



Oregon

Theodore R. Kulongoski, Governor

Department of Human Services

Office of the Director
500 Summer St. NE, E-15
Salem, OR 97301
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September 8, 2009



The Honorable Peter Courtney, Co-Chair
The Honorable Peter Buckley, Co-Chair
Joint Committee on Ways and Means
900 Court St. NE
H-178 State Capitol
Salem, OR 97301-4048

Re: DHS 2007-09 Biennium Budget Close-out – Placeholder Letter

DHS will close out the 2007-09 budget within its current total legislatively approved General Fund appropriation and other and federal fund limitations. However, we anticipate the need to adjust specific DHS divisional General Fund appropriations to accommodate the close out. These will need Emergency Board approval.

To date, DHS has repaid \$42.5 million of the \$60 million cash flow loan discussed at our January 2009 rebalance. Of the remaining \$17.5 million, a portion will be repaid in the near future and the rest (over half) will be repaid following E-Board action.

DHS will provide a report to the committee to detail the needed adjustments and why they occurred. For instance, the uncertainty caused by the installation of the MMIS payment system has caused the Division of Medical Assistance Programs' (DMAP) expenditures to track below its appropriation and Seniors and People with Disabilities (SPD) expenditures to track above its appropriation.

In addition, caseload growth and spending in the Temporary Assistance to Needy Families (TANF) program continues to exceed our forecast. As a result, we will spend more of our 2008-09 federal TANF grant to cover 2007-09 biennium costs than anticipated.



The Honorable Peter Courtney, Co-Chair
The Honorable Peter Buckley, Co-Chair
September 8, 2009
Page 2 of 2

Additional details will be provided in our replacement report. If you need more information at this time, please contact John Swanson at 503-385-7782.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Scherzinger". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jim Scherzinger
Deputy Director of Finance

CC: John Britton, Legislative Fiscal Office
Sheila Baker, Legislative Fiscal Office
Blake Johnson, Department of Administrative Services



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September 15, 2009

The Honorable Peter Courtney, Co-Chair
The Honorable Peter Buckley, Co-Chair
Joint Committee on Ways & Means
900 Court St. NE
H-178, State Capital
Salem, Oregon 97301-4048



Re: Department of Human Services 2007-09 Biennial Budget Close-out

Dear Co-Chairpersons:

Nature of the Request

The Department of Human Services (DHS) will close the 2007-09 biennium within its Legislatively approved general fund authority. While no additional general fund is needed to closeout the biennium, shifting of general fund among divisional appropriations and some increases to Other Fund limitation will be needed to accommodate the DHS close out. The department requests approval of adjustments to its 2007-09 General Fund appropriations and changes to Other Fund limitation that are needed in order to close out the 2007-09 biennial budget.

The general fund shifts that are requested to complete the 2007-09 close-out are:

Division of Medical Assistance Plans – reduce GF appropriation:	(\$ 8.1) million
Addictions and Mental Health Division – reduce GF appropriation:	(\$ 3.7) million
Capital Improvement – reduce GF appropriation:	(\$ 0.1) million
Public Health Division – increase GF appropriation	\$ 0.4 million
Children Adults and Families division – no change to GF needed	\$ 0.0 million
Seniors and People with Disabilities – increase GF appropriation:	\$ 9.6 million
Administrative Services Division –increase GF appropriation:	<u>\$ 1.9 million</u>

Net of all GF shifts: \$ 0.0 million



The other fund limitation increases requested to complete the 2007-09 closeout are:

Seniors and People with Disabilities – increase OF limitation: \$ 5 million

2007-09 DHS closeout details by division:

The Division of Medical Assistance Plans (DMAP) will close the 2007-09 biennium with a surplus of general fund of \$8.1 million (0.9%). This is the result of savings in OPH program costs related to delays in some payments for services and delays in properly enrolling clients in the OHP with the implementation of the new MMIS system (\$11.6 million); savings in DMAP administrative costs (\$0.2 million), and greater drug rebate revenues (\$0.6 million) offset by receipt of fewer Tobacco Tax dollars than projected last Spring (-\$4.3 million).

The Addictions and Mental Health (AMH) division will close the 2007-09 biennium with a surplus of general fund of \$3.7 million (0.8%). AMH savings in the Community Mental Health settings where some contracted services were not fully expended by the end of the biennium (\$5 million) is the main reason for the surplus. Slight savings in Alcohol & Drug programs (\$0.1 million) and the Blue Mountain Recovery Center (\$0.2 million) also contributed to the surplus. A part of these savings was offset by \$1.6 million additional expenditures at the Oregon State Hospital related to establishing a women's maximum security unit and additional costs to staff transitional cottages needed to temporarily house OSH patients during construction of the new OSH facility.

The Capitol Construction general fund appropriation will close at a surplus of \$0.1 million because capital repairs and projects at the Mental Health institutions were not needed to the degree anticipated (particularly with the new OSH facility construction project in progress).

The Public Health Division (PHD) will close the 2007-09 biennium with a slight GF deficit of \$0.4 million (0.9%) due to the correction of an Other Fund balance carried into the 2007-09 biennium.

Children Adults and Families division does not need any changes to its GF appropriation in order to close out the 2007-09 biennium. While total CAF expenditures for 2007-09 are within the level anticipated at the April 2009 Rebalance, the amount of Temporary Assistance for Needy Families (TANF) federal funding anticipated for 2007-09 was overestimated. In order to fund the

2007-09 TANF expenditures, \$16.6 million of the TANF federal grant planned for the first quarter of the 2009-11 biennium was used. Use of these TANF funds to close out 2007-09 will add further funding challenges in 2009-11.

The Seniors and People with Disabilities (SPD) division will close the 2007-09 biennium in a budget deficit GF of \$9.6 million (1.1%). The main cause of this is Community Facilities and Developmentally Disabled program expenditures that exceeded projections made in the Spring of 2009. The Community Facilities expenditures exceeded budget by \$6.3 million due to higher client caseloads and service costs than forecast. Developmentally Disabled program costs exceeded budget by \$5.2 million. Delays in adjusting service contracts to lower levels (\$2.5 million) and the inability to settle service contract and recoup excess costs before the close out of the 2007-09 biennium (\$2.7 million), results in this excess costs. A portion of these cost variances were offset by savings in the Eastern Oregon Training Center (\$1.3 million) and the Oregon Supplemental Income Program (1.3 million). The department also requests an increase in the SPD division Other Fund limitation to assure that all final 2007-09 closing entries affecting SPD other funds that will be needed for close-out will be able to be completed.

The Administrative Services Division will close the 2007-09 biennium in a budget deficit GF position of \$1.9 million (0.9%), although ASD is under its Total Fund budget. This is due to an overestimate of the level of Other and Federal funding that the DHS federally approved cost allocation system would generate for ASD. Because the estimated level of Other Fund and Federal Fund funding was not achieved, more GF was used in this division. *(Note: ASD includes three separate GF appropriations, one for ASD operations, one for the Office of Oregon Health Policy and Research (OOHPR) and one for the Oregon Health Fund Board (OHFB). The OOHPR and the OHFB general fund appropriations will close the biennium at a surplus of \$0.5 million and \$0.3 respectively, while the ASD operations GF appropriation is in a \$2.7 million deficit due to the shortfall of OF and FF funding as described above. As part of the ASD biennial closeout, the department requests that this surplus GF appropriation for OOHPR and OHFB be shifted to the ASD operations general fund appropriation.)*

Biennium End Cash Flow Financing:

As reported at the April 2009 rebalance, the department required a temporary treasury loan to address the cash flow issues that are encountered each biennial end. The total amount of the loan was \$60 million. As of September 9, 2009, a total of \$42.5 million has been repaid to the treasury. The remaining \$17.5 million will be repaid as DHS

closes out the biennium, however a portion of the final repayments will not be able to be made until the requested general fund shifts between DHS divisions has been approved.

Action Requested

The department requests acknowledgement of this 2007-09 DHS Close-out report and approval of the General Fund appropriation shifts and Other Fund limitation increase, as described above, in order to close-out the 2007-09 DHS biennial budget.

Legislation Affected:

Attachment A includes the changes necessary to Oregon Laws to implement the changes to the individual DHS appropriations to make the fund shifts needed to accommodate the DHS closeout. Again, these are only general fund shifts, no change to the total 2007-09 DHS general fund budget is requested.

Sincerely,

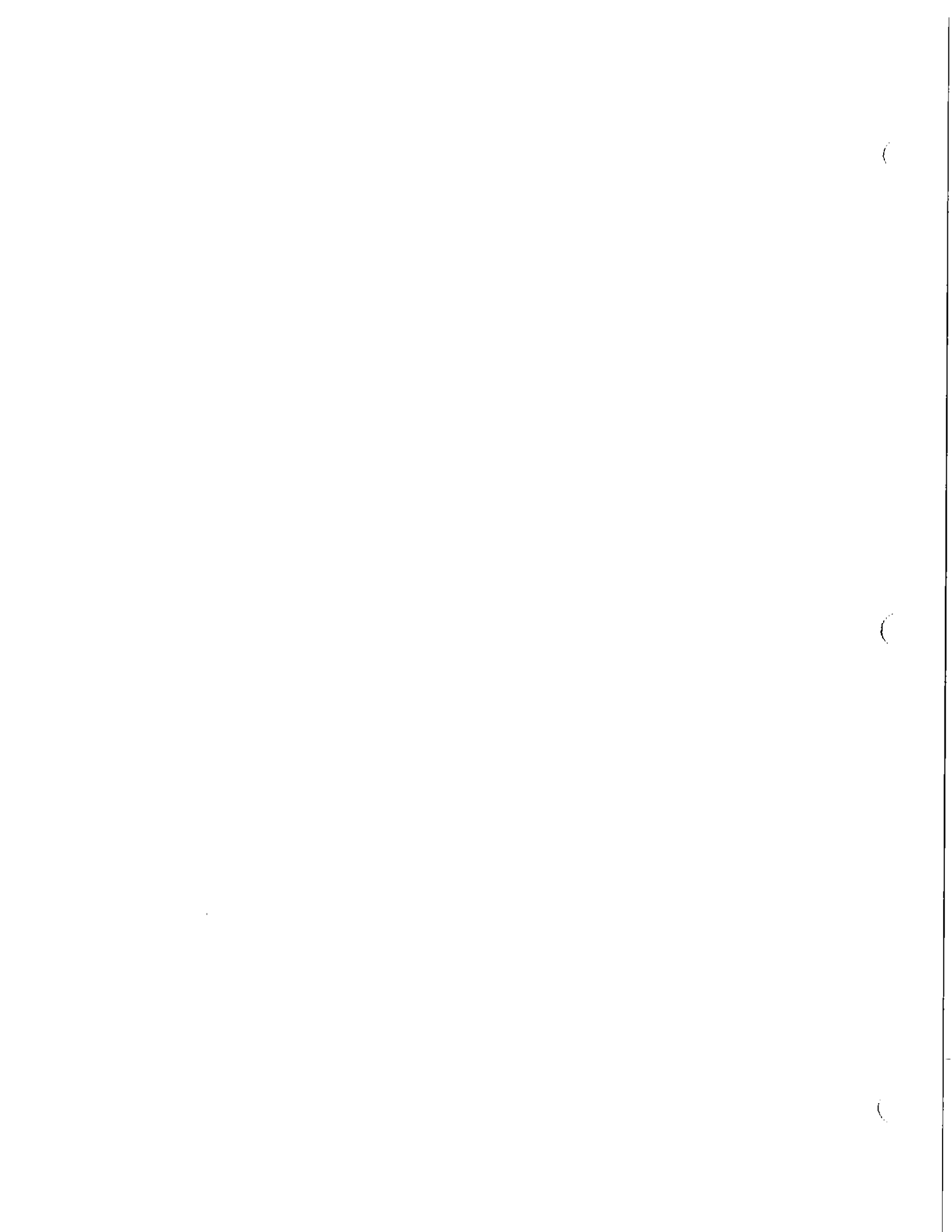


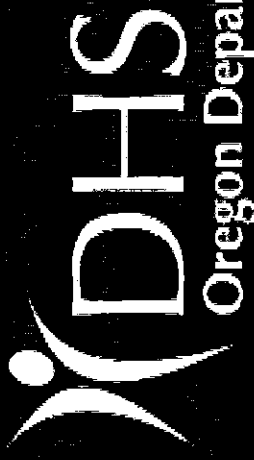
Jim Scherzinger
Deputy Director of Finance

CC: John Britton, Legislative Fiscal Office
Sheila Baker, Legislative Fiscal Office
Blake Johnson, Department of Administrative Services

DEPARTMENT OF HUMAN SERVICES
2007-09 DHS Biennial Budget Closeout
APPROPRIATION AND LIMITATION ADJUSTMENTS
September 15, 2009

DIVISION	CHAPTER, SECTION	FUND	REBALANCE ADJUSTMENTS	Appr #
CAF	Ch 743, 1(2)	General		87201
	Ch 749, 21d	General		87204
	Ch 743, 2(2)	Other Limited		34201
	Ch 743, 4(2)	Federal Limited		64201
	Ch 743, 5	Federal Non-Limited		62201
		Total		-
HS	Ch 743, 1(3)	General	(11,387,027)	87401
	Ch 910, 21a(1)	General		87407
	Ch 16, 51(1)	General		87408
	Ch 16, 51(2)	General	(26,250)	87409
	Ch 16, 51(3)	General		87410
	Ch 743, 2(3)	Other Limited		34401
	Ch 743, 5	Other Non-Limited		32401
	Ch 743, 3	Lottery		44401
	Ch 743, 4(3)	Federal Limited		64401
	Ch 743, 5	Federal Non-Limited		62401
		Total		(11,413,277)
SPD	Ch 743, 1(4)	General	9,603,180	87501
	Ch 749, 21b	General		87503
	Ch 749, 21c	General		87504
	Ch 743, 2(4)	Other Limited	5,000,000	34501
	Ch 743, 4(4)	Federal		64501
		Total		14,603,180
ASD	Ch 743, 1(1)	General	2,734,562	87101
	Ch 743, 1(6)	General - Debt Svcs		87102
	Ch 697, 26(1)	General	(541,692)	87103
	Ch 697, 25(1))	General	(302,491)	87104
	Ch 697, 24(1)	General		87105
	Ch 743, 2(1)	Other Limited		34101
	Ch 697, 26(1)	Other		34102
	Ch 697, 24(2) and Ch 16, 40	Other		34103
	Ch 743, 4(1)	Federal	-	64101
	Ch 697, 25(2)	Federal		64102
	Total		1,890,379	
Capital Improvement	Ch 743, 1 (5)	General	(80,282)	81401
Capital Construction	Ch 742, 1(6)	Other	-	30403
	Ch 15, 3	General	-	80501
Total		General	-	
		Other	5,000,000	
		Other Non-Limited	-	
		Lottery	-	
		Federal	-	
		Federal Non-Limited	-	
		Total	5,000,000	





Department of Human Services 2007-09 Biennium Close-out

*Legislative Emergency Board,
Joint Ways & Means
Human Services Subcommittee
October 2009*

- **DHS 2007-09 Close-out Position**
- **History of DHS Budget Management**
- **Summary of DHS 2007-09 Close-out Fund Shifts and Limitation adjustments needed to close-out.**

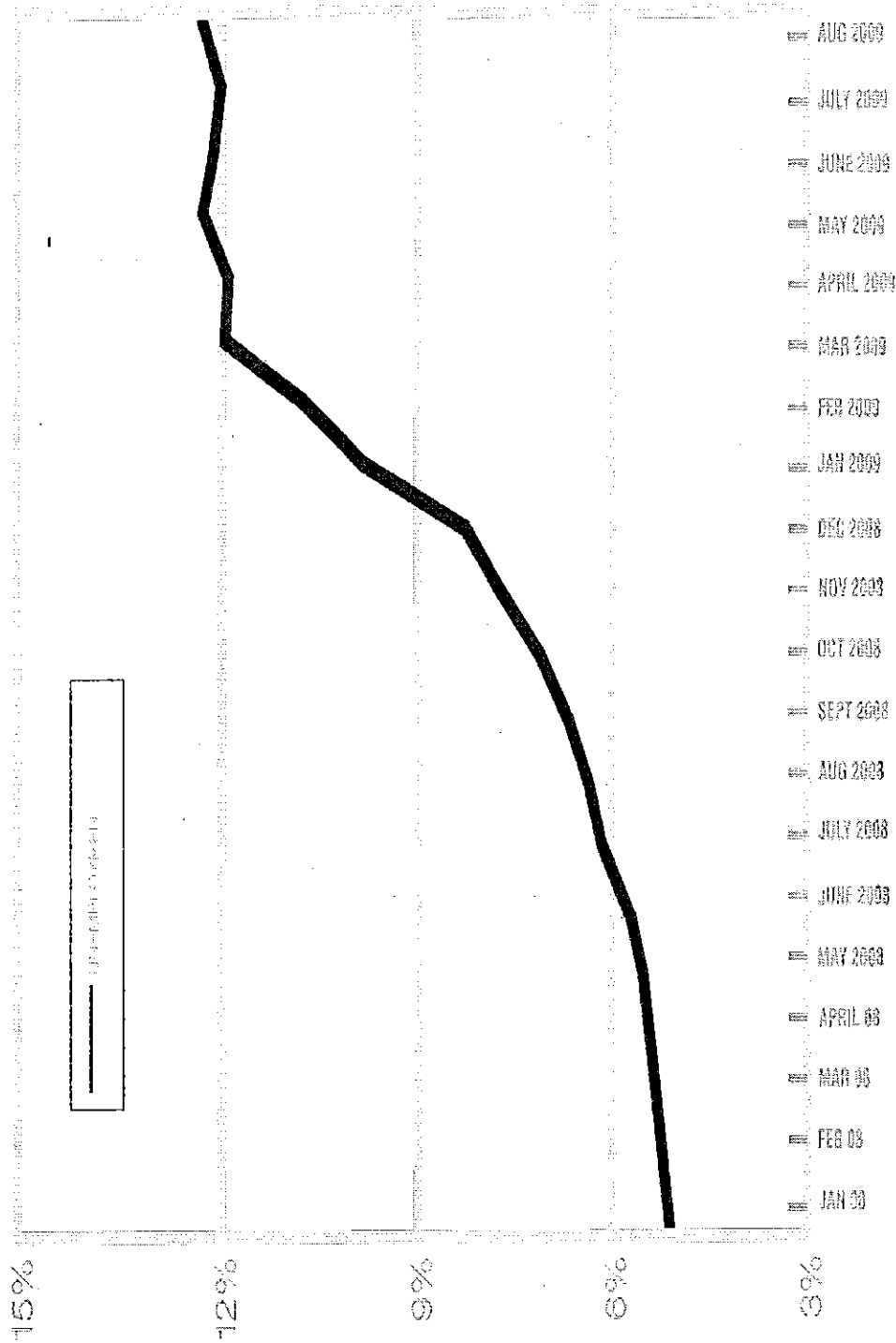
DHS – 2007-09 Closeout Position:

- The department expects to close the 2007-09 biennium within its total GF authority – no GF is needed - GF reversion will be minimal.
- Shifts between division GF appropriations are requested.
- An adjustment to Other fund limitation is requested.
- \$42.5 million of the \$60 million Treasury Loan needed for cash flow assistance during close out has been paid back. The remaining \$17.5 million will be paid back once the needed GF shifts between appropriations are made.

History of DHS 2007-09 Budget Management

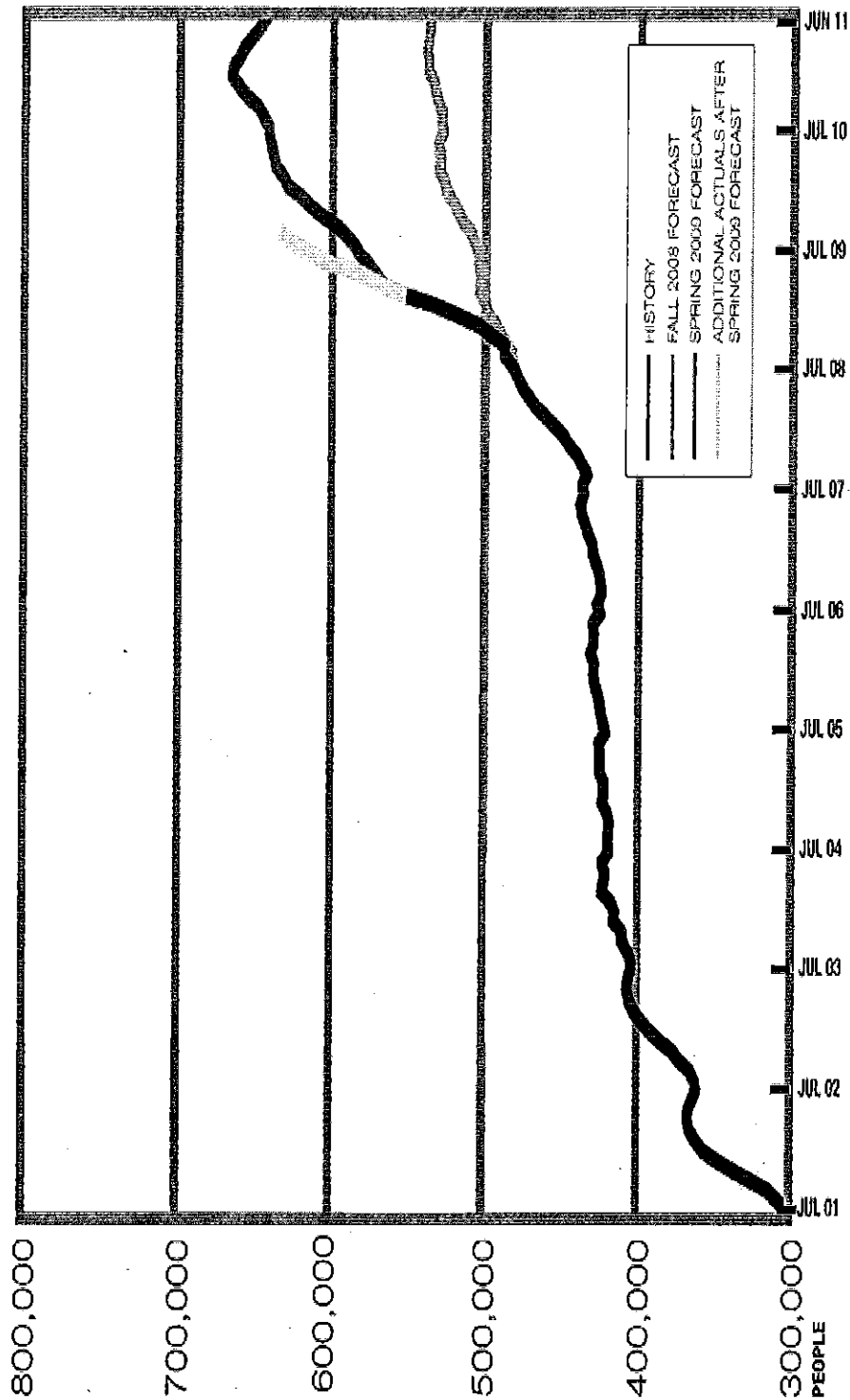
October 1, 2009

Oregon Unemployment



October 1, 2009

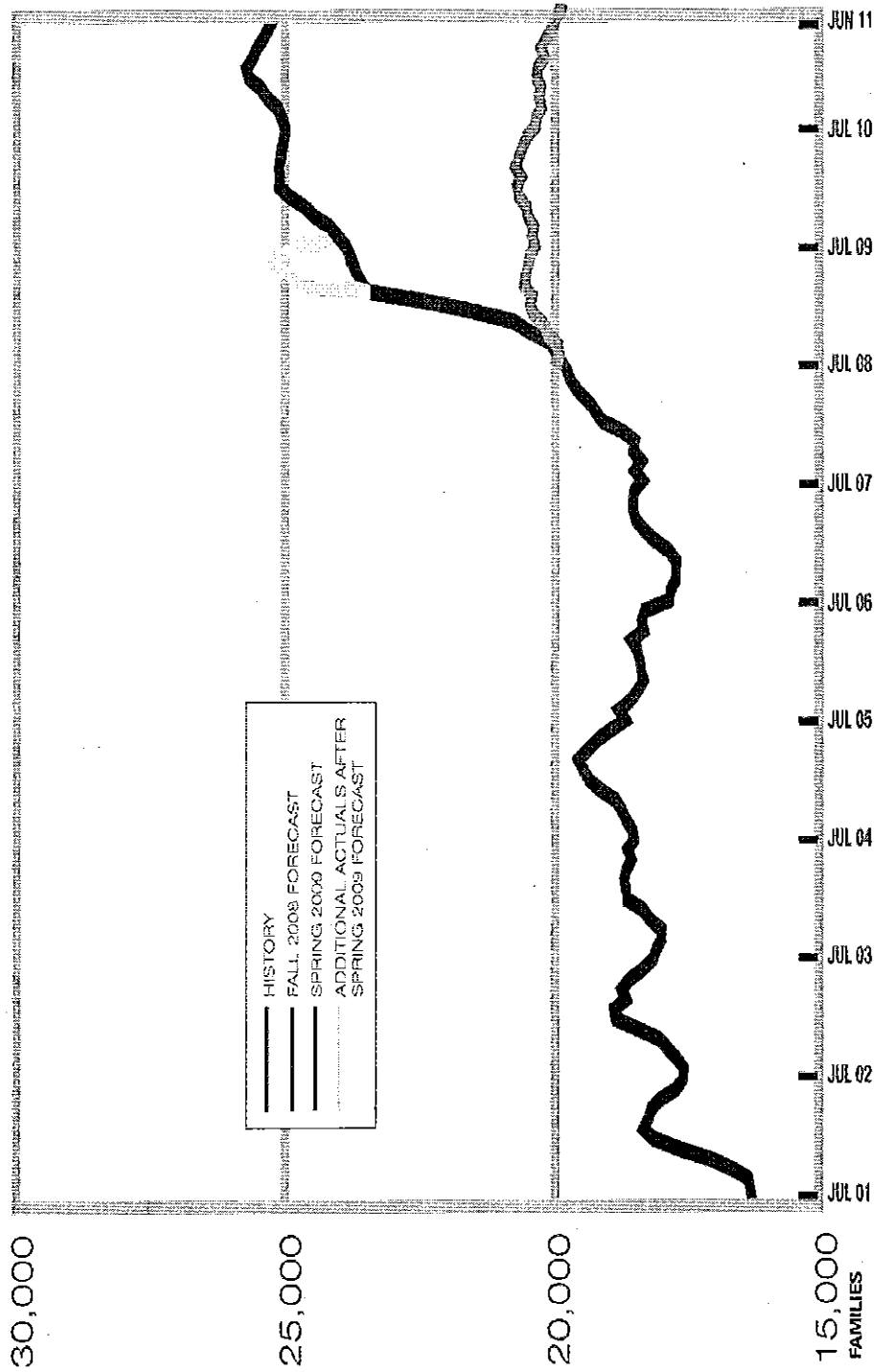
Food Stamps



October 1, 2009



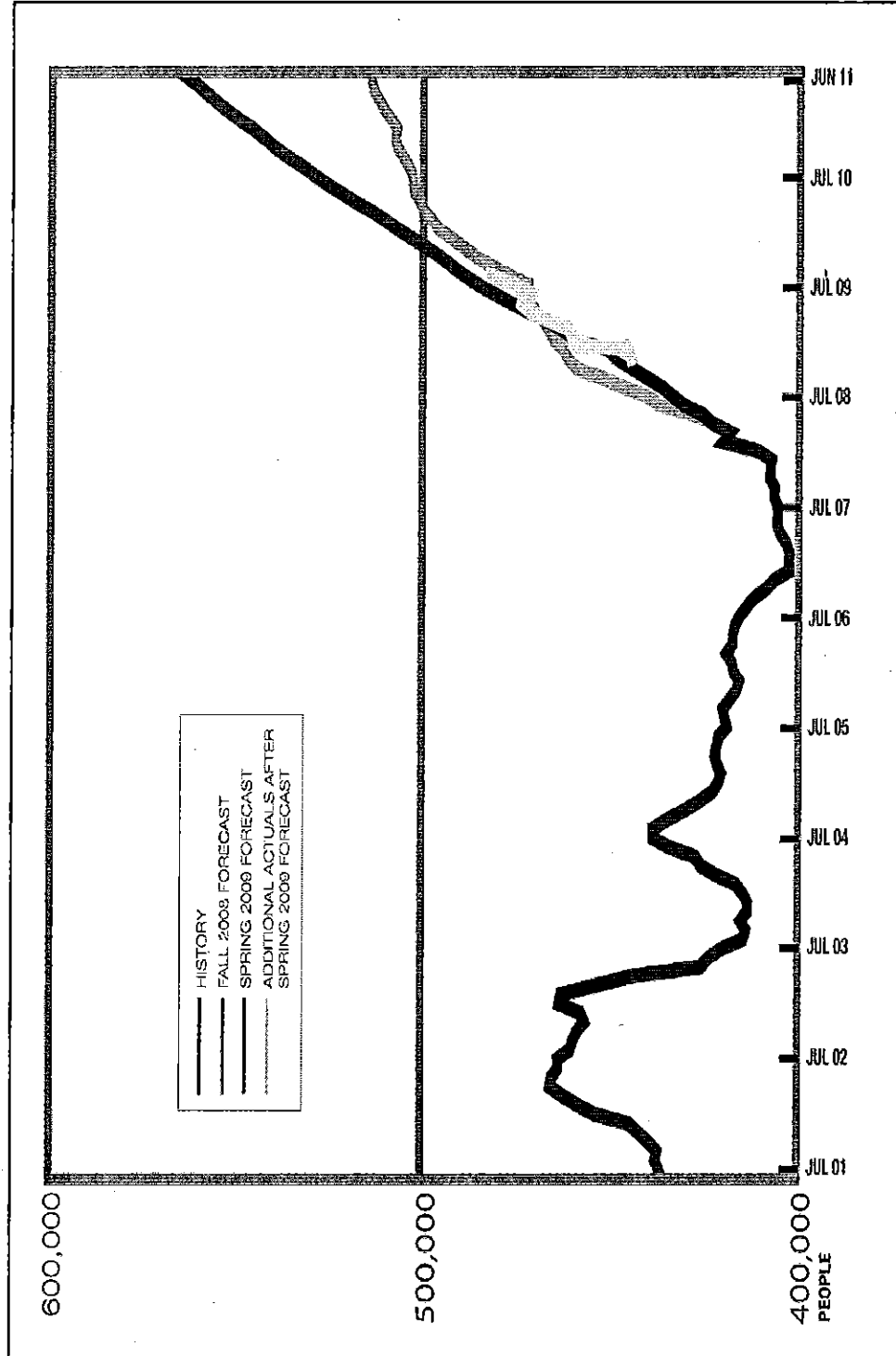
Temporary Assistance to Needy Families



October 1, 2009

Oregon Health Plan

OREGON HEALTH PLAN



HISTORY

- January 2008 Rebalance:
 - \$23 million General Fund surplus.
 - Investments in:
 - Community Based Care provider rate increase.
 - Funding for child welfare workers.
 - Oregon State Hospital program improvements.
- Spring 2008 E-board Update:
 - Growing caseload trends.
 - Declining economic conditions.
 - Cost containment strategies implemented by DHS.
- June 2008 E-board Update:
 - Caseloads continue to increase.
 - \$7.3 million GF need.
- September 2008 E-board Update:
 - Fall 2008 Caseload Forecast – increased caseload growth.
 - Several Other and Federal Fund revenue shortfalls identified.
 - \$14.1 million GF need.

HISTORY

- December 2008 E-Board Rebalance:

- \$33.3 million GF need:

Resulting from:

- Caseload increases added over \$45 million GF.
- Loss of Tobacco Tax and Federal Fund revenues of \$79.5 million.

Off-set by:

- Cost cutting and program savings of \$35 million GF.
- Use of OF and FF fund balances of \$23.5 million.

- To address the remaining \$33.3 million deficit:

- Additional program savings = \$6.3 million GF.
- Program cuts = \$20.7 million GF:
 - Vocational Rehabilitation "Order of Selection": -\$12.4 million
 - TANF JOBS – limit service, establish waiting lists: -\$7.4 million.
 - Reduce Post TANF benefit by \$50: -\$0.9 million.

- Remaining deficit of \$6.3 million.

HISTORY

- **March 2009 - HB 5552 – Legislative Action Taken for budget adjustments related to State Revenue Shortfall:**
 - **Reduced DHS General Fund budget by \$244.1 million from:**
 - Substituting \$230.3 million with Federal stimulus dollars. (Enhanced Federal Medicaid Average Percentage (FMAP) rate and Title IV-E match rate).
 - Substituting \$13.8 million with Tobacco Tax and Other fund balances.
 - **Reducing DHS General Fund from Program Savings of \$4.4 Million.**
 - **Reducing DHS General Fund from additional Program Cuts of \$3.2 million:**
 - Implement job quit penalty
 - Reduce Pre-TANF living expense payments
 - Restrict ERDC for self-employed
 - Eliminated 1st month ERDC co-pay subsidy
 - Transfer AAA contract reduction
 - Reduce employment and community inclusion day program
 - Means testing for TANF relative caregivers.
 - **Added \$6.3 Million General Fund to fill the December 2008 deficit.**

HISTORY

- **April 2009 - HB 5052 – DHS Rebalance - No change to General Fund budget for 2007-09:**
 - **Budget GF Savings:**
 - Caseload growth for the remainder of 2007-09 biennium was forecasted to grow at a greater pace than actually experienced, resulting in a budget savings (-\$14.4 million GF).
 - All other adjustments – slight net GF savings (-\$0.3 million GF).
 - **Off-set by additional GF needed for:**
 - Other and Federal fund revenues for 2007-09 were projected to decline from the budgeted level, increasing the GF need for the remainder of 2007-09 (+\$12.6 million GF).
 - Greater cost than planned for the implementation of the new Medicaid Management Information System (+\$1.6 million GF).
 - Interest costs related to financing DHS cash flow at biennium end (+\$0.5 million)

HISTORY

- **June 2009 - SB 5529 – Added General Fund to the DHS Division of Medical Assistance Plans budget to back-fill an additional decline in Tobacco Tax – Other Funds. (+\$6.1 million).**
- **DHS Budget reduction related to Furlough savings (\$0.9 million).**



DHS – Final 2007-09 Legislatively Approved Budget (LAB)

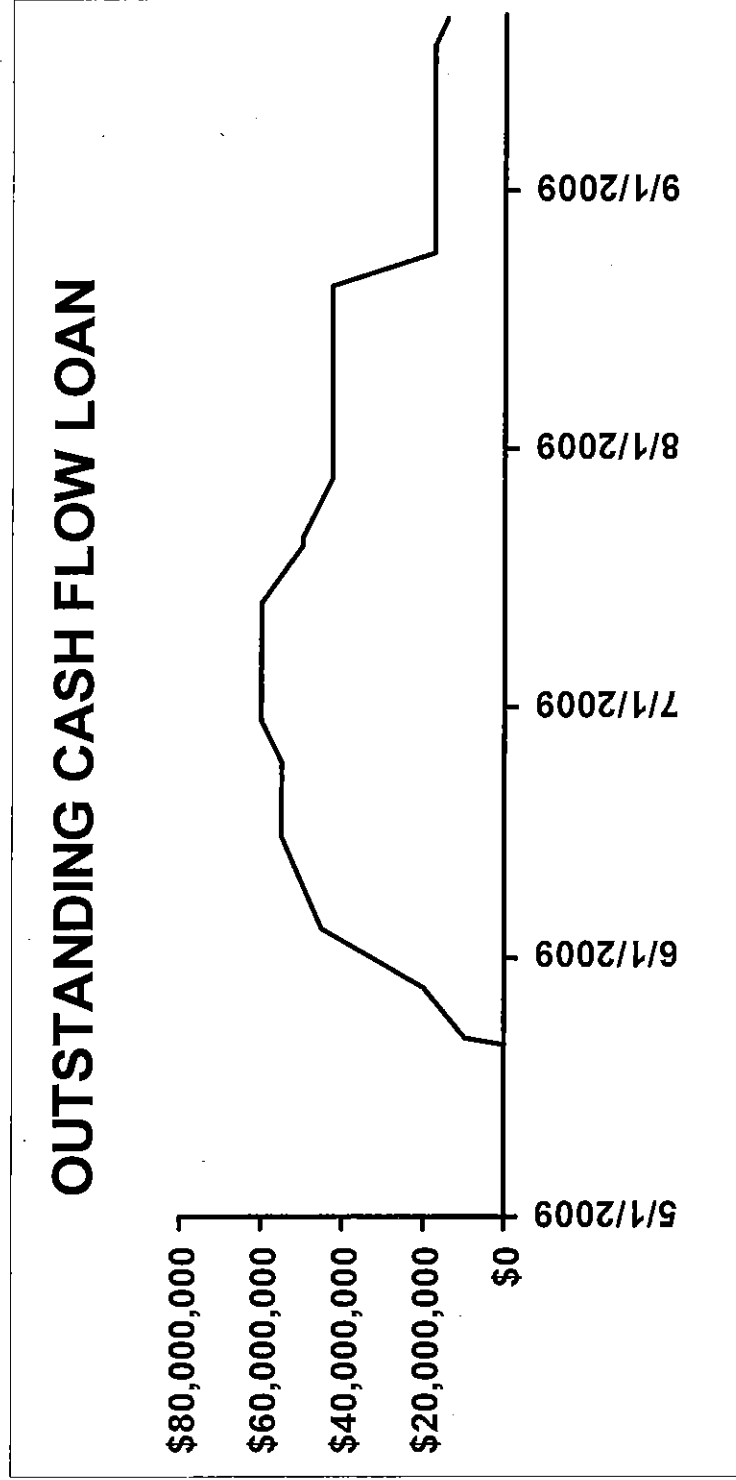
Health Services Division:	<u>General Fund Budget</u> (in millions)
Division of Medical Assistance Plans	\$ 910.8
Addictions and Mental Health Public Health Division	\$ 501.7
Capital Improvement	\$ 45.7
Seniors and People with Disabilities	\$ 0.45
Children, Adults, and Families	\$ 880.6
Administrative Services Division	\$ 566.2
	<u>\$ 206.2</u>
Total DHS GF LAB	<u>\$3,112.6</u>

SUMMARY OF DHS 2007-09 CLOSE-OUT

October 1, 2009

DHS – 2007-2009 Biennial Close-out:

Cash Flow Management – Status of Treasury Loan





DHS – 2007-2009 Biennial Close-out: Summary of General Fund position by division

Health Services Division:

Division of Medical Assistance Plans	\$8.1m GF surplus
Addictions and Mental Health	\$3.7m GF surplus
Public Health Division	(\$0.4)m GF deficit

Capital Improvement
Seniors and People with Disabilities
Children, Adults, and Families
Administrative Services Division

\$0.1m GF surplus
(\$9.6)m GF deficit
\$0.0m - balanced
<u>(\$1.9)m GF deficit</u>

Total DHS GF position

\$0.0m - balanced

Implications for 2009-11

October 1, 2009

Implications for 2009-11

- **Cost shifts from 2007-09.**
- **TANF – some use of 2009-11 TANF FF**
- **Larger cash flow issues**

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