	4.1%	14,438	15,486	7.3%
Long-Term Care: Community Based	11,656	11,526	-1.1%	11,526	11,915	3.4%
Long-Term Care: Nursing Facilities	4,320	4,219	-2.3%	4,219	4,023	-4.6%
Intellectual and Developmental Disabilities						
Total Case Management Enrollment	22,139	22,303	0.7%	22,303	24,223	8.6%
Total I/DD Services	16,251	16,067	-1.1%	16,067	17,868	11.2%

Attachment B

DHS 2013-15 December 2014 Rebalance Appropriation and Limitation Adjustments

DEPARTMENT OF HUMAN SERVICES (DHS)
December 2014 Rebalance
APPROPRIATION AND LIMITATION ADJUSTMENTS

PROGRAM	PROPOSED LEGISLATION/ SECTION	FUND	REBALANCE ADJUSTMENTS	REQUEST FROM E-FUND RESERVE	NET ADJUSTMENTS
SS/CW/VR	ch 675, 1(2)	General	(17,057,962)		(17,057,962)
	ch 675, 2(2)	Other	(3,174,538)		(3,174,538)
	ch 675, 3(2)	Federal	24,786,074		24,786,074
	ch 675, 4	Federal, Non Limited	-		-
		Total	4,553,574	-	4,553,574
APD/DD	ch 675, 1(3)	General	16,025,302		16,025,302
	ch 675, 2(3)	Other	8,718,538		8,718,538
	ch 675, 3(3)	Federal	20,843,914		20,843,914
		Total	45,587,754	-	45,587,754
Central Services/PDS/SAEC	ch 675, 1(1)	General	1,032,660		1,032,660
	ch 675, 2(1)	Other	3,789,999		3,789,999
	ch 675, 3(1)	Federal	129,942		129,942
		Total	4,952,601	-	4,952,601
Debt Service	ch 675, 1(4)	General, Debt Service	-		-
Shared Services	ch 675, 2(4)	Other	258,562		