



Oregon

Kate Brown, Governor

Department of Human Services

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May 12, 2021

The Honorable Representative Dan Rayfield, Co-Chair
The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048



Re: Oregon Department of Human Services (ODHS) third rebalance report and request for 2019-21.

Dear Co-Chairpersons:

Nature of the Request: The purpose of the attached letter is to provide the third ODHS Rebalance report and request (attached) for the 2019-21 Biennium to the Joint Ways and Means and present to the Joint Ways and Means Human Services Subcommittee.

Action Requested: DHS requests acknowledgement of receipt of this third Rebalance report of the 2019-21 biennium and make budget changes accordingly.

Legislation Affected: See Report Attachment A.

If you have questions, please contact Eric Moore at 503-884-4701.

Sincerely,

Eric Luther Moore
DHS Chief Financial Officer

Enclosure

The Honorable Representative Dan Rayfield, Co-Chair
The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
May 12, 2021
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cc: Laurie Byerly, Legislative Fiscal Office
Gregory Jolivette, Legislative Fiscal Office
George Naughton, Department of Administrative Services
Ali Webb, Department of Administrative Services
Mike Streepey, Department of Administrative Services



Report to The State of Oregon May 2021 Joint Ways and Means Human Services Sub-Committee

The Oregon Department of Human Services (ODHS) Rebalance Report

Executive Summary and Nature of Request:

The Oregon Department of Human Services (ODHS) is submitting its third rebalance report for the 2019-21 biennium to the Joint Ways and Means Human Services Subcommittee. This report reflects several issues affecting the ODHS budget. ODHS expects to continue to work with the Legislature, Legislative Fiscal Office, Governor’s Office and Chief Financial Office to identify any actions management can take to balance the ODHS 2019-21 budget even with challenges such as COVID-19 and the wildfires.

Budget Issues for 2019-21

At this rebalance, ODHS is anticipating a net General Fund (GF) savings of (\$7.5) million, a net reduction to Other Funds (OF) of (\$5.3) million and a net increase in Federal Funds (FF) of \$52.2 million. Included in these numbers are technical adjustments that net to \$0 agency wide.

The table below summarizes the ODHS GF rebalance position by major program area. See attachment A for the appropriation changes that will be discussed throughout this document.

Overview of ODHS GF Standpoint			
Program	19-21 LAB	Rebalance Request	Proposed new LAB
Aging and People with Disabilities	\$ 1,089,643,327	\$ 1,575,476	\$ 1,091,218,803
Intellectual and Developmental Disabilities	\$ 926,608,032	\$ 12,739,470	\$ 939,347,502
Child Welfare	\$ 797,757,677	\$ (36,477,331)	\$ 761,280,346
Self Sufficiency	\$ 460,357,224	\$ (5,190,224)	\$ 455,167,000
Vocational Rehabilitation	\$ 33,750,118	\$ -	\$ 33,750,118
Other including debt service	\$ 434,343,483	\$ 19,861,413	\$ 454,204,896
TOTAL GF	\$ 3,742,459,861	\$ (7,491,196)	\$ 3,734,968,665

Program Rebalance Details

This section contains details on the Department's updated budget position by program area (see attachment B for caseload change details from Fall 2020 to Spring 2021).

Aging and People with Disabilities (APD)

APD has a net need of \$1.6 million GF, no changes to Other Funds limitation and a net need of FF of \$22.6 million Federal Funds limitation.

APD has one challenge in this rebalance. At the August Special Session ODHS was provided \$7.5 million GF to reimburse long term care facilities for COVID testing costs. This was for estimated costs from January through March 2021.

The ODHS approved budget, as amended by HB 5042 (2020), included language in the budget report that stated “[t]he approved budget plan also assumes DHS will continue to reimburse long term care

providers for COVID-19 testing costs; this is estimated to cost \$3.5 million General Fund through the end of the biennium. While vaccine efforts are underway and COVID-19 cases are declining, regular testing is mandatory for all staff in licensed nursing, assisted living, and residential care facilities. Actual costs will be accounted for in the agency's next 2019-21 rebalance action."

ODHS has continued to reimburse for COVID-19 testing costs and estimates the additional \$3.5 million is sufficient for the remainder of the biennium from March through June 2021.

Partially offsetting this challenge is an estimated net savings in caseload of (\$1.9) million GF. This is the net of changes in costs in Nursing Facilities, Community Based Care and In-home settings.

- For Nursing Facilities there was a slight decrease in the biennial average caseload by 36 individuals. Savings of (\$560,000) GF.
- For Community Based Care there was a slight decrease in the biennial average caseload, by 36 individuals. Adult Foster Care is the only program area with a slight increase, by 18 individuals. All other program areas within Community Based Care experienced a slight decrease from the Fall 2020 forecast. Savings of (\$1.9) million GF.
- For In-Home there was a slight decrease in the biennial average caseload, by 26 individuals. In-Home Agencies is the only program area with an increase, by 97 individuals, resulting in a net increase to In-Home Supports of \$560,000 GF.

APD is also requesting net increase of \$22.6 million FF limitation primarily driven by the estimated increase in FMAP of 10% that cannot be supplanted from the American Rescue Plan Act (ARPA). This assumes the funding freed up by the 10% can be committed this biennium. If this is not the case and GF savings from 2019-21 must be reinvested in 2021-23 instead, additional GF will be needed in 2021-23 to ensure Oregon does not violate the no supplant clause. ODHS recommends that if any funding freed up by the 10% is not spent this biennium, the remainder be put in an Special Purpose Appropriation (SPA) and include a budget note requesting ODHS to return to an interim, Emergency Board or February Session, to overview the final plan for expending the non-supplant savings from the 10%.

APD also has several technical adjustments that net to a change of \$0.0 GF.

Intellectual and Developmental Disabilities (I/DD)

I/DD has a net need of \$12.7 million GF based on the following issues:

- Forecasted increases in caseloads - \$9.7 million GF. Adult 24 Hour Group Homes have seen an uptick in caseload over the last several months creating a \$1.0 million GF need with the Spring 2021 Forecast. Adult Supported Living Services also has seen higher caseload than forecasted in Fall 2020 creating a \$566,000 GF need. Adult Foster Care Services has seen a slight decline in caseload creating a (\$316,000) GF savings. Children's 24-hour group has also seen a slight caseload decrease, creating a (\$307,000) GF savings. Children's Foster Care Services saw a larger decline in Spring 2021 forecast creating a (\$761,000) GF savings. Children's Host Homes program has seen a delayed start due to various reasons, most recently COVID-19. Program expects services to begin in Spring 2021. The budget has been adjusted to the expected caseload creating a (\$359,000) GF savings.

In-Home Services overall rebounded from COVID – 19 related case declines quicker than forecasted in Fall 2020 creating \$8.4M GF additional need.

Ancillary Services similarly overall rebounded from COVID – 19 related case decline quicker than forecasted in Fall 2020 creating a \$1.5 million GF need.

- A slight increase in the cost per case (CPC) - \$1.7 million GF. Residential services has had a CPC savings due to cost remaining stable and not increasing by as much as the inflation built into CSL. In-Home Services has a large CPC issue in Children In-Home Services and Children's Intensive In-Home Services (CIIS). These costs have risen greatly since COVID-19 began due to individuals higher use preference of more costly agencies compared to PSW's, along with increased hours, and OT hours going up since COVID-19 began. At the same time DSA CPC has gone down significantly due to COVID-19.
- Nursing Services net cost increase of \$1.3 million GF. In January 2020 Registered Nurses (RN) received a 3.8% rate increase. In January 2020 Licensed Practical Nurses (LPN) and Licensed Vocational Nurses (LVN) received a 10% rate increase. Around 85% of nursing services for I/DD is completed by RNs, the other 15% is completed by LPNs/LVNs.

Additionally, services completed by RNs have increased by 8.25% over 17/19, which is over the 5.2% inflation received in CSL to cover natural service increases. Services completed by LPNs/LVNs is only up 2.4% over 17/19, which is a 2.8% decrease compared to the 5.2% received for natural increases.

There are no Other Funds changes proposed in I/DD.

I/DD requests an additional \$65.6 million in Federal Funds limitation. About two thirds of this amount is to account for the increase in FMAP of 10% that cannot be supplanted from the American Rescue Plan Act (ARPA). This assumes the funding freed up by the 10% can be committed this biennium. If this is not the case and GF savings from 2019-21 must be reinvested in 21-23 instead, additional GF will be needed in 2021-23 to ensure Oregon does not violate the no supplant clause. ODHS recommends that if any funding freed up by the 10% is not spent this biennium, the remainder be put in an SPA and include a budget note requesting ODHS to return to an interim, E-bd or Feb Session, to overview the final plan for expending the non-supplant savings from the 10%.

The remaining one third is primarily due to the change in caseload and CPC indicated above.

Child Welfare (CW)

Child Welfare has a net GF reduction of (\$36.5) million GF. This is a result of the following issues:

- Well Being Caseload – (\$5.2) million GF due to lower forecast primarily in the FOCUS and Residential Programs.
- Permanency Caseload of a net (\$0.37) million GF, mainly due to a slight drop in adoption case forecast.
- Education Supports - \$(6.8) million GF. As part of January 2021 Emergency Board, a GF investment of \$7.5 million was made in Residential Treatment to support costs related to 1:1 Education Supports for Distance Learning. The actual amount for 1:1 Education supports is \$1.2million. Coronavirus Relief Funds (OF) were used for costs through December 2020, in the amount \$471,000. The amount of GF from the January Emergency Board was an erroneous amount. This rebalance action returns (\$6.8) million GF for the unneeded funds in 19-21.
- Enhanced Therapeutic Foster Care – (\$2.4) million GF. As part of SB 1 (2019) a GF investment of \$3.5M (\$8.53 TF) was made in Enhanced Therapeutic Foster Care. The Residential Treatment program developed a contract later in the biennium for \$1.1million GF (\$1.5 million TF). This rebalance action returns the unused funds for 19-21. The full amount is expected to be used in 2021-23.
- Wellbeing net savings - (\$5.1) million GF. This is mainly driven by Client Transportation, Independent Living Services, Other Medical, Family of Origin Supports, and Interstate Compact

budgets having lower than budgeted GF expenditures primarily due to lower services levels with COVID-19.

- Safety savings - (\$6.7) million. Family Support Team, Recovering Family Mutual Homes, and the In Home and Reunification Services budgets have lower-than-budgeted GF expenditures primarily due to lower services levels with COVID-19. The Strengthening, Preserving, and Reunifying Families budget has savings due to a higher-than-expected amount in unspent IV-E Waiver funds. These Federal Funds offset the GF spending.
- Permanency savings - (\$2.2) million GF. Contracted Adoption Services, Post Adoption, and Private Adoption Services budgets have lower-than-budgeted GF expenditures primarily due to lower services levels with COVID-19.
- Residential Treatment - (\$7.8) million GF. The number of budgeted beds was higher than actual caseload utilization over the 2019-21 biennium. As of the Spring 2021 cost-per-case the underutilization is for over 121 beds. This action rebalances funding in Residential Treatment services for caseload.

In addition, net savings in Other Funds of (\$5.8) million and Federal Funds savings of (\$23.0) are also tied to the actions described above in GF savings.

Self-Sufficiency Programs (SSP)

SSP has a net GF savings of (\$5.2) million GF primarily in the TANF UN program. The savings is the impact of the spring caseload forecast. While still above current levels, caseloads are now projected to have a lower increase than set out in the prior forecast. SSP also has a reduction in OF of \$1.0 million and in FF of \$15.1 million also due to the change in forecast primarily in the TANF Basic program.

Vocational Rehabilitation (VR)

VR has no issues for the third rebalance.

Central Services

Central Services has one main action related to estimated Wildfire costs. The Legislature in both August and through HB 5042 have moved \$93.2 million GF into the central budget to cover estimated fire costs for 2019-21. Current estimates are \$100 million GF in 2019-21. ODHS has added 10% contingency to this estimate and is recommending an assumption of \$110 million GF for fire costs due to the chance of more wildfire victims coming forward for support. ODHS is requesting a final move of \$16.8 million GF to the central budget to account for expenditures of \$110 million GF in 2019-21. This assumes FEMA will not reimburse any costs prior to the close of the 2019-21 biennium. If FEMA funds are received for wildfire costs prior to the end of the biennium close, ODHS will end up reverting the freed-up GF back to the state GF. If no FEMA is received prior to the close of the biennium, ODHS will, in 2021-23, propose to give up or repurpose the freed-up GF within the ODHS budget. At this time, ODHS has not received any reimbursement for wildfire costs. In addition, it is not known which costs will be eligible for FEMA reimbursement and for how long. ODHS will continue to apprise LFO and CFO of FEMA reimbursements so they can, if they choose, unschedule the freed-up GF as it is received by the agency until ODHS can return to a Legislative Session to reduce the ODHS GF accordingly.

State Assessments and Enterprise-wide Costs (SAEC)

SAEC has two management actions adding a need of \$3.1 million GF. Both are technology driven.

The first request is for ODHS to replace its primary main digital scanning equipment at the ODHS/OHA Shared office, Imaging and Records Management Services (IRMS). Currently IRMS has 8 high-production scanners therein use. Replacing these older, obsolete and failing pieces of equipment with 4 high-production and 4 high-end desktop scanners will increase productivity and effective scanning and

retention of required documents. In addition to the increased productivity and effectiveness, this action would allow IRMS to replace two desktop scanners at the IRMS warehouse. These would be used for scanning Child Welfare (CW)-related documents and then other paper records stored in the warehouse that can be stored electronically (about 56,000 boxes worth of papers). IRMS creates electronic records out of paper files for better accessibility and cheaper more cost-effective storage costs, which would have an agency-wide savings over the longer term. ODHS spends great deal in physical storage space (over \$1 million in Portland are alone) that could be reduced over time as files are made electronic. This also help make records-tracking easier which will assist ODHS in complying with record retention laws.

For context IRMS, currently scans approximately 2.8 million documents annually, which equates to about 42 million pages annually, and approximately 5 million pages per scanner per year. This processing figure will increase when IRMS begins scanning CW records. The scanners are all at their end of useful life and ODHS will continue having to pay an extra charge to keep them running at their lower productivity or risk the machinery becoming un-fixable. They will need to be replaced soon to avoid a major shutdown in IRMS that would impact programs in ODHS and OHA as this is a shared service. Cost is \$0.9 million GF and \$1.5 million TF.

Second, with the quick move from in office work to telecommuting ODHS has had to begin changing with the business needs and to come into compliance with the DAS policy that no personal devices be used at home. To that end ODHS has ordered 2000 laptops for delivery by June 30 at a cost of \$2.2 million GF and \$3.7 million TF.

For context ODHS will have almost 6000 devices past lifecycle in the next year. This will go a long way to get employees off their own devices and make ODHS a more mobile and flexible organization.

Shared Services

Shared Services serve both ODHS and OHA and has one needed action. IRMS is a shared service that is wholly Other Funded with the revenue in SAEC. The Shared Services issue is tied to the scanner purchases indicated above. Because they will be purchased through IRMS the TF costs will first hit the OF of shared services and then be cost allocated to the SAEC budget where the revenue resides and will hit GF/OF/FF. Shared services has a challenge equal to the TF costs of the scanners of \$1.5 million Other Funds limitation.

Risks

In addition to the normal risks of federal participation in funding ODHS and normal changes in program costs per case or caseloads, there are several major outstanding risks to the ODHS budget:

- I/DD caseloads and cost per case may continue to increase as the number of Oregonians coming to ODHS for services and acuity levels increase. While it appeared this trend was starting to plateau, recent actuals have shown new growth in the caseload. In fact, the most recent forecast shows an increase to both 2019-21 and 2021-23; the risk remains that the caseload forecast is low and/or cost per case rises during the biennium.
- In general, the impact of COVID-19 policies to make exceptions for certain tasks will likely lead to large backlogs once the pandemic is over. There is risk that additional resources will be needed on a temporary basis to clean up files once the exceptions to process have been lifted.
- TANF penalty for 2007. This penalty has been levied by the federal government, but ODHS has not received final instructions on how and when the penalty will take effect. This is a \$8 million risk to ODHS TANF funds. ODHS is still waiting on clarification on the General Fund impact if any.
- \$14.0 million Administrative for Children and Families (ACF) Disallowance finding. In December 2014, ODHS completed a yearlong remediation process involving duplicate federal claims due to an OR-Kids financial transaction conversion issue. In that remediation, ODHS

discovered that millions of decreasing adjustments were erroneously reported in 2011 – 2013. ODHS discussed these errors with ACF, and ACF requested that ODHS wait until system enhancements and data fixes were completed before truing up the federal reimbursement report, which was completed in June 2015.

If ODHS had submitted the corrections when analysis was completed in December 2014, the retroactive reimbursement request would have been within allowable reporting requirements of two years. By waiting until June 2015 to finalize the reimbursement requests of increasing adjustments of \$14,028,109.82, the request was outside the period of performance therefore a good cause waiver request was required. ODHS submitted a good cause waiver request originally in February 2016, and ACF requested more detail for this request in early 2019. On April 25, 2019, pursuant to 45 C.F.R. Sec 95.19 and 95.22, ODHS submitted a request for a good cause waiver to the ACF. ODHS has not received a response from ACF as of this date. ODHS believes that this will be approved. If it is not approved, ODHS will appeal. But this is still a possible risk to the ODHS budget this biennium depending on timing and the results of the good cause waiver.

- There is a risk that wildfire costs for 2019-21 have been understated. While we just reduced the estimate, there is indication of another wave of possible clients that could overspend the \$110 million GF that ODHS is conservatively assuming in the current rebalance,
- While not a risk for 2019-21, the amount of FEMA reimbursement for COVID-19 and wildfire costs is still very uncertain in claims eligible and in timing of any reimbursement. The level of documentation appears to be increasing even on old claims already paid and there is a risk that more and more items will be considered not eligible by FEMA. This will lower FEMA collections to free up GF in 2021-23.
- Due to the volatility and uncertainties around COVID-19 and Wildfire recovery costs, FEMA reimbursements and other risks in general, there may be need for ODHS to return after July 1, 2021 to an Emergency Board in order to fully close the ODHS budget even if it is simply to move funding from one area to another. No additional GF is assumed to be needed at this time.

Conclusion

ODHS looks forward to working with the Legislature and Governor's Office to address the budget issues outlined in this report and will continue to work with the Legislative Fiscal Office and Chief Financial Office on the budget and outstanding issues to ensure that the Legislature has the information it needs to make decisions about this rebalance report and request.

Attachment A ODHS 2019-21 May 2021 Rebalance Appropriation and Limitation Adjustments

DIVISION	PROPOSED LEGISLATION / SECTION	FUND	REBALANCE ADJUSTMENT
Central Services/SAEC	ch 668 1(1)	General	19,861,413
	ch 668 2(1)	Other	-
	ch 644 section 108	Other	-
	ch 668 3(1)	Federal	2,041,080
		Total	21,902,493
Shared Services	ch 668 2(5)	Other	1,451,699
Debt Service	ch 668 1(5)	General, Debt Service	-
	ch 644 section 106	IE/ME Debt Service	-
		Total	-
SSP/VR	ch 668 1(2)	General	(5,190,224)
	ch 668 2(2)	Other	(946,229)
	June 5, 2020 E-bd	CRF 211 INFO SERVICES	-
	Aug 5, 2020 E-bd	CRF SSP/VR FOOD PROGRAMS	-
	ch 668 sec 4	Federal Non LTD	-
	ch 668 3(2)	Federal	(15,137,677)
	Total	(21,274,130)	
CW	ch 668 1(3)	General	(36,477,331)
	ch 668 2(3)	Other	(5,817,188)
	ch 668 3(3)	Federal	(22,973,174)
		Total	(65,267,693)
APD/IDD	ch 668 1(4)	General	14,314,946
	April 23, 2020 E-board	DHS - APD LTC COVID TEST & TRAINING	-
	ch 668 2(4)	Other	-
	Aug 5, 2020 E-bd	CRF APD/IDD SVC RATE INCR & EMERGY COVID BEDS	-
	ch 668 3(4)	Federal	88,249,696
	Total	102,564,642	
	Total	Total	39,377,011
	Total	General	(7,491,196)
		General DS	-
		Other	(5,311,718)
		Federal	52,179,925
		Federal Non-Limited	-
		Total	39,377,011

Attachment B

Total Department of Human Services Biennial Average Forecast Comparison

	2019-21 Biennium		% Change Between Forecasts	Spring 21 Forecast		% Change Between Biennia
	Fall 20 Forecast	Spring 21 Forecast		2019-21	2021-23	
Self-Sufficiency						
Supplemental Nutrition Assistance Program (Households)	409,205	393,479	-3.8%	393,479	398,370	1.2%
Temporary Assistance for Needy Families - Basic & UN (Families: Cash Assistance)	19,806	18,118	-8.5%	18,118	15,895	-12.3%
Child Welfare (children served)						
Adoption Assistance	10,698	10,630	-0.6%	10,630	10,581	-0.5%
Guardianship Assistance	2,267	2,272	0.2%	2,272	2,339	2.9%
Out of Home Care	6,308	6,230	-1.2%	6,230	5,793	-7.0%
Child In-Home	1,472	1,409	-4.3%	1,409	1,484	5.3%
Vocational Rehabilitation	9,286	8,955	-3.6%	8,955	9,518	6.3%
Aging & People with Disabilities						
Long-Term Care: In Home	18,800	18,774	-0.1%	18,774	19,145	2.0%
Long-Term Care: Community Based	12,274	12,210	-0.5%	12,210	12,522	2.6%
Long-Term Care: Nursing Facilities	4,427	4,391	-0.8%	4,391	4,417	0.6%
Intellectual and Developmental Disabilities						
Total Case Management Enrollment	30,782	30,753	-0.1%	30,753	33,180	7.9%
Total I/DD Services	19,965	20,338	1.9%	20,327	21,231	4.4%