

WAYS AND MEANS CO-CHAIR BUDGET REVIEW
Attachments

Subcommittee on Human Services

Bill	Agency	Analyst
SB 5503	Blind, Commission for the	To
SB 5525	Health Authority, Oregon	MacDonald
HB 5026	Human Services, Department of	Byerly
SB 5520	Long Term Care Ombudsman	Byerly
SB 5522	Medical Board	Bushman Reinhold
SB 5523	Nursing, Board of	Bushman Reinhold
SB 5531	Psychiatric Security Review Board	MacDonald

Oregon Commission for the Blind

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	3,690,478	3,426,922	3,535,937	4,331,786	6,598,039
Other Funds	1,035,705	1,475,033	1,482,049	1,567,683	1,557,852
Federal Funds	14,088,099	16,372,609	16,645,593	16,071,581	15,994,599
Total Funds	\$18,814,282	\$21,274,564	\$21,663,579	\$21,971,050	\$24,150,490
Positions	56	68	68	67	68
FTE	52.21	62.53	62.53	65.00	66.00
*Includes Emergency Board and administrative actions through December 2018					

Program Description

The mission of the Oregon Commission for the Blind (OCB) is to assist blind Oregonians in making informed choices and decisions to achieve full inclusion and integration in society through employment, independent living, and social self-sufficiency. The agency's programs are focused on two main objectives: employment and independence. The Commission is a consumer-controlled, seven-member board appointed by the Governor. The Board appoints the agency's executive director.

At current service level (CSL), the Commission is funded with approximately 20% General Fund, 7% Other Funds, and 73% Federal Funds. General Fund and Other Funds are used to meet matching Federal Funds requirements.

Federal Funds are provided by formula and special grants from the U. S. Department of Education, Rehabilitation Services Administration (RSA) as authorized by the 1973 Rehabilitation Act (as amended). Vocational Rehabilitation basic support (Section 110) funds are the primary source of funding and have the following match rate:

1. Vocational Rehabilitation (VR) Basic Support: 78.7% federal, 21.3% state.
2. Independent Living (Older Blind and Part B), and In-Service Training Grants: 90% federal, 10% state.

In Oregon, starting with the 2017-19 biennium, the Department of Human Services receives 84.4% of Section 110 Vocational Rehabilitation basic support grant funding with the Commission receiving the remaining 15.6%. There is also a RSA maintenance of effort requirement that is based on the prior two years of funding. If funding is reduced, an equivalent amount of federal funding is lost. The RSA maintenance of effort agreement, however, is for the state as a whole, which again includes both the Department of Human Services and the Commission for the Blind RSA grant funding.

Other Funds include funds received through the Business Enterprise Set-Aside program and Randolph-Sheppard Vending Act, certain cooperative agreements with education providers, bequests and donations, the sale of aid devices to individuals who are blind, and interest income.

CSL Summary and Issues

The agency current service level budget, includes adjustments for payroll expenses and standard inflation, as well as the phase out of funds for a Case Management System Migration project.

Policy Issues

The agency requests:

- \$2,405,350 General Fund, 1 position, 1.00 FTE to fund the migration of the agency's Case Management System to a new vendor because the provider of the existing software is exiting the market after December 31, 2020.
- \$714,407 Total Funds [\$681,844 General Fund and \$32,563 Federal Funds] to maintain level of service for the VR program. The Workforce Innovation and Opportunity Act (WIOA) requires VR agencies to reserve and expend not less than 15% of their federal VR award specifically to provide pre-employment transition services to in-school youth (ages 14-21) with disabilities transitioning from school to postsecondary education programs and employment in competitive integrated settings. This requirement without additional funding has resulted in a strain on the remainder of the grant resources to maintain the level of services provided to all other eligible clients of the VR program who need services, training, and support to obtain and maintain employment.
- \$560,301 Total Funds [\$551,272 General Funds, (\$169,070) Other Funds, \$178,099 Federal Funds], 1.00 FTE to restore General Fund reductions taken in the 2017-19 budget for positions, increasing attorney general fees, and travel expenses.

The Governor's Budget:

- Reduced General Fund by a total of \$225,910 General Fund (Personal Expenses by \$82,431; Services and Supplies by \$9,929; DAS Statewide Service Charge by \$129,313; and Statewide AG Charge by \$4,237).
- Funded the agency's requested \$2,405,350 General Fund, 1 position, 1.00 FTE to fund the migration of the agency's Case Management System to a new vendor because the provider of the existing software is exiting the market after December 31, 2020.

Oregon Health Authority - Agency Totals

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	2,152,357,931	2,185,935,679	2,165,609,758	3,176,978,132	2,441,537,660
Lottery Funds	11,113,255	12,457,116	12,498,909	13,035,809	12,925,769
Other Funds	5,683,251,462	6,653,688,309	7,784,716,708	6,872,981,111	7,726,255,646
Other Funds (NL)	212,475,263	40,000,000	40,000,000	40,000,000	40,000,000
Federal Funds	11,189,125,905	10,913,483,621	11,588,998,140	11,608,886,871	11,721,326,187
Federal Funds (NL)	85,956,641	106,448,361	106,448,361	106,196,261	106,196,261
Total Funds	\$19,334,280,457	\$19,912,013,086	\$21,698,271,876	\$21,818,078,184	\$22,048,241,523
Positions	4,450	4,646	4,200	4,121	4,297
FTE	4,394.40	4,591.03	4,281.80	4,096.47	4,221.17

*Includes Emergency Board and administrative actions through December 2018.

Program Description

The Oregon Health Authority's (OHA's) mission is to help people and communities achieve optimum physical, mental, and social well-being through partnerships, prevention, and access to quality, affordable health care. The agency's strategy for reforming health care is framed around its goal of achieving the triple aim: improving the lifelong health of Oregonians; increasing the quality and availability of health care; and lowering the cost of care.

The agency's budget consists of the following seven program areas:

- Health Systems Division - includes both Medicaid and Non-Medicaid programs. The Medicaid program consists primarily of the Oregon Health Plan, which provides physical, behavioral, and oral health care coverage to low-income individuals. Non-Medicaid programs support critical elements in Oregon's community behavioral health system and serve as the behavioral health safety net for all Oregonians regardless of health care coverage.
- Health Policy and Analytics - includes offices providing policy support, technical assistance, and access to health information statistics and tools to all organizations participating in Oregon's health system transformation, including other programs within OHA.
- Public Employees' Benefit Board - provides health insurance for state and university employees.
- Oregon Educators Benefit Board - provides health insurance for K-12 school districts, education service districts, and community colleges.

- Public Health Division - addresses the social and behavioral drivers of health through programs involving community health, environmental public health, family health, and disease prevention and epidemiology.
- Oregon State Hospital - provides psychiatric care for adults from across the state at campuses in Salem and Junction City.
- Central Services, Shared Services, and State Assessments and Enterprise-wide Costs - supports the administrative functions of the agency.

CSL Summary and Issues

The agency's 2019-21 General Fund Current Service Level (CSL) budget is \$3.2 billion, which represents a net increase of \$1.0 billion, or 47 percent, over the 2017-19 Legislatively Approved Budget (LAB). Most of the \$1.0 billion agency-wide growth in General Fund occurs in the Health Systems Division and is largely the result of decreases in the level of Federal Funds and Other Funds revenue available to support the Oregon Health Plan.

Over 70 percent of the agency's total funds CSL budget, or \$15.3 billion, reflects payments to health care organizations for providing Medicaid services. These services are funded through a state-federal partnership in which the federal government matches, on average, nearly 72 percent of program costs. A significant portion of OHA's General Fund budget is linked to this matching arrangement. Although most of OHA's budget is in the Medicaid program, most of the agency's staff are in other programs. In particular, 55 percent of the positions at CSL are located in the Oregon State Hospital, which has unique staffing needs due to the 24-hour care it provides.

Policy Issues

- Oregon continues to face important policy decisions regarding how to finance the cost of the Oregon Health Plan. Although the upward pressure in the overall cost of health care remains an important issue to address, the predominant challenge in the 2019-21 budget deals with the amount of General Fund needed in CSL to backfill declining Federal Funds and Other Funds revenue. The amount of additional General Fund needed in CSL for the Oregon Health Plan is largely due to decreases in federal Medicaid matching rates, the statutory sunsets for provider assessments, and the loss of one-time revenue used in 2017-19. These revenue changes result in a combined shift of over \$800 million from Federal Funds and Other Funds to the General Fund in the Health Systems Division.
- The Governor's budget recommends \$632.5 million as part of a revenue package to help fund the Oregon Health Plan. This revenue proposal includes the following four components: 1) \$98 million from increasing the fully-reimbursable assessment on diagnostic related group (DRG) hospitals from 5.3 percent to 6.0 percent; 2) \$320 million from extending the insurer assessment, increasing it to 2.0 percent and assessing stop-loss plans; 3) \$119.5 million from implementing a new subsidized employer assessment; and 4) \$95 million by increasing the cigarette tax and taxing vaping products. This revenue package is intended to represent a six-year proposal.
- The next phase of health care transformation is referred to as "CCO 2.0." OHA's focus on this effort is guided by four priorities: 1) improve the behavioral health system; 2) increase value and pay for performance; 3) address social determinants of health and health equity; and 4) maintain sustainable cost growth. In October 2018, the Oregon Health Policy Board approved a comprehensive set of policy

recommendations surrounding these priorities. The agency plans to release a request for applications in January 2019 and award new contracts to coordinated care organizations (CCOs) in June 2019, with the new contracts implemented in January 2020. In terms of the 2019-21 budget development process, several of the investment proposals recommended by OHA support the general tenets of this effort. As the blueprint for CCO 2.0 becomes finalized and the related policy work progresses, additional areas for investment could be identified.

Other Significant Issues and Background

- The 2019-21 biennium represents the second biennium in which revenue from the Oregon Health and Sciences University (OHSU) intergovernmental transfer agreement is used to support the Oregon Health Plan. This agreement removed OHSU from the DRG hospital assessment structure and created a separate funding arrangement between OHA and OHSU based on quality and access to care. In addition to adjustments related to the amount of revenue projected for this program, the Governor's budget includes an additional \$25 million in revenue paid by OHSU compared to what OHSU would have contributed under the 2017-19 structure.
- The Governor's budget includes over \$100 million General Fund in new investment proposals, of which approximately \$72 million supports Policy Option Packages requested by the agency. Many of these investments are proposed with the intent to help children achieve their full potential (including recommendations from the Children's Cabinet), improve health outcomes, and enhance the behavioral health system.
- OHA's CSL budget is based on the caseload forecasts from Fall 2018. All Medicaid caseloads and two Non-Medicaid caseloads are considered "mandated" and are fully funded in CSL. The 2019-21 Legislatively Adopted Budget will ultimately be based on the Spring 2019 forecast for these caseloads.

OHA - Health Systems Division

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	1,429,495,915	1,422,175,819	1,335,821,718	2,317,851,205	1,568,517,617
Lottery Funds	11,113,255	12,225,546	12,243,339	12,762,588	12,658,194
Other Funds	1,987,538,640	2,633,695,924	3,563,223,374	2,539,162,810	3,360,871,463
Other Funds (NL)	57,724,836	-	-	-	-
Federal Funds	10,783,582,209	10,473,456,412	11,139,162,134	11,138,814,776	11,241,216,329
Total Funds	\$14,269,454,855	\$14,541,553,701	\$16,050,450,565	\$16,008,591,379	\$16,183,263,603
Positions	623	776	316	297	329
FTE	609.97	764.56	458.20	289.63	321.53

*Includes Emergency Board and administrative actions through December 2018.

Program Description

A key goal of the Health Systems Division is to ensure the systematic transformation of health care in the state by delivering integrated physical, behavioral, and oral health care services, strengthening the coordinated care model, and holding costs down by leveraging purchasing power. The division's budget is comprised of the following budget units: 1) Medicaid, which consists primarily of the Oregon Health Plan; 2) Non-Medicaid, which supports Oregon's community behavioral health system and serves as a behavioral health safety net regardless of health care coverage; and 3) Program Support and Administration, which provides the operational support needed to ensure the division is able to fulfill its mission.

CSL Summary and Issues

The 2019-21 CSL for General Fund is \$2.3 billion, which represents an increase of \$982 million, or 74 percent, over the 2017-19 LAB. The total funds CSL is \$16.0 billion, which is a slight decrease from the 2017-19 LAB.

The additional General Fund needed in the Health Systems Division is largely due to fund shifts related to the following changes in Federal Funds and Other Funds revenue: 1) decreases in federal Medicaid matching rates (\$442 million); 2) the statutory sunsets for provider assessments approved in 2017-19, specifically the 0.7 percent non-reimbursable DRG hospital assessment and 1.5 percent insurer assessment (\$284.3 million); and 3) decreases in Tobacco Master Settlement Agreement and tobacco tax revenues (\$82.4 million). Most of the CSL decrease in tobacco revenue results from the loss of \$63.3 million in one-time revenue available in 2017-19 under the Tobacco Master Settlement Agreement from a legal settlement of disputed funds with states.

Nearly half of the \$442 million General Fund cost related to decreases in federal Medicaid matching rates, i.e. the Federal Medical Assistance Percentage (FMAP), is tied to the step-down of the rate that supports the expansion population under the Affordable Care Act (ACA). An average of about 350,000 clients are expected to be served by the Oregon Health Plan during the 2019-21 biennium as a result of the ACA expansion. While the federal government paid 100 percent of the costs of the expansion population for the first three years, the ACA FMAP began decreasing in 2017 until it reaches a floor of 90 percent in 2020. Oregon's average biennial ACA FMAP drops from 94 percent in 2017-19 to 90.75 percent in 2019-21. The additional General Fund cost attributed to this change is estimated to be \$205 million in 2019-21. The remaining General Fund costs tied to this issue result from decreases in the FMAP used for the traditional Medicaid population and Children's Health Insurance Program.

Another significant General Fund cost results from inflation. Inflation for the Oregon Health Plan remains capped at an average of 3.4 percent per person per year, resulting in a General Fund impact of \$220.1 million. This impact includes the portion of inflation that would have been supported by Other Funds revenue if that revenue source was sufficient to fully cover its share.

General Fund savings of \$110 million is achieved in CSL from additional revenue received for the Oregon Health Plan under the OHSU intergovernmental transfer agreement. The additional revenue represents a six months phase-in of revenue and program growth pursuant to the number of OHP members served by OHSU. General Fund savings in CSL is also achieved from rural A/B hospital assessment revenue. Starting in 2017-19, rural A/B hospitals are now part of the fully-reimbursable hospital assessment program and are assessed at a lower rate than DRG hospitals. The 2019-21 CSL recognizes the phase-in of six-months of program revenue, resulting in General Fund savings of \$24 million.

CSL incorporates the impact of the Fall 2018 caseload forecasts for Medicaid and Non-Medicaid. All caseloads in the Health Systems Division for Medicaid are considered mandated. The CSL recognizes a forecasted Medicaid caseload of approximately 1,052,000, which is a modest increase compared to the caseload funded in 2017-19 when the CSL budget was developed. Much of the increase occurs in the ACA and Children's Health Insurance Program caseloads, which receive higher federal matching rates, whereas other caseloads that are more expensive to the state are decreasing. These caseload changes result in a net savings of \$0.8 million General Fund. Two caseload categories in the Non-Medicaid community mental health system are considered mandated, specifically the Guilty Except for Insanity and Civil Commitment caseloads. Increases in these caseloads result in a General Fund cost of \$3.1 million.

Policy Issues

- OHA's 2017-19 budget is the agency's first budget to incorporate a portion of recreational marijuana tax revenue statutorily dedicated for alcohol and drug abuse prevention, early intervention and treatment services. A total of \$50.6 million of this revenue was included in OHA's Non-Medicaid behavioral health budget. As a budget saving measure, a like amount of General Fund was removed from this program, with the intent that no services would be negatively impacted. However, due to the statutory requirements for how the marijuana tax revenue could be used, this action was ultimately only able to save \$34.6 million General Fund based on how the Non-

Medicaid funding was expended for alcohol and drug abuse services. OHA had to include the remaining \$16 million General Fund reduction in its budget for Non-Medicaid mental health services, which resulted in a funding shortfall in those services because the marijuana tax revenue could not be used for that purpose. To resolve this issue, Senate Bill 1555 (2018) was adopted to allow the marijuana tax revenue to pay for behavioral health services more broadly. This bill sunsets on June 30, 2019, which will again create a budget problem in Non-Medicaid mental health services absent any statutory or budgetary changes. The Governor's 2019-21 budget recommends eliminating the statutory sunset and further increases the General Fund savings by \$13.3 million based on a forecasted increase in marijuana tax revenue.

- In July 2016, OHA finalized the Oregon Performance Plan, which calls for expanding services and improving outcomes for adults with serious and persistent mental illness. The plan is the result of a collaborative process with the U.S. Department of Justice, which originally began in 2010 when USDOJ investigated conditions at the Oregon State Hospital, and later expanded into whether Oregon's community mental health services were sufficient to avoid unnecessary institutionalization of adults with mental illness. The three-year plan ends in July 2019 and the process beyond this date is currently unclear.

Other Significant Issues and Background

- The Governor's budget includes several investments within the Health Systems Division aimed at helping children achieve their full potential. Package 402 (School-Based Mental Health Promotion/Suicide Prevention) includes \$13.1 million General Fund to enhance suicide intervention and prevention in schools and expand school-based mental health treatment. Package 403 (Intensive In-Home Behavioral Health Services) recommends funding for intensive community-based behavioral health services to help Medicaid-eligible youth receive treatment in their home community as opposed to being referred to residential care. This package is funded at \$19.6 million total funds (\$6.6 million General Fund). The Governor's budget also includes \$13.8 million total funds (\$10.4 million General Fund) for regional assessments to support integrated evaluations and care planning for children and their families. Finally, \$5 million General Fund is included for multi-generational addictions treatment to expand prenatal and postpartum treatment and support for mothers.
- The Governor's budget recommends Package 410 (Aid and Assist Misdemeanor Defendants), which includes \$7.6 million General Fund to increase capacity at the community level to serve the Aid and Assist population instead of sending these patients to the Oregon State Hospital for treatment. This package is combined with statutory proposals supporting the same outcome.
- Similar to the Medicaid program, a portion of Tobacco Master Settlement Agreement and tobacco tax revenue is dedicated for Non-Medicaid mental health services. However, unlike the Medicaid program, the General Fund is not used to backfill decreases in this revenue for Non-Medicaid in CSL because most of the Non-Medicaid budget is not considered "mandated." The decision to backfill revenue decreases for Non-Medicaid is typically treated as a policy decision. In light of the forecasted decreases in revenue for this program, the Governor's budget includes \$9.1 million General Fund in Package 413 (Behavioral Health Funding Shortfall).
- The Governor's budget recommends Package 415 (Expanding Hepatitis C Coverage) to support treatment for all Medicaid-eligible individuals with Hepatitis C, regardless of stage. This package is funded at \$107.4 million total funds (\$10 million General Fund).

OHA - Health Policy and Analytics

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	22,205,930	31,512,233	46,280,124	48,127,235	51,290,254
Lottery Funds	-	-	24,000	24,912	24,000
Other Funds	5,803,968	20,061,297	39,582,250	35,186,855	30,375,215
Federal Funds	84,426,282	107,441,227	107,900,414	114,161,885	113,615,762
Total Funds	\$112,436,180	\$159,014,757	\$193,786,788	\$197,500,887	\$195,305,231
Positions	137	145	137	155	160
FTE	130.04	138.90	129.57	147.30	150.60

*Includes Emergency Board and administrative actions through December 2018.

Program Description

Health Policy and Analytics (HPA) includes offices that provide policy support, technical assistance, and access to health information statistics and tools to all organizations and providers participating in Oregon's health system transformation, including programs within OHA. Offices include the Office of Health Policy (including the Office of Clinical Improvement Services), Office of Health Analytics, Office of Delivery Systems Innovation, Office of Health Information Technology, and Office of Business Operations.

CSL Summary and Issues

The 2019-21 General Fund CSL is \$48.1 million, which is an increase of \$1.8 million, or 4.0 percent, from the 2017-19 LAB. The total funds CSL is \$197.5 million, which represents an increase of 1.9 percent from the 2017-19 LAB. The increase in General Fund is largely due to the phase-in of program funding approved in 2017-19, most of which is from the phase-in of funding for the Health Care Incentive Fund.

Policy Issues

The Common Credentialing Program was created to simplify the credentialing process for health care practitioners. As part of this program, state law required the agency to establish a web-based credentialing system to capture and store credentialing information provided by health care practitioners. Credentialing organizations would then use the system to obtain credentialing information and verifications. OHA leveraged its existing General Fund resources to fund the project in anticipation of the collection of fee revenue paid by users of the system. However, the project ended up being considerably more complex and expensive than initially predicted. The agency suspended the program in July 2018 to avoid further expenditures and project delays. Since the fee revenue did not materialize, the agency's December 2018 rebalance included \$5.5 million General Fund to repay the agency a portion of what it expended with its own resources on the project.

Other Significant Issues and Background

- The Governor's budget supports Package 404 (Office of Child Health), which provides \$0.9 million total funds (\$0.6 million General Fund) and four positions (3.50 FTE) to establish the Office of Child Health. This office is intended to help OHA improve the social determinants of health and health equity in Oregon, with a focus on the prenatal through age 5 population.
- Package 409 (Opioid Alternative Pain Education Modules) is proposed in the Governor's budget to develop pain education modules to change risky prescribing practices contributing to opioid addictions and promote alternative approaches for pain management. The package includes \$0.4 million total funds (\$0.3 million General Fund) and one position (0.88 FTE).
- The agency requests Package 411 (Behavioral Health System Investments) to advance the integration of the behavioral health system. The package supports three distinct functions: 1) a four-year incentive program to help behavioral health providers adopt electronic health records; 2) new staff and resources to establish a process for identifying clinics that meet the standards to be considered a behavioral health home; and 3) funding and positions to continue the work of the Mental Health Clinical Advisory Group, which has a statutory sunset of December 31, 2018. The Governor's budget supports this package with \$5.7 million total funds (\$5.4 million General Fund) and four positions (3.50 FTE), which is one less position than requested by the agency.
- The Governor's budget supports Package 416 (CCO 2.0), which includes \$1.9 million total funds (\$1.1 million General Fund) and seven positions (6.16 FTE) to support the agency's effort to implement CCO 2.0.
- Package 422 (Statewide Pharmacy Implementation Group) includes \$0.7 million total funds (\$0.4 million General Fund) and two positions (1.76 FTE) to strengthen the Oregon Prescription Drug Monitoring Program's ability to analyze and oversee existing program functions. The package would also assist in the alignment of OHA programs conducting pharmacy purchasing. The Governor's budget supports this package.

OHA - Public Employees' Benefit Board

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	1,846,192,434	1,966,713,889	2,046,798,409	2,098,771,459	2,099,657,653
Total Funds	\$1,846,192,434	\$1,966,713,889	\$2,046,798,409	\$2,098,771,459	\$2,099,657,653
Positions	19	19	19	19	21
FTE	18.50	18.50	18.50	18.50	20.50

*Includes Emergency Board and administrative actions through December 2018.

Program Description

The Public Employees' Benefits Board (PEBB) designs, contracts for, and administers health plans, group insurance policies, and flexible spending accounts for state and university employees and their dependents, representing over 139,000 Oregonians.

CSL Summary and Issues

The resources to pay for state employee health insurance through PEBB are included in each state agency's budget. These resources may be General Fund, Lottery Funds, Other Funds, or Federal Funds depending on how the personnel costs for each state agency are funded. Once these resources are transferred to PEBB, they are accounted for as Other Funds in PEBB's budget. In addition to premium costs, the Other Funds expenditure limitation in PEBB's budget also covers optional benefits selected by employees, such as life, disability, and long-term care insurance.

The inflation rate in CSL for both PEBB and the Oregon Educators Benefit Board (OEBB) continues at 3.4 percent per person per year, consistent with the Medicaid budget. Senate Bill 1067 (2017) codified this inflationary budget target for PEBB and OEBB.

Policy Issues

- Although the Board has mostly been successful in containing average per employee cost increases within its target thresholds, sustaining lower cost growth has become challenging, particularly as a new generation of expensive pharmaceuticals have entered the market. The actual cost increase between 2015 and 2016 was higher than the target at 5.0 percent but dropped to 2.6 percent between 2016 and 2017. A key part of PEBB's strategy to improve health outcomes while containing costs relates to promoting the use of coordinated care model (CCM) plans instead of more expensive preferred provider organization plans. CCM plans focus on primary care and prevention and have defined quality and access standards. This model also provides an opportunity for reducing the utilization of unnecessary services, improving coordination of disease management among varying providers, and using innovative reimbursement models. Around 60 percent of PEBB's members are now enrolled in a CCM plan.

- Senate Bill 1067 was the result of an initiative of the 2017 legislative session to find ways to reduce and control future government costs. The bill requires PEBB and OEBC to combine administrative functions and operations. It also limits hospital reimbursement rates for PEBB and OEBC to 200 percent of Medicare rates for in-network providers and 185 percent of Medicare rates for out-of-network providers. Finally, the bill eliminates “double coverage” and “opt-out” incentive payment for covered employees who have family members also employed by a PEBB or OEBC employer. Both the hospital and double coverage provisions are effective beginning with the 2020 plan year for PEBB (starting January 1, 2020) and the 2019-20 plan year for OEBC (starting October 1, 2019).

Other Significant Issues and Background

- The Governor’s budget proposes to transfer \$50 million in reserves from the PEBB Stabilization Fund to the General Fund. This transfer is intended to leave adequate reserves in the fund, as well as to pay for federal penalties.
- The agency is requesting Package 421 (Benefit Management System Replacement) to start the planning process to replace the benefit management systems used by PEBB and OEBC. The goal of the project is to replace both systems with a centralized solution to provide easier enrollment, better coordination of benefits management, and improved access to plan information. The total cost of the package is \$1.8 million and four positions (4.00 FTE), with both PEBB and OEBC each contributing half of the overall costs. This package is supported in the Governor’s budget.

OHA - Oregon Educators Benefit Board

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	1,507,266,355	1,628,844,689	1,709,882,105	1,739,526,870	1,740,361,217
Total Funds	\$1,507,266,355	\$1,628,844,689	\$1,709,882,105	\$1,739,526,870	\$1,740,361,217
Positions	22	19	19	19	21
FTE	22.00	19.00	19.00	19.00	21.00

*Includes Emergency Board and administrative actions through December 2018.

Program Description

The Oregon Educators Benefit Board (OEBB) administers medical, dental, vision, and other benefits for approximately 150,000 employees, retirees, and their family members in Oregon's K-12 school districts, education service districts, and community colleges. With the passage of House Bill 2279 (2013), cities, counties and special districts also became eligible to join the OEBB benefits program.

CSL Summary and Issues

OEBB is budgeted entirely with Other Funds revenue received from members' premium payments, which OEBB then expends to purchase insurance plans and pay administrative costs. The inflation rate budgeted in CSL for OEBB continues at 3.4 percent per person per year, as now required under Senate Bill 1067.

Policy Issues

OEBB has controlled costs by using alternative payment models, offering its members a wide-range of plans, and—much like PEBB—encouraging the migration from preferred provider organization plans to coordinated care model plans, which have lower premiums. OEBB has held annual medical premium increases below 3.4 percent since the 2010-11 plan year. In addition to the 3.4 percent per-member per-year inflationary threshold, Senate Bill 1067 prescribes other cost containment parameters with OEBB and PEBB, as discussed above.

Other Significant Issues and Background

The agency is requesting Package 421 (Benefit Management System Replacement) to start the planning process to replace the benefit management systems used by PEBB and OEBB. The goal of the project is to replace both systems with a centralized solution to provide easier enrollment, better coordination of benefits management, and improved access to plan information. The total cost of the package is \$1.8 million and four positions (4.00 FTE), with both PEBB and OEBB each contributing half of the overall costs. This package is supported in the Governor's budget.

OHA - Public Health

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	39,805,881	65,196,109	65,325,147	73,292,764	83,264,280
Other Funds	154,540,730	150,073,638	184,316,919	192,218,213	221,767,860
Other Funds (NL)	25,249,525	40,000,000	40,000,000	40,000,000	40,000,000
Federal Funds	211,115,309	236,650,545	248,100,646	262,783,627	277,647,023
Federal Funds (NL)	81,902,469	102,729,051	102,729,051	102,729,051	102,729,051
Total Funds	\$512,613,914	\$594,649,343	\$640,471,763	\$671,023,655	\$725,408,214
Positions	784	754	771	739	764
FTE	760.59	735.67	741.37	731.11	751.11

*Includes Emergency Board and administrative actions through December 2018.

Program Description

The Public Health Division administers a variety of programs addressing the behavioral and social drivers of health to ensure the state's physical and social environments promote health and make it easier for people to make healthy choices. Public Health's programs complement investments in health care programs by focusing on prevention and have important impacts on reducing the need for costly health care services. Oregon's public health system includes federal, state, counties and local agencies, private organizations, and numerous other partners. Public Health operates some programs directly and funds and coordinates other programs through local public health authorities across Oregon.

Public Health's budget is comprised of 55 percent Federal Funds, which consists of many different federal grants and other funding streams. Other programs are funded with various revenues from fees. General Fund makes up 10 percent of the division's budget and is concentrated in a few areas. These include state support of local public health authorities, administration, immunizations, HIV/STD/TB prevention, school-based health centers, family planning, the breast and cervical cancer screening program, and home visiting programs.

CSL Summary and Issues

The 2019-21 General Fund CSL is \$73.3 million, which is an increase of \$8 million, or 12.2 percent, over the 2017-19 LAB. The total funds CSL is \$671 million, which represents an increase of 4.8 percent from the 2017-19 LAB.

Apart from inflationary adjustments, the General Fund increase in CSL is largely driven by the phase-in of \$5.1 million for the provision of reproductive services established in House Bill 3391 (2017). The CSL phases out \$1.2 million in one-time General Fund added in the 2017-19

end-of-session bill for the Senior Farm Direct Nutrition Program and the Women, Infants, and Children Farm Direct Nutrition Program. A total of about \$270,000 General Fund remains in the budget for the two programs.

Policy Issues

- Medical marijuana revenue for the Oregon Medical Marijuana Program has significantly declined as medical marijuana dispensaries, processors, and growers have moved to the recreational market regulated by the Oregon Liquor Control Commission. Cardholders have also declined as more individuals take advantage of the recreational program. In the past, available medical marijuana revenues were used to replace General Fund in several core Public Health programs. Because of the recent large decreases in available medical marijuana revenue, these programs now face revenue shortfalls. The 2017-19 budget addressed this issue by replacing \$12.1 million of medical marijuana revenue with General Fund to avoid program reductions. This action left \$7.1 million in medical marijuana revenue continuing to support pass-through grants to local public health authorities. Based on current revenue estimates, most of this medical marijuana revenue will need to be replaced with General Fund in the 2019-21 budget. The Governor's budget includes \$5.5 million General Fund to help resolve the projected revenue shortfall in 2019-21.
- Public Health Modernization remains an important priority of the agency. In 2016, state and local public health authorities completed an assessment of the existing public health system and found significant gaps between the current system and a fully modernized system that provides core public health services to all Oregonians. The assessment estimated an additional \$105 million per year is needed to fully implement a modernized public health system. The 2017-19 budget included \$5 million General Fund for Public Health Modernization to begin addressing public health system gaps. This funding has been used to support communicable disease control, health equity and cultural responsiveness, and epidemiology foundational capabilities. In Package 405, OHA requests an additional investment of \$47.7 million in 2019-21 to continue the work already underway and to add resources for emergency preparedness and response, environmental health, and performance management. The Governor's budget uses revenue from the proposed increase in tobacco taxes to fund this package at \$13.6 million.
- Wallowa County returned its public health authority responsibilities to OHA as of April 2018. This is expected to result in the need for \$134,663 General Fund in 2019-21 for OHA to continue programs consistent with statutory requirements. The cost to continue these services is funded in the Governor's budget.

Other Significant Issues and Background

- The Governor's budget includes \$8.7 million total funds (\$4.1 million General Fund) in Package 401 to fund a Universal Home Visiting program to complement existing home visiting services.
- The Governor's budget includes Packages 418, 419 and 420 to support new fees or fee increases for the Drinking Water Services Program; Food, Pool, and Lodging Program; and Toxic Free Kids Program. The increased revenue associated with these fee proposals totals an estimated \$2 million in the 2019-21 biennium.

OHA - Oregon State Hospital

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	453,736,884	451,041,430	491,150,763	494,313,354	500,754,610
Other Funds	17,734,460	64,382,972	50,209,859	70,340,663	68,740,488
Federal Funds	45,372,776	31,392,627	32,302,027	38,792,314	38,653,318
Total Funds	\$516,844,120	\$546,817,029	\$573,662,649	\$603,446,331	\$608,148,416
Positions	2,269	2,289	2,286	2,283	2,345
FTE	2,268.82	2,281.95	2,279.45	2,282.82	2,314.32

*Includes Emergency Board and administrative actions through December 2018.

Program Description

The Oregon State Hospital (OSH) is an integral part of the statewide behavioral health system and provides psychiatric care for adults from all 36 counties. The hospital's primary goal is to help people recover from their mental illness and return to life in their communities. OSH operates two campuses - the Salem campus with a capacity of 620 beds and the Junction City campus with 174 beds. Patients receiving treatment in OSH fall into one of the following three commitment types:

- Civil Commitments - people who have been found by the court to be an imminent danger to themselves or others, or who are unable to provide for their own basic health and safety needs due to their illness.
- Guilty Except for Insanity (GEI) - people who committed a crime and are found by a court to be GEI. Although these patients receive treatment at OSH, they are under the jurisdiction of the Psychiatric Security Review Board.
- Aid and Assist - people who have been charged with a crime but have been found unable to participate in their legal proceedings due to a mental illness and are in need of mental health treatment to enable them to understand the criminal charges against them and "aid and assist" in their own defense.

CSL Summary and Issues

The 2019-21 CSL for General Fund is \$494.3 million, which is an increase of \$3.1 million, or 0.6 percent over the 2017-19 LAB. The total funds CSL is \$603.4 million, which represents a 5.2 percent increase from the 2017-19 LAB. General Fund represents approximately 82 percent of the CSL budget, which is down from 88 percent in the 2015-17 biennium. The main reason for the decline in the level of General Fund needed is due to OSH's efforts to increase the number of hospital-licensed beds that are eligible to be reimbursed by Medicare, Medicaid, and third-party insurance.

Policy Issues

- As a 24-hour institution, the Oregon State Hospital has very different operational requirements compared to the rest of the agency. The hospital's primary cost driver is staff, most of whom are involved in direct patient care. Reduction options that can sometimes be used in other parts of the agency, such as holding positions vacant, are generally not effective in the hospital because vacancies and, generally, lower hospital staffing, result in more overtime and contractual staffing costs. Reductions to the hospital's Services and Supplies budget can also be problematic since a significant portion is related to essential patient costs, such as food and medicine.
- While the number of GEI patients has declined in recent years, the number of Aid and Assist patients has significantly grown. This population has doubled since the beginning of 2012 and now comprises over 35 percent of the OSH population. By court order, these patients must be admitted within seven days of the court finding them unable to assist in their own defense. OHA has been collaborating with and investing in local communities to keep many of these patients in the local community for treatment, rather than sending the less serious offenders to OSH. Progress has been made in some counties, but other counties continue to send increasing volumes of patients. The December 2018 Emergency Board allocated \$1.5 million General Fund (through the Health Systems Division) to invest in community services aimed at reducing the Aid and Assist population at the hospital. The Governor's budget also includes an investment of \$7.6 million General Fund for the 2019-21 biennium.
- One of the consequences of the increasing number of Aid and Assist patients at the hospital is that there are fewer beds available for Civil Commitment patients. This scenario can result in long waits for Civil Commitment patients to be admitted to OSH, sometimes resulting in long stays at hospital emergency rooms that are often unsuited to treat patients with mental illness.
- With improvements made to the Oregon State Hospital in 2016, the hospital received federal certification for an additional 454 hospital-licensed beds. This certification enables the hospital to bill for certain services covered by Medicare, Medicaid, and third-party insurance. The hospital has been in the process of establishing the infrastructure, contracts, and processes to maximize this billing in 2017-19. The 2017-19 OHA budget included General Fund savings of \$30 million tied to an estimated \$40 million in additional Other Funds revenue anticipated from the increased level of billings. While revenues are up in 2017-19, the General Funds savings are expected to be \$15 million short of the budgeted target. The Emergency Board approved \$15 million General Fund as part of OHA's December 2018 rebalance to cover the Other Funds revenue shortfall in the 2017-19 biennium. At this time, the agency's Other Funds revenue forecast is expected to be achieved for the 2019-21 biennium.
- In July 2016, OHA finalized the Oregon Performance Plan, which called for expanding services and improving outcomes for adults with serious and persistent mental illness. The plan is the result of a collaborative process with the U.S. Department of Justice, which began in 2010 when USDOJ investigated conditions at OSH, and later into whether Oregon's community mental health services were sufficient to avoid unnecessary institutionalization of adults with mental illness. Under this three-year plan, the state is required to: 1) improve the way adults with mental illness transition to integrated community-based treatment from higher levels of care; 2) increase access to crisis services and community-based supports to avoid incarceration or unnecessary hospitalization; and 3) expand services and supports that

enable adults with mental illness to successfully live in the community, including strengthening housing and peer support services. The three-year period ends in July 2019, and it is uncertain if or how the process may continue.

Other Significant Issues and Background

In addition to the \$7.6 million General Fund included in the Governor's budget for community mental health investments, the budget also includes \$7.1 million General Fund to open a unit at the Junction City campus as a stop-gap measure to increase the hospital's capacity for serving Aid and Assist patients until community programs reduce that population. This investment assumed funding would also be appropriated at the December 2018 Emergency Board for the same purpose in 2017-19. However, the Emergency Board opted to invest in community programs instead of opening a new unit.

OHA - Central, Shared, and Statewide Assessments & Enterprise-wide Costs

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	207,113,321	216,010,088	227,032,006	243,393,574	237,710,899
Lottery Funds	-	231,570	231,570	248,309	243,575
Other Funds	164,174,875	189,915,900	190,703,792	197,774,241	204,481,750
Other Funds (NL)	129,500,902	-	-	-	-
Federal Funds	64,629,329	64,542,810	61,532,919	54,334,269	50,193,755
Federal Funds (NL)	4,054,172	3,719,310	3,719,310	3,467,210	3,467,210
Total Funds	\$569,472,599	\$474,419,678	\$483,219,597	\$499,217,603	\$496,097,189
Positions	596	644	652	609	657
FTE	584.48	632.45	635.71	608.11	642.11

*Includes Emergency Board and administrative actions through December 2018.

Program Description

This budget includes Central Services, Shared Services, and State Assessments and Enterprise-wide Costs. Central Services includes OHA's leadership and business support functions, such as the director's office, communications, Office of Equity and Inclusion, and budget and human resource functions.

Shared Services supports certain business functions for both OHA and the Department of Human Services (DHS) under a joint governance agreement. This program area includes the Office of Information Services, which supports technology systems and services, and the Information Security and Privacy Office, which provides information security services. Shared Services is funded entirely by Other Funds transferred from different OHA and DHS programs through a federally approved cost allocation plan.

State Assessments and Enterprise-wide Costs is the budget structure used to pay for central government assessments and usage charges, as well as debt service. Examples of these assessments include state government service charges, risk assessments, unemployment assessments, mass transit taxes, technology usage charges, and rent. The revenue to pay for OHA's portion of Shared Services is also included in this budget. Debt service costs related to building the new Oregon State Hospital are also included in the State Assessments and Enterprise-wide Costs budget structure. In 2019-21, these costs total \$63.9 million General Fund and \$3.5 million Federal Funds.

CSL Summary and Issues

The 2019-21 CSL for General Fund is \$243.4 million, which is an increase of \$16.4 million, or 7.2 percent, over the 2017-19 LAB. The total funds CSL is \$499.2 million, which is a 3.3 percent increase compared to the 2017-19 LAB.

The General Fund increase at CSL is primarily the result of standard inflationary costs and increases in the General Fund share of cost allocation expenses. Cost allocation is determined by a federally-approved methodology to allocate central and administrative costs to specific funding sources. The General Fund costs related to cost allocation have increased significantly since the 2015-17 biennium due to the inclusion of the Oregon State Hospital in the allocation methodology. More recently, the General Fund share of cost allocation has increased because of the transfer of Oregon Health Plan Member Services from OHA to DHS.

Policy Issues

None.

Other Significant Issues and Background

None.

Department of Human Services (DHS) – Agency Totals

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	2,713,968,780	3,109,000,548	3,206,487,172	3,723,069,270	3,797,162,519
Other Funds	484,567,909	598,001,557	666,808,960	570,282,885	623,272,839
Federal Funds	4,601,139,098	5,463,087,605	5,575,122,100	5,823,621,440	5,915,982,780
Federal Funds (NL)	2,129,912,523	2,214,345,331	2,214,345,331	2,214,345,331	2,214,345,331
Total Funds	9,929,588,310	11,384,435,041	11,662,763,563	12,331,318,926	12,550,763,469
Positions	8,029	8,349	9,075	9,162	9,339
FTE	7,877.90	8,164.07	8,616.92	9,084.50	9,122.81

* Includes Emergency Board and administrative actions through December 2018.

Program Description

The Department of Human Services (DHS) supports children, families, seniors, people with physical disabilities, and individuals with intellectual/developmental disabilities by providing a range of services through 170 field offices and many community partners. The agency's mission is to help Oregonians in their own communities achieve safety, well-being, and independence through services that protect, empower, respect choice, and preserve dignity. Programs are budgeted in five primary service groupings:

- Self Sufficiency (SS) – Assists low-income families by promoting family stability and helping them become self-supporting. Programs help clients meet basic needs, such as food and shelter, and provide job training, employment assistance, parenting supports, and childcare.
- Child Welfare (CW) – Provides prevention, protection, and regulatory programs for Oregon's vulnerable children. This includes programs that provide safe and temporary or, if necessary, permanent families for children that have been abused or neglected.
- Vocational Rehabilitation (VR) – Works with businesses, schools, and community programs to assist youth and adults with disabilities other than blindness to obtain, maintain, or advance in employment.
- Aging and People with Disabilities (APD) – Provides long-term care and other services to seniors and people with physical disabilities. Clients receive services in their own homes, in community-based care settings, and in nursing facilities.
- Intellectual and Developmental Disabilities (IDD) – Serves children, adults, and families affected by intellectual and developmental disabilities. Program services include in-home supports and out-of-home, 24-hour services delivered by various care providers.

CSL Summary and Issues

At an increase of \$516.6 million General Fund, the 2019-21 CSL is 16.1% General Fund and 5.7% total funds higher than the 2017-19 legislatively approved budget. Regarding General Fund, close to 50% of the increase is tied to caseload and cost per case increases, with other inflation, personal services cost increases, debt service, and phase-ins accounting for about 24% of the growth. A fundshift of \$140 million from Other and Federal Funds to General Fund contributes about 26% of the increase; this is primarily due to losing federal dollars because of a drop in Oregon's Federal Medical Assistance Percentage (FMAP).

Policy Issues

- Although a useful comparison for budget discussions, the CSL budget does not fully address issues, such as capped federal grants or limits on the use of TANF for administrative costs, that are creating structural (and expensive) budget problems.
- Recent investments in Child Welfare are helping address concerns from both executive and legislative leadership about child safety and staff workload in program but are likely to be assessed as inadequate. Challenges around using TANF to cover program costs is driving a need of at least \$40 million General Fund just to keep the program at existing levels, without any enhancements.
- An overarching policy/budget issue for the agency continues to be how to best prioritize a diverse set of programs at the agency-wide level and within individual programs and to what extent should a program be reduced – if no additional resources are available – to invest in a higher priority program.
- While DHS continues to bring forward options to stabilize caseloads and costs for both APD and IDD, proposed changes to these programs or their operations continue to encounter both political and legal challenges.
- Regarding budget choices, there are some project or budget needs, such as the ONE Integrated Eligibility & Medicaid Eligibility system project, that required funding to be completed and may have to be supported while compromising direct services in the short-term.
- There is an ongoing demand to increase rates for providers across the DHS services spectrum: these include providers of foster, child, residential, direct, and long term care.
- Potential or enacted federal law changes continue to affect the agency's budget; these include implementation of the Family First Prevention Services Act, Medicaid electronic visit verification requirements, Temporary Assistance for Needy Families (TANF) reauthorization, changes to the Supplemental Nutrition Assistance Program, Social Services Block Grant modifications, Home and Community Based Services (HCBS) settings rules, Workforce Innovation and Opportunity Act (WIOA) implementation, and Child Care Development Fund (CCDF) requirements.

Other Significant Issues and Background

- The CSL, which was adjusted during development of the Governor's budget, is based on the fall 2018 caseload forecast. The spring 2019 forecast will need to be incorporated into the 2019-21 legislatively adopted budget; depending on caseload trends, the updated forecast could result in either a net increase or decrease in the projected budget for caseload-driven expenditures.
- During the 2017-19 interim, the agency reported on position management activities as prescribed by budget note. Little progress was made on cleaning up vacant positions and double fills; next steps are yet to be determined. Budget note reporting was also required on Child Welfare and the Intellectual and Developmental Disabilities programs.
- The policy issues noted above are not all inclusive and subject to change, especially as legislative interests and priorities evolve.
- Since the 2017 legislative session, the Secretary of State Audits Division has released four performance audits, reviews, or advisories related to DHS programs:
 - Management Letter No. 100-2017-08-01; a review of concerns regarding Office of Payment Accuracy and Recovery's overpayment referral handling procedures.
 - Report No. 2017-23; an audit of the Aging and People with Disabilities Consumer-Employed Provider Program (heard by Joint Committee on Legislative Audits in November 2017).
 - Report No. 2018-05; an audit of Foster Care in Oregon (heard by Joint Committee on Legislative Audits in May 2018).
 - June 2018; an advisory report on Supplemental Nutrition Assistance Program (SNAP) Fraud Investigations.
- The agency request budget included 57 policy packages costing a total of \$663.7 million General Fund (\$1.2 billion total funds) and almost 4,000 positions. In addition to taking reductions and supporting select program investments, the Governor's budget funded all or portions of 15 of these packages. At \$12.6 billion total funds (\$3.8 billion General Fund), the Governor's budget is a 7.6% increase from the 2019-21 legislatively approved budget and a 1.8% increase from CSL.
- With some exceptions, standard program reductions in the Governor's budget for DHS increase vacancy savings by 5% and remove inflation on services and supplies expenditures. Statewide reductions tied to changes in Department of Administrative Services' (DAS) assessments and Department of Justice (DOJ) legal charges are also applied. The agencywide total for General Fund reductions is just over \$47 million; these savings effectively pay for more than half of the General Fund investment over CSL.

DHS – Self Sufficiency

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	437,708,507	346,281,476	395,195,756	457,882,613	445,941,437
Other Funds	101,806,247	100,233,063	108,963,729	91,182,241	102,201,768
Federal Funds	299,664,391	440,547,163	534,237,954	571,902,877	587,306,958
Federal Funds (NL)	2,129,912,523	2,214,345,331	2,214,345,331	2,214,345,331	2,214,345,331
Total Funds	2,969,091,668	3,101,407,033	3,252,742,770	3,335,313,062	3,349,795,494
Positions	2,043	2,049	2,514	2,522	2,520
FTE	2,034.49	2,048.63	2,358.29	2,519.10	2,517.10

* Includes Emergency Board and administrative actions through December 2018.

Program Description

Self Sufficiency (SS) programs assist low-income families by meeting critical needs while helping them become self-supporting. Major programs in this area include:

- The Supplemental Nutrition Assistance Program (SNAP) – Offers federally funded benefits to help low-income families, single adults, and childless couples buy the food they need to stay healthy. In September 2018, 625,523 Oregonians received SNAP benefits worth more than \$76 million for the month. The benefit costs are included in the budget as Nonlimited Federal Funds.
- Temporary Assistance to Needy Families (TANF) – Provides cash assistance grants, which, when coupled with SNAP benefits, supply basic supports for families with children under the age of 19 that meet eligibility criteria. In September 2018, a total of 20,567 families received TANF cash assistance. Income qualification and benefit amounts are based on family size and expenses. Other program services include assistance and support services for Domestic Violence survivors; services to families eligible for Supplemental Security Income or Supplemental Security Disability Income (pre-SSI/SSDI); and Family Support and Connections services to help families at risk of child abuse or neglect.
- Employment Related Day Care (ERDC) – Helps parents stay employed by subsidizing child care services for low-income working families. Clients make a co-payment based on income and household size, and the state subsidizes the remaining costs up to the DHS maximum rate. In September 2018, 8,022 families received ERDC subsidies for 15,231 children in day care.

Programs are administered through coordination and collaboration with families and individuals as well as community partners, and through direct services provided by state staff. Field staff provide program services and benefits to clients through more than 100 field and branch offices throughout the state.

CSL Summary and Issues

The 2019-21 current service level for General Fund is \$457.9 million. This is an increase of \$62.7 million or a 15.9% increase over the 2017-19 legislatively approved budget. The total funds current service level is \$3.3 billion, or an increase of \$82.6 million over the 2017-19 approved budget. Notable CSL adjustments for Self Sufficiency include a phase-in of \$9.5 million General Fund due to the transfer of Medicaid eligibility services from the Oregon Health Authority (OHA) to DHS. While the change occurred during the 2017-19 biennium, the budget needs further adjustments to pay for this centralized eligibility work and associated tools. To account for the use of one-time federal dollars for ERDC and TANF, \$29.2 million General Fund is added to backfill those expenditures and maintain programs.

Policy Issues

By mid-2019, the DHS caseload forecast projects TANF caseloads to fall to levels not seen since autumn 2006 (pre-recession levels). While the both the floor itself and the timing for reaching it have fluctuated in recent forecasts, the 2017-19 budget pulled \$60 million General Fund out of the TANF budget to account for the caseload decline. The amount of General Fund left in the program is expected to be adequate for meeting federal 2017-19 Maintenance of Effort (MOE) requirements, but the reduction has given the program less flexibility for managing within a 15% cap on program administrative costs; these administrative costs accrue in both Self Sufficiency and Child Welfare, since a portion of the federal TANF funds are also used in the latter program.

The Department estimates it needs \$60 million General Fund in 2019-21 to cover administrative costs beyond the cap and realign General Fund/TANF between the two programs; the TANF block grant has not increased since 1996. This loss of purchasing power over the last 20 years exacerbates the impact of administrative costs, as they continue to grow (largely driven by employee salaries). The maximum TANF cash assistance grant (one parent with two children) has been capped at \$506 per month since 2011, which concerns anti-poverty advocates.

Recently, DHS and the Oregon Department of Education, Early Learning Division (ELD) developed a plan on how best to spend an increase in federal Child Care Development Block Grant (CCDBG) resources made available for Federal Fiscal Year (FFY) 2018. This additional \$25.6 million must obligated or liquidated (spent) by September 30, 2019. Portions of the plan were acted on by the Emergency Board at its September 2018 meeting, with additional ELD actions and ERDC changes in December. The cost of the plan going forward needs to be built into the 2019-21 budget, along with expectations for what happens if federal funds do not continue to be awarded at the higher level.

Other Significant Issues and Background

The 2019-21 agency request budget for the program included 7 policy packages at a combined cost of \$60.5 million General Fund (\$63.6 million total funds). These include \$20 million each for emergency housing assistance and ERDC. A total of 107 positions (95.48 FTE) would fund the workload model at 100% and true-up agency position or classification issues.

The Governor's budget does not pay for any new General Fund initiatives but does add \$1.7 million General Fund to cover 2019-21 costs associated with the carrying forward budget actions approved by the Emergency Board in December 2018. The budget includes non-General

Fund policy packages from the agency request budget that expand ERDC, continue grant funded limited-duration position, promote education attainment for parents, and transfer TANF funds to Oregon Housing and Community Services to help provide emergency housing.

The budget also transfers the agency's Runaway and Homeless Youth program internally from Child Welfare to Self Sufficiency) and realigns some TANF spending between Federal Funds and General Fund. The Governor's 2019-21 budget for Self Sufficiency is a 3.0% increase over the 2017-19 legislatively approved budget and a less than one percent increase over current service level; General Fund is 2.6% below CSL.

DHS – Child Welfare

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	396,011,542	551,626,007	601,121,145	705,519,866	761,934,034
Other Funds	18,124,012	28,127,216	33,823,561	40,052,237	39,495,732
Federal Funds	498,823,061	488,649,642	540,082,805	591,606,400	525,802,194
Total Funds	912,958,615	1,068,402,865	1,175,027,511	1,337,178,503	1,327,231,960
Positions	2,590	2,745	2,920	3,139	3,217
FTE	2,544.82	2,686.79	2,761.73	3,081.46	3,045.70

* Includes Emergency Board and administrative actions through December 2018.

Program Description

Child Welfare (CW) programs work to assure the safety of children and provide services to their families, by responding to reports of child abuse or neglect, providing in-home supports or out-of-home care when necessary, and arranging adoption or guardianship services and supports. The children served are dependent, neglected, abused, mentally or physically disabled, and/or placed in the state's legal custody.

- Child Safety Services – Assesses reported child abuse or neglect and, if needed, prepares and implements safety plans for children, including case management or contracted services for families. Services may include substance abuse treatment, domestic violence and sexual abuse services, in-home safety and reunification services, and System of Care flexible funding. The Strengthening, Preserving and Reunifying Families (SPRF) program delivers community based programs and services for children and families involved in the child welfare system. Under Differential Response (DR), caseworkers conduct a safety assessment, the family participates in a needs and strengths assessment, and alternative services may be offered; however, with passage of SB 942 (2017) the DR program was suspended. The bill requires every Child Protective Services (CPS) investigation to conclude with a disposition of founded, unfounded, or unable to determine; this disposition requirement does not fit with the Department's DR model.
- Substitute (out-of-home) Care – Represents a broad range of care, supervision, and treatment services for children in temporary or permanent custody of the state. Family foster care homes and "special rates" foster care are the primary service elements. Residential Care is provided by private agencies in residential or therapeutic foster care settings for children who cannot live in a family setting. Providers are reimbursed for a portion of the cost of a child's room and board, clothing, school supplies, and personal incidentals; medical, dental, and mental health services are also provided for children in the state's custody. For older youth, independent living services help with the transition out of the foster care system.

- Adoptions Program – Provides adoption and guardianship services to help achieve permanent living placements for children in the child welfare system who cannot return home, including subsidy payments to help remove financial barriers to adoption or guardianship for special needs children.

CSL Summary and Issues

The 2019-21 current service level for General Fund is \$705.5 million. This reflects an increase of \$104.4 million or a 17.4% increase over the 2017-19 legislatively approved budget. The total funds current service level is \$1.3 billion, or an increase of \$162.2 million over the 2017-19 budget.

The CSL for Child Welfare contains \$37 million General Fund (\$8.6 million Federal Funds) and 228 positions (109.00 FTE) to maintain staffing at 87.9% of the workload model as approved for 2017-19; this count includes 150 case worker positions. The CSL also includes the roll-up of 186 positions (85.390 FTE) that were added by the Legislature in the 2019 session. To address cost per case and nonstandard inflation related to caseload, General Fund is increased by \$29.4 million. Due to changes in federal match rates, an expiring waiver, and capped federal funding sources, \$11.7 million is shifted from Federal Funds to General Fund.

Policy Issues

Interim reporting and the Secretary of State audit on foster care continue to highlight concern about the program; while some investments have been made it is difficult to assess to what extent the agency is making progress on child safety, provider oversight, policy alignment, program performance, system accountability, and culture change. Areas of effort and interest with a budget lens include:

- Recruitment, hiring, and retention of quality caseworkers
- Effective use of newly authorized positions and ability to strategically deploy existing positions
- Next steps for legal representation of caseworkers and assessment of associated outcomes
- Ability to track and respond to changes in federal programs or funding
- Future impact and resource needs related to a new workload model still under development
- Impacts on program and outcomes related to program leadership changes
- Potential disconnects between what data indicate and anecdotal or other information on program performance
- Challenges in determining what the next best investment might be and inability to prioritize next steps

Policy and funding implications of the federal Family First Prevention Services Act are still being identified and have not yet been addressed in the budget. While the act was passed in February 2018, related federal guidance and instructions were not issued until late fall 2018; the law makes substantial changes to federal financing of child welfare and has significant implications for the structure of the Oregon's program.

Other Significant Issues and Background

The 2019-21 agency request budget for the program included 16 policy packages at a combined cost of \$311.4 million General Fund (\$342.7 million total funds). These numbers include a total of 3,228 positions (3,177,61 FTE), however, more than 2,400 of these are currently existing positions that were formerly supported by Federal Funds—primarily TANF funds that are proposed to be retained in Self Sufficiency—that cost \$65.6 million General Fund to continue. The net increase of 808 “new” positions (\$105.5 million General Fund) includes 375 positions to bring the workload model to 100%, 126 positions for case aides and other support functions, and 119 positions for centralized screening. Another \$118.9 million General Fund, along with 161 positions (141.68 FTE) would restore and expand services formerly supported by the IV-E waiver. The Governor’s budget for Child Welfare is a 13.0% total funds increase over the 2017-19 legislatively approved budget and almost 1.0% below current service level, however, the General Fund is 8.0% over CSL. The vacancy savings increase for this program is limited to 2.5% of personal services (instead of 5%); in addition to this action other spending decreases include the removal of one-time funds and adjustments tied to lower federal revenues. The timing of mandated caseload positions built into CSL is changed to bring positions one halfway through the biennium, which reduces General Fund need by \$14 million.

Freeing up General Fund helps cover several budget needs or investments, including an increase of \$40 million General Fund to maintain positions otherwise lost due to TANF funding constraints and \$3.5 GF to strengthen therapeutic foster care; this last item includes several elements to be developed with agency partners under a more robust system of care model. Funding for caregiver training at \$1.2 million General Fund will increase training for relative and non-relative foster care providers to assure the safety of children. Efforts to improve foster family recruiting will be shored up with \$3 million General Fund to pay for specialized family foster care recruitment team; this amount includes funding for 17 positions (17.00 FTE).

An increase of \$8.5 million General Fund supports higher monthly service rates, along with enhanced and expanded services, for the independent living program. A new program for sex education for foster youth, at a cost of \$1.7 million General Fund, is intended to ensure adolescents have the knowledge, confidence, and skills necessary for improving sexual health outcomes. Expansion of the KEEP program, which provides enhanced trauma informed training for foster parents, is funded with \$3.1 million General Fund. Completing the statewide roll out of caseworker legal representation, by the Department of Justice for caseworkers, is covered with \$6 million General Fund.

A pilot project that is intended to improve visitation services for parents and children through interactive visit coaching, is funded with \$5.5 million General Fund; this effort includes two new positions (2.00 FTE). Finally, the Governor’s budget also includes \$10.2 million General Fund and 46 positions (45.28 FTE) to finish implementation of the Oregon Child Abuse Hotline.

DHS – Vocational Rehabilitation

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	24,965,718	29,086,009	29,533,924	35,629,792	35,271,840
Other Funds	2,315,297	2,331,562	2,337,472	2,436,795	3,013,701
Federal Funds	83,526,341	81,129,815	85,660,464	83,014,868	83,968,066
Total Funds	110,807,356	112,547,386	117,531,860	121,081,455	122,253,607
Positions	260	259	259	258	261
FTE	258.09	258.25	258.25	257.04	260.04

* Includes Emergency Board and administrative actions through December 2018.

Program Description

Vocational Rehabilitation (VR) services works with businesses, schools, and community programs to help youths and adults with disabilities other than blindness prepare for and find employment. On average, 11,197 clients per month are expected to be served in 2019-21 biennium, which is a 6.3% increase from the current biennium.

- Vocational Rehabilitation “Basic Services” – Provides training, vocational, and educational services to persons with disabilities that are substantial impediments to obtaining or maintaining employment. These services are delivered through field offices and employees out stationed across the state.
- Youth Transition Program – Provides coordinated vocational rehabilitation services to students who are currently in school to ensure a smooth transition to adult services and employment after school completion.
- Supported Employment Services – Provides intensive training, job placement, and job coaching services to individuals with the most significant disabilities who can obtain competitive employment.
- Independent Living Program – Supports the State Independent Living Council and community-based Centers for Independent Living, which help persons with severe disabilities maintain independence at home, in the community, and in employment.

CSL Summary and Issues

The 2019-21 current service level for General Fund is \$35.6 million. This is an increase of \$6.1 million or a 20.6% increase over the 2017-19 legislatively approved budget. The total funds current service level is \$121.1 million, or an increase of \$3.5 million over the 2017-19 budget.

The CSL includes an increase of \$4.9 million General Fund to backfill one-time federal reallocation funds that were used to support program services in 2017-19. Vocational Rehabilitation caseloads are not considered mandated, so adjustments to account for caseload growth or costs above inflation are not built into CSL.

Policy Issues

The program continues to be challenged by increasing caseload and requirements associated with federal Workforce Innovation and Opportunity Act (WIOA) implementation; no new funding accompanied the law changes.

In addition, while the program has been repeatedly successful in requesting and receiving federal reallotment dollars to maintain the program, increases in both caseloads and costs also increase the risk of having to operate under an order of selection to manage the program; this action is required when demand for services exceeds capacity and budget. The order mandates that services must be provided first to the most severely disabled individuals, with people who cannot be served placed on a wait list. DHS has not had to use the list since July 2010, but the program continues to assign priority levels to individuals in preparation for reinstituting a wait list if needed.

Other Significant Issues and Background

The 2019-21 agency request budget for the program included 7 policy packages at a combined cost of \$19.9 million General Fund (\$20.2 million total funds). Funding requests include \$6.1 million General Fund for career technical education and youth transition program services, along with 10 positions (10.96 FTE) and \$3.1 million General Fund to help cover WIOA costs and true-up positions. Fully supporting the workload model at 100% would cost \$9.6 million General Fund to support 62 new positions (46.50 FTE).

The Governor's budget does not pay for any new General Fund initiatives but does add \$4.4 million Federal Funds to build in expected federal reallotment dollars. A little over half a million Other Funds and three positions will support pre-employment transition services; under federal law the program is required to coordinate with school districts to provide these services for all students with disabilities who are or may be eligible for VR services. The Governor's 2019-21 budget for Vocational Rehabilitation is a 4.0% increase over the 2017-19 legislatively approved budget and a 1.0% increase over current service level; General Fund is 1.0% below CSL.

DHS – Aging and People with Disabilities

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	866,700,420	1,028,740,708	1,018,971,037	1,207,637,026	1,231,954,898
Other Funds	187,143,856	228,832,647	265,740,018	218,081,806	217,368,227
Federal Funds	1,958,014,226	2,289,999,875	2,255,802,269	2,435,466,260	2,451,068,784
Total Funds	3,011,858,502	3,547,573,230	3,540,513,324	3,861,185,092	3,900,391,909
Positions	1,348	1,464	1,488	1,457	1,487
FTE	1,337.90	1,397.51	1,407.26	1,447.97	1,489.22

* Includes Emergency Board and administrative actions through December 2018.

Program Description

Aging and People with Disabilities (APD) and its partners provide services for seniors and adults with physical disabilities. Historically, APD administered Oregon's Medicaid long-term care program per a federal Home and Community-Based Care (HCBS) waiver under Section 1915(c) of the Social Security Act. Since July 2103, many services now fall under the K Plan, which is a Medicaid state plan option authorized under the Affordable Care Act. Oregon Project Independence (OPI) provides in-home services outside of the Medicaid program. Federal Older American Act services include abuse prevention, caregiver supports, medication management, nutrition services, senior employment, legal issues, and other support services. The program also includes federally required supports to aged, blind, and disabled persons who receive Supplemental Security Income (SSI).

Medicaid long-term care services for the elderly and clients with physical disabilities fall into one of three major delivery categories: in-home programs designed to delay the need for costlier institutionalized care; community-based facilities or "substitute homes;" and nursing facilities. In-home care services are provided by home care workers who are employees of the client with oversight by the Home Care Commission and through providers working through local Area Agencies on Aging (AAAs). Community-based facilities include adult foster care homes, assisted living, residential care, and enhanced residential care.

Eligibility for Medicaid long-term care is based in part upon the ability to perform certain activities of daily living. Applicants for Medicaid long-term care are evaluated on their ability to perform activities of daily living such as eating, toileting, mobility, bathing, and dressing. This evaluation is used to rank the applicant within categories known as "service priority levels." Priority level 1 clients are those most unable to perform activities of daily living and more likely to need services offered in nursing facilities. In contrast, those at lower priority levels are less impaired and more likely to receive in-home assistance. Oregon provides services for clients in categories 1 through 13. Participation can also be tied to income, assets, and eligibility under other programs.

APD is the state administrator of the Older Americans Act (OAA), a federal program targeted to people 60 years of age and older. The state distributes the funds to local partners, which deliver a variety of services including information and referral, transportation, congregate meals and “meals on wheels,” senior employment programs, legal services, insurance counseling, and family caregiver counseling and training.

CSL Summary and Issues

The 2019-21 current service level for General Fund is \$1.2 billion. This is an increase of \$188.7 million or a 18.5% increase over the 2017-19 legislatively approved budget. The total funds current service level is \$3.9 billion, or an increase of \$320.7 million over the 2017-19 budget.

Growth in the CSL for the Aging and People with Disabilities’ program budget is largely driven by caseload growth and associated costs. Fund shifts, mostly due to the FMAP rate change, increase General Fund need by \$51.1 million. The CSL also includes \$21.4 million General Fund to cover phased-in program costs and the roll-up of positions approved in the 2017-19 biennium.

Policy Issues

With implementation of the K Plan in the 2013-15 biennium, DHS was able to expand person-centered and community-based services for eligible seniors and people with physical and developmental disabilities. The plan also allows Oregon to receive a six percentage point increase in the matching rate the state receives from the federal government. These additional dollars are built into the budget but have not been able to offset growth in caseload and cost per case, some of which are associated with the K Plan or other policy changes.

More recently, as part of legislative budget discussions during both the 2015 and 2017 legislative sessions and concerns about caseload and cost growth, DHS was directed to develop program sustainability options. This resulted in some program changes built into the 2017-19 legislatively adopted budget, however, the cost savings associated with those changes has been impacted by a legal challenge and its related settlement agreement.

Other Significant Issues and Background

The 2019-21 agency request budget for the program included 12 policy packages at a combined cost of \$102.3 million General Fund (\$134.5 million total funds). Funding requests support a total of 326 positions (296.69 FTE) and cover initiatives including full funding of the workload model, position true-up actions, additional case management and system access efforts, family caregiver and community supports, adult protective services resources, deaf and hard of hearing program services, and information technology initiatives.

The Governor’s budget for Aging and People with Disabilities is a 10.2% increase over the 2017-19 legislatively approved budget and a 1.0% increase over current service level; General Fund is 2.0% over CSL. Included in the budget is \$25.5 million General Fund (\$37.2 million total funds) to cover rate and cost of living increases for certain service providers: adult foster homes, assisted living facilities, residential care facilities, memory care facilities, Providence ElderPlace, and in-home agencies. The investment also includes 25 surveyor positions (25.00 FTE) to eliminate a backlog of inspections and to keep up with required ongoing oversight. Additional General Fund and position authority

will cover 2019-21 costs associated with the carrying forward budget actions approved by the Emergency Board in December 2018; these are resources needed to address nursing facility complaint investigations.

DHS – Intellectual and Developmental Disabilities

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	750,571,318	885,640,676	880,473,687	997,381,374	988,557,917
Other Funds	39,769,895	27,952,491	28,113,603	28,964,390	34,959,435
Federal Funds	1,592,951,485	1,808,925,375	1,810,396,130	1,883,854,298	1,892,467,815
Total Funds	2,383,292,698	2,722,518,542	2,718,983,420	2,910,200,062	2,915,985,167
Positions	958	903	914	913	924
FTE	893.69	902.00	909.70	912.42	895.94

* Includes Emergency Board and administrative actions through December 2018.

Program Description

The Intellectual and Developmental Disability (IDD) program serves over 25,000 children and adults with intellectual and developmental disabilities throughout their life span. This program's mission is to help individuals be fully engaged in life and, at the same time, address any critical health and safety needs. The state, counties, brokerages, providers, families, and self-advocates are all critical parts of Oregon's Developmental Disabilities service system that focuses on individuals with I/DD living in the community and having the best quality of life at any age. Oregon no longer has an institutional facility for persons with developmental disabilities, so all clients are served in the community. Most of these services are administered under Medicaid waivers.

To receive services, individuals must meet eligibility requirements and have intellectual or developmental disabilities that impede their ability to function independently. These disabilities include mental retardation, cerebral palsy, Down's syndrome, autism, and other impairments of the brain that occur during childhood. Some program clients also have significant medical or mental health needs.

Community Developmental Disability Program (CDDP) offices at the county level determine eligibility for I/DD services, assess client needs, determine service rates, arrange and oversee contracts with providers, and respond to protective services issues. Regional brokerages provide case management and link individuals with services. Local providers deliver the support and residential services. The budget covers payments to counties and brokerages for program administration as well as for program services. Brokerage enrollment is capped, so when services demand increases, the CDDPs try to cover the gap.

In-home services are typically provided by individuals hired by the client, with the help of a personal agent, who gives them the assistance they need to remain in their own homes. Primary support services available include home modifications and services to help clients function appropriately within their communities, respite care for primary caregivers such as parents, and non-medical transportation. Other clients

may live in residential facilities or group homes. The Stabilization and Crisis Unit (SACU) provides 24-hour community residential care for approximately 100 people who have intensive support needs because of medical or behavioral conditions.

CSL Summary and Issues

The 2019-21 current service level for General Fund is \$997.4 million. This is an increase of \$108.1 million or a 12.3% increase over the 2017-19 legislatively approved budget. The total funds current service level is \$2.9 billion, or an increase of \$197.0 million over the 2017-19 approved budget. The CSL for IDD also is heavily influenced by caseload growth, with \$23.0 million included to address mandated caseload costs. Phase-ins drive an increase of \$4.1 million General Fund; these are primarily tied to the roll-up of provider rate increases and collective bargaining agreements. Even after applying participation rate savings, a lower FMAP requires backfill of \$43.3 million General Fund to offset the projected loss in federal resources.

Policy Issues

With implementation of the K Plan in the 2013-15 biennium, DHS was able to expand person-centered and community-based services for people with developmental and intellectual disabilities. Under the K Plan, access to services for children is virtually unrestricted while lifting caps on support services make programs more attractive to adult clients. Trying to estimate how many more clients, particularly children, may come seeking services is challenging.

Lawsuits or other legal actions have historically impacted this caseload; for example, the class action settlement agreement for a 2012 lawsuit (Lane v. Brown) that alleged Oregon unnecessarily segregates individuals with IDD in sheltered workshops, in violation of the rights of these individuals under federal law. In 2013, under executive orders and with funding from the Legislature, the agency committed to phasing out sheltered workshops and to replace them with employment services directed toward integrated workplaces. Over the last two biennia, \$13 million General Fund (\$27 million total funds) has been directly added to the budget for these efforts.

Action related to a 2017 lawsuit filed by Disability Rights Oregon, C.S. v Saiki Lawsuit, prevented IDD from using the Adult Needs Assessment (ANA) and Child Needs Assessment (CNA) to reduce authorized in-home service hours prior to levels authorized up to September 2016. This eliminated expected cost savings and required the program to develop and implement improved assessment and service planning processes.

Other Significant Issues and Background

The 2019-21 agency request budget for the program included 7 policy packages at a combined cost of \$120 million General Fund (\$342.1 million total funds). Funding requests including funding the workload model at 100%, at \$19.3 million General Fund, and \$84.9 million General Fund to better support the workforce. Other initiatives would true-up positions, improve supports for children with significant needs, provide more employment services, and begin work on a statewide program data system.

Along with taking reductions for a higher vacancy rate and removing services and supplies inflation, the Governor's budget makes the following program reductions in IDD. These include using the remainder of the Fairview Trust, closing the SACU Elliott homes, reducing CDDP and brokerage equity from 95% to 93%, and lowering the budget tied to job coaching hours. Collectively, actions curtailing spending freed up \$17.3 million General Fund.

The Governor's budget includes one policy package to help children with significant needs by adjusting residential capacity and slots to support step down from more restrictive group home settings, along with expanding the capacity in the waiver programs that support children with intensive medical needs in their family homes. This investment costs \$25.5 million total funds (\$8.5 million General Fund) and includes 11 positions (7.52 FTE). The total funds Governor's budget for Intellectual and Developmental Disabilities is a 7.2% increase over the 2017-19 legislatively approved budget and just barely above current service level; General Fund is almost 1% below CSL.

DHS – Central Services, Shared Services, and Statewide Assessments and Enterprise-wide Costs

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	238,011,275	267,625,672	281,191,623	319,018,599	333,502,393
Other Funds	135,408,602	210,524,578	227,830,577	189,565,416	226,233,976
Federal Funds	168,159,594	353,835,735	348,942,478	257,776,737	375,368,963
Total Funds	541,579,471	831,985,985	857,964,678	766,360,752	935,105,332
Positions	830	929	980	873	930
FTE	808.91	870.89	921.69	866.51	914.81

* Includes Emergency Board and administrative actions through December 2018.

Program Description

This program unit display combines three central budget structures providing an array of services and supports for DHS and, in the case of Shared Services, for Oregon Health Authority (OHA) programs. Central Services includes functions directly related to policy and program in the agency, such as the agency director's office, communications, portions of budget and human resources, and the Governor's Advocacy Office.

With the transition of some former DHS programs to OHA, a number of support functions were designated as shared services. Some functions are housed in OHA and some in DHS, but all shared services units support both agencies. DHS' portion of Shared Services includes budget, forecasting, financial services, human resources, facilities, research and analytics, imaging and records, contracts and procurement, training, internal audit, payment recovery, and background checks.

The budget for Statewide Assessments and Enterprise-wide Costs (SAEC) contains various Department of Administrative Services' assessments/charges (e.g., State Data Center, Risk Management, Chief Financial Office), Central Government Services Charges, Oregon State Library, and Secretary of State audits. It also includes direct charges, shared services funding, rent, debt service, and computer replacements.

CSL Summary and Issues

The 2019-21 current service level for General Fund is \$319.1 million. This is an increase of \$36.1 million or a 13.5% increase over the 2017-19 legislatively approved budget. The total funds current service level is \$766.4 million, or a decrease of \$91.6 million from the 2017-19 budget.

The total funds CSL decrease is due to the phase-out of Other and Federal Funds associated with system development of the ONE Integrated Eligibility & Medicaid Eligibility project; the next phase of the project is requested in a policy package.

Policy Issues

In Central Services, the agency has been carrying a significant number of doublefills to staff up functions at the desired levels and has been using program/field resources to help cover some of these costs. A path to correcting this mismatch and inconsistency between budget execution and the budget approved by the Legislature needs to be developed.

Other Significant Issues and Background

These budget structures are affected by or connected to 17 policy packages in the 2019-21 agency request budget, at a combined cost of \$43.4 million General Fund (\$227.6 million total funds) and 170 positions (152.12 FTE). Some packages support investments in direct service programs, while others add resources for equity and inclusion efforts, civil rights services, systems projects, and to true-up positions.

The total funds Governor's budget for these combined program units is a 9.0% increase over the 2017-19 legislatively approved budget and a 22.0% increase over current service level; General Fund is 4.5% over CSL. The substantial increase over CSL is due to the next phase of an integrated eligibility system, called ONE Integrated Eligibility and Medicaid Eligibility (ONE IE & ME). As noted above, prior biennium project spending was phased out in CSL and the 2019-21 project estimated need of \$173.6 million total funds is included in a policy package. Due to project timeline changes since the Governor's budget was released, it is likely funding beyond this amount will be needed in 2019-21.

Other components funded by the Governor include maintenance and operations costs of the Centralized Abuse Management system; two positions to assist in the Oregon Health Authority's "Medicaid Modularity" project; ten positions to in the Office of Reporting, Research, Analytics and Implementation to focus on the Child Welfare research agenda; and five positions to assist with agency budgeting, revenue analysis and position management.

Long Term Care Ombudsman

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved *	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	4,929,019	6,087,623	6,401,552	7,212,903	7,553,107
Other Funds	679,823	894,242	908,057	954,159	853,177
Total Funds	5,608,842	6,981,865	7,309,609	8,167,062	8,406,284
Positions	25	25	27	27	28
FTE	24.50	24.50	25.50	26.50	28.00

* Includes Emergency Board and administrative actions through December 2018.

Program Description

The Long Term Care Ombudsman (LTCO) program is a federally-mandated consumer protection program supporting a network of certified volunteers to investigate and resolve complaints for people who live in Oregon's nursing facilities, residential care facilities, assisted living facilities, and adult foster homes.

In 2013, the agency was expanded to include the Residential Facilities Ombudsman (RFO) program which addresses the needs of care facility residents who have a mental illness or developmental or intellectual disability. Most recently, SB 307 (2015) requires the LTCO to also advocate for residents of the independent living section of a Continuing Care Retirement Community (CCRC).

The agency continues to address challenges in ramping up new work approved during the 2014 legislative session, when the Oregon Public Guardian (OPG) program was established. The program helps people who do not have a relative or friend able to serve in a fiduciary capacity, lack the financial ability to pay someone to serve as a fiduciary, and are at serious and imminent risk of harm or death without a fiduciary. OPG activities range from making residential and medical decisions to handling financial issues.

An eleven-member Residential Ombudsman and Public Guardian Advisory Board is responsible for monitoring the agency, advising state leadership on programs, and nominating people for "the" LTCO position as it comes open; this position also functions as the agency head.

At close to 90%, the budget is almost entirely General Fund; this level of dependency is anticipated to continue, and may increase, as growth in other revenue sources will unlikely be able to keep pace with inflation and other cost drivers. These revenues, budgeted as Other Funds, consist primarily of federal Older Americans Act funding passed-through the Department of Human Services and civil penalties assessed on residential facilities and adult foster homes that serve persons with mental illness or intellectual/developmental disabilities. A portion of the pass-through funding is specifically for the Senior Medicare Patrol (SMP) program, which educates seniors, their families, and caregivers on health care fraud, error, and abuse.

CSL Summary and Issues

The agency's Current Service Level (CSL) budget includes standard inflationary adjustments, along with a net zero technical adjustment to move expenditures between services and supplies line items. Revenue associated with the federal SMP program is not expected to cover projected CSL expenditures, so program activities will need to be curtailed. The total 2019-21 CSL of \$8,167,062 is an increase of 12.7% from the 2017-19 legislatively approved budget.

Policy Issues

As noted above, since SMP revenues are inadequate, Pkg. 070 Revenue Shortfall reduces Other Funds expenditure limitation by \$100,982 to reflect limited program efforts.

Demand for ombudsman services is directly related to the number of care facilities and clients falling under the agency's umbrella of services; in 2019-21, those potential clients are expected to exceed 52,000 people living in almost 4,500 licensed facilities. The system has grown and is expected to continue increasing in size as the population ages; however, the complement of beds by facility type may shift or fluctuate.

Requests for services, visits to facilities, consultations with residents, facility administration and family members continue to increase. Phone calls received by the LTCO program have increased 13% between 2016 and 2017. The ability to provide public guardian services is constrained by the budget; the program is currently funded to serve 80 protected persons directly and assisting another 10-14 individuals through contracts. This capacity is estimated meet only about 5% of the statewide need for public guardian and conservator services.

Other Significant Issues and Background

During the 2017 legislative session, the agency was directed via budget note to assess the Oregon Public Guardian Program (OPG) and report on that work prior to the 2018 legislative session. The report was made in January 2018 and included updates on efforts to minimize legal costs, streamline banking processes, maximize caseload capacity, tap local partners, and leverage pro bono services. In response to this work, the Legislature restored \$200,000 General Fund to the program for two permanent, full-time Deputy Guardian positions (Program Analyst 2 classification) effective July 1, 2018 (1.00 FTE). The positions are out-stationed in rural areas of the state, which will overcome barriers to contracting in certain areas, provide maximum support for volunteers, and expand program access.

The agency request budget included 12 policy packages totaling \$1,613,337 General Fund, which supports a total of 7 new positions (7.00 FTE) and associated program expenditures. These new resources would help the agency cover more facilities, support additional volunteers, expand training offerings, serve more protected persons, and develop an OPG volunteer component.

The Governor's budget adds a total of 352,907 General Fund and 1 position (1.50 FTE) to fund three policy packages supporting volunteer program efforts. These include restoring program dollars that were needed to cover information technology costs, adding one Deputy LTCO

position to increase volunteer capacity, and increasing the RFO program's part-time volunteer recruiter positions to full-time. The budget also includes a policy package for the Public Guardian program, which adds \$111,855 General Fund to true up projected personal services costs for the two new, permanent full-time Deputy Public Guardian positions that were approved during the 2018 legislative session. After actions reducing expenditures (taking higher vacancy savings, adjusting certain statewide charges, and accounting for lower federal funding), the total funds Governor's budget is a 15% increase over the 2017-21 legislatively approved budget and is a 2.9% increase over the current service level.

Oregon Medical Board

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	10,238,728	12,595,547	12,840,109	13,324,918	13,649,432
Total Funds	\$10,238,728	\$12,595,547	\$12,840,109	\$13,324,918	13,649,432
Positions	39	39	40	40	41
FTE	39.00	39.00	40.00	40.00	41.00
*Includes Emergency Board and administrative actions through December 2018					

Program Description

The mission of the Oregon Medical Board is to protect the health, safety, and well-being of Oregon citizens by regulating the practice of medicine in a manner that promotes quality care. The agency licenses Medical and Osteopathic Doctors, Podiatric Physicians, Physician Assistants, and Acupuncturists; investigates complaints against licensees and takes disciplinary action when a violation occurs. The Board is also responsible for the scope of practice for First Responders and Emergency Medical Technicians.

The agency is funded by licensure and registration fees, sales of lists and directories, and fines or forfeitures imposed as disciplinary measures. Revenue in 2019-21 is projected to be \$13.4 million which is an 8.4% increase over the 2017-19 Legislatively Approved Budget projection. The projected ending cash balance for the CSL budget is \$10 million and equals approximately 18 months of operating costs.

CSL Summary and Issues

The Board's CSL budget represents a 3.8% increase compared to the 2017-19 Legislatively Approved budget.

Other Significant Issues and Background

Below is a brief summary of the Board's policy option packages.

- Temporary 10 % fee reduction to reduce ending fund balance by \$1.1 million. The Board has a significant ending fund balance and rolls over 10-15% of its budget each biennium. The proposed temporary fee decrease will not slow the growth of the ending fund balance significantly. The medical license fee is \$250 every two years.
- Board membership (\$12,145). Adds a third public member to the board to reduce the high workload demand on existing members.
- Physician Wellness (\$175,000). Provides funds to the Foundation for Medical Excellence to continue building local resources, as program development and further fundraising efforts continue. This request is identical to a request which was granted last biennium. The Board does not plan to make similar one-time requests in the future. Supporting this Foundation is included in its strategic plan.
- Communications Resources (\$180,928). Adds a Public Affairs 1 position (1.0 FTE). There is no dedicated communications position at the agency currently.

Oregon State Board of Nursing

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
Other Funds	15,351,050	16,595,366	16,847,478	17,888,645	19,301,776
Total Funds	\$15,351,050	\$16,595,366	\$16,847,478	\$17,888,645	\$19,301,776
Positions	49	49	49	49	54
FTE	48.49	48.90	48.90	48.90	53.90

*Includes Emergency Board and administrative actions through December 2018

Program Description

The Board of Nursing protects the public's health and safety through the licensure and regulation of registered nurses, licensed practical nurses, nurse practitioners, certified registered nurse anesthetists, and clinical nurse specialists. The Board is supported entirely by Other Funds revenue generated primarily from examination, licensing and renewal fees charged to nurses and nursing assistants.

CSL Summary and Issues

The CSL budget is an increase of \$1,041,167, or 6.2%, over the 2017-19 Legislatively Approved Budget. The ending fund balance for the 2019-21 CSL budget is projected to be \$7,655,157, or 10.3 months. The Board is seeking approval for additional limitation to cover the cost of 11 position reclassifications and five new positions. The new positions and reclassifications have been approved through DAS CHRO. The increasing complexity of the Board's work, as well as a significant increase in volume, warrant the staffing changes. The Board has sufficient revenue to cover the costs of the additional staff and reclasses.

Policy Issues

The Oregon Center for Nursing is a non-profit organization that supports nursing workforce research. Senate Bill 72 (2015) imposed a \$9 surcharge on examination and renewal fees for registered nurses and licensed practical nurses. Proceeds from the surcharge are deposited into the Oregon Nursing Advancement Fund (NAF) and transferred to the Oregon Center for Nursing. Originally, \$500,000 was budgeted to cover the Special Payment from the Oregon Board of Nursing to the NAF. The recent increase in the number of licensed nurses has generated monies in excess of the original \$500,000 biennial budget limitation. The agency is requesting an increase in the expenditure limitation for this line item to \$700,000 to cover the full cost of the anticipated funds transfer in 2019-21.

The Board is currently very cramped in its current office space. They will need to add capacity, if not this biennium, then in the very near future.

Psychiatric Security Review Board

	2015-17 Actual	2017-19 Legislatively Adopted	2017-19 Legislatively Approved*	2019-21 Current Service Level	2019-21 Governor's Budget
General Fund	2,658,376	2,966,321	3,047,827	3,229,021	3,202,718
Other Funds	6,090	2,248	2,248		
Total Funds	\$2,664,466	\$2,968,569	\$3,050,075	\$3,229,021	\$3,202,718
Positions	11	11	11	11	11
FTE	11.00	11.00	11.00	11.00	11.00

*Includes Emergency Board and administrative actions through December 2018.

Program Description

The mission of the Psychiatric Security Review Board (PSRB) is to protect the public by ensuring persons who have a psychiatric illness and/or intellectual disability and have been placed under the Board's jurisdiction as a result of committing a crime receive the necessary support to reduce the risk of future dangerous behavior. The Board has jurisdiction over persons in Oregon found to be guilty except for insanity (GEI) of a crime, with certain exceptions. The Board oversees treatment outcomes for GEI clients who are committed to the Oregon State Hospital and who are treated in community settings; coordinates treatment and case management for clients under conditional release; revokes conditional release and orders the return of clients to the State Hospital if appropriate; and discharges clients from the Board's jurisdiction. In 2007, the Legislature expanded the Board's jurisdiction to include youth who have been found responsible except for insanity (REI) of a crime. The Board is also responsible for conducting hearings for persons barred from possessing a firearm due to a mental health determination, supervising certain types of civil commitments, and conducting sex offender classification and relief hearings for GEI sex offenders.

CSL Summary and Issues

The PSRB's Current Service Level (CSL) budget totals \$3.2 million General Fund, which represents a \$0.2 million increase over the 2017-19 Legislatively Approved Budget. This increase is due to updated personnel and inflationary costs. The PSRB has requested a CSL budget for 2019-21 and has not requested any enhancements.

Policy Issues

Despite the addition of certain civil commitments, sex offender designation, and gun relief responsibilities, the PSRB's primary workload remains focused on the GEI and REI populations. Recent legislation has affected the PSRB's work in this area. In particular, Senate Bill 420 (2011) transferred the jurisdiction of certain persons determined as GEI for committing lesser offenses to the Oregon Health Authority. Senate Bill 65 (2017) changed this by once again consolidating jurisdiction for all persons found GEI to the PSRB. This change became effective July 1, 2018.

Other Significant Issues and Background

The Board consists of a five-member panel responsible for monitoring adults under PSRB jurisdiction and a five-member panel for juveniles. The PSRB budget includes only the funding and state employee position authority necessary to support the Board and monitor the population placed under its jurisdiction. The resources to provide the treatment for most of these individuals is a part of the Oregon Health Authority budget, either through the Oregon State Hospital or community mental health programs. In addition, a small number of individuals receive services through the developmental/intellectual community programs with funding from the Department of Human Services. Without adequate funding of these systems, the PSRB may be unable to place individuals in the community.