

2025-27 Budget Review

Department of Human Services

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	4,403,113,388	6,107,272,145	7,360,946,449	7,354,596,113
Other Funds	847,413,070	1,182,596,085	1,270,539,464	1,303,312,537
Federal Funds	7,883,531,296	8,878,935,477	10,384,460,891	10,453,525,671
Federal Funds (NL)	4,793,396,288	3,681,868,127	3,381,868,127	3,381,868,127
Total Funds	17,927,454,042	19,850,671,834	22,397,814,931	22,493,302,448
Positions	10,448	11,282	11,240	11,413
FTE	10,268.08	10,960.24	11,189.45	10,930.88

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Department of Human Services (DHS) supports children, families, seniors, people with 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. The Department's programs are budgeted in six primary service groupings:

- **Self-Sufficiency Programs (SSP)** – 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.
- **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 disabilities. Clients receive services in their own homes, community-based care settings, and nursing facilities.
- **Intellectual and Developmental Disabilities (I/DD)** – 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 providers.

- **Oregon Eligibility Partnership (OEP)** – Supports state staff working to determine eligibility for people applying for and receiving medical, food, cash, and childcare benefits. OEP also manages the ONE Eligibility system used to process applications and deliver benefits to eligible individuals and families.

In addition to these programmatic budget groupings, DHS uses the following three budget structures to fund administrative responsibilities and, in the case of some shared functions, also for the Oregon Health Authority (OHA).

- **Central Services** – Includes activities directly related to policy and program in the agency, such as the director’s office, communications, organizational development, and budget planning.
- **Shared Services** – The DHS portion of Shared Services includes budget, forecasting, financial services, human resources, facilities, imaging and records, contracts and procurement, training, internal audit, payment recovery, and background checks.
- **State Assessments and Enterprise-wide Costs** – This budget pays for various assessments or charges paid by all state agencies and certain centralized agency costs.

BUDGET ENVIRONMENT

Oregon’s economy, its demographics, its human services policy, and federal law and funding levels all affect demand for DHS’ services and influence its budget. Oregon’s economy has a significant impact on the budget, as a poor economy creates more need for basic services for those who have few or no financial resources. Economic effects are felt most strongly in safety net programs such as Temporary Assistance to Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) but can also help create family circumstances that drive other needs served by the agency, such as interventions to keep children safe or in-home care services.

Demographics have a long-term impact, most notably for services to seniors. Demand for long-term care services increases as the number of Oregonians aged 65 and up continues to grow, particularly those 75 and older. Even individuals who were financially stable when younger may seek help when needing more costly in-home or out-of-home care as they age.

Finally, with federal dollars supporting close to two-thirds of DHS’ budget, federal law and funding levels can give the state more or less capacity to meet the needs of Oregonians.

Other major issues impacting the Department’s budget include:

Caseload Forecast

The 2025-27 current service level (CSL) budget and the Governor’s budget are based on the Fall 2024 caseload forecast. The legislatively adopted budget for the 2025-27 biennium will be based on the spring 2025 caseload forecast, which is typically released in March. Actual caseload data provided since the November, 2024 publication of the fall forecast show caseloads are trending slightly higher in the SSP, I/DD and APD program, while caseloads in VR and CW are trending below the forecast. The agency’s spring rebalance will propose budget adjustments for 2023-25 and 2025-27 based on updated caseload numbers.

Federal Medical Assistance Percentage (FMAP)

The FMAP is the federal government's share of Medicaid expenditures. It is designed so the federal government pays a larger portion of Medicaid costs in states with lower per capita income relative to the national average. As per capita income in Oregon has risen relative to the national average, FMAP has been slowly trending downward and the state has been gradually paying a larger share of Medicaid program costs. The budget assumes a 2025-27 biennial average base FMAP rate of 58.05%, a decrease of 1.27% compared to 2023-25.

Federal Fiscal Responsibility Act of 2023

The Fiscal Responsibility Act of 2023 changed some work-related provisions of the Temporary Assistance to Needy Families (TANF) program and the Supplemental Nutrition Assistance Program (SNAP), with the goal providing greater incentives for able-bodied adults without dependents to engage in work activities. These changes will require DHS to re-evaluate how Oregon will meet TANF work participation requirements and provide food security for able-bodied adults without dependents who stand to lose SNAP benefits.

CMS Access Rule

In May 2024, the Centers for Medicare & Medicaid Services (CMS) published a new rule: *Ensuring Access to Medicaid Services*, also known as the "CMS Access Rule," which took effect July 9, 2024. Among other things, the rule will require Oregon to demonstrate compliance with new payment adequacy and access to care standards for home and community based services (HCBS) programs. The Aging and People with Disabilities (APD) and Intellectual/Developmental Disabilities (I/DD) programs, which administer Medicaid HCBS programs, will be required to report new and different information to CMS, including, for example, the percentage of Medicaid payments that support compensation for direct care workers, and the average wait time for services to begin after an individual has been approved to receive services. Various components of the rule will be phased in over the next six years. The fiscal impact of the rule is unknown as different aspects of the rule have yet to be fully defined by CMS. In the near term, the Department will likely require some level of staff resources to plan for and implement needed program changes. As states begin to take steps to comply with the new rules, there is some uncertainty regarding the incoming federal administration's commitment to maintain the CMS Access Rule.

Rate and Wage Study

A budget note directed DHS to conduct a comprehensive rate and wage study across home and community-based service delivery systems, with a focus on providers of in-home and residential care. The written report on the findings and recommendations was to be provided to the Joint Committee on Ways and Means or Emergency Board no later than September 2024. At the Department's request, the Emergency Board extended the due date of the report to December 31, 2024, with instructions that the Department report to the Joint Committee on Ways and Means during the 2025 legislative session on the rate and wage study. The final report identifies several inconsistencies in the rate structures used by the Aging and People with Disabilities (APD) and Intellectual and Developmental Disabilities (I/DD)

programs to fund in-home and community-based services and makes recommendations estimated to cost \$1.3 billion annually (through both state and federal funding) to raise direct care worker wages and bring the program rates and rate methodologies into closer alignment.

Non-Budgeted Positions

When the Department determines that additional staff are needed to support a particular service or activity, it has historically hired additional people regardless of existing budget and position authority. To pay for these non-budgeted positions (NBPs), the Department must then redirect resources from other areas of its approved budget. Frequently, this means that legislatively authorized positions are then held vacant so that the resulting salary savings can be used to pay for the NBPs. This results in the budget being misaligned, and that resources may not be utilized in the way the Legislature intended when the budget was adopted. In the current biennium, the Legislature approved additional funds to convert hundreds of NBPs into budgeted positions, but many NBPs remain. As of December 16, 2024, the agency reports having a total of 908 NBPs, with 56% of these in the Oregon Eligibility Partnership program.

Family First Prevention Services Plan

The Family First Prevention Services Act (FFPSA) of 2018 authorized states to spend federal Title IV-E dollars directly on evidence-based services that prevent child abuse and neglect, including in-home parenting programs, mental health services, substance abuse prevention and treatment, and kinship navigator services. In support of the transition to a more prevention-oriented system, the Legislature has approved millions of dollars to build the administrative infrastructure for prevention programs. Federal grants have also been used to support Oregon's five-year plan.

The Governor's budget assumes that beginning in 2025-27, Oregon will receive the 50% federal match, and requests \$7 million General Fund and a Federal Funds expenditure limitation increase of \$7 million for evidence-based prevention services aimed at families who are at risk of being, but not yet, involved in the child welfare system. The CSL budget already includes more than \$14 million General Fund for family preservation oriented in-home services, which are intended to allow child-welfare involved families stay intact. The Legislature may want the agency to present a plan or options for using those funds for services that qualify for Title IV-E match.

CURRENT SERVICE LEVEL

The 2025-27 current service level budget for DHS is \$22.4 billion all funds, an increase of \$2.5 billion, or 12.8%, from the 2023-25 legislatively approved budget. General Fund totals \$7.4 billion, a \$1.3 billion, or 20.5%, increase. This is driven by projected caseload and cost per case growth, inflation and provider rate adjustments, and collectively bargained wage and rate increases. Other cost factors include newly enacted legislation, and Oregon's increasing state share of cost for Medicaid services administered by DHS as the Federal Medical Assistance Percentage continues to trend downward. General Fund adjustments to CSL include:

- \$585.2 million increase for mandated caseload and cost per case adjustments.

- \$377.1 million increase for inflation and rate increases for nursing facility care, behavior rehabilitation services providers, and foster care resource parents.
- \$184.6 million increase to fully fund non-state employee collective bargaining agreements and phase in new legislation.
- \$178.6 million increase to fully fund negotiated cost of living adjustments (COLA) and pay equity adjustments for state employees, as well as the roll-up cost of new positions.
- \$151.5 million fund shift from Federal Funds to General Fund related to the regular FMAP adjustment.

The CSL budget also includes the phase out of \$200 million of one-time General Fund related to funding for home and community-based services investments stemming from the American Rescue Plan Act, as well as one-time funds for emergency food assistance, youth experiencing homelessness grants, and support services for newly arrived immigrants.

The budget supports 11,240 positions (11,189.45 FTE). This represents a net decrease of 42 positions compared to the 2023-25 legislatively approved budget and reflects the phase-out of 83 limited-duration positions, partially offset by the establishment of 41 new positions to implement new legislation and address growth in mandated caseload. The total FTE increased by 229.21, which is due to positions that were authorized part way through the current biennium, and that are now fully phased in.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's Budget for DHS is \$22.5 billion all funds, an increase of \$95.5 million, or less than one percent above the CSL budget. It includes \$7.4 billion General Fund, which is \$6.4 million below the CSL budget. The budget includes fully funding benefits and services for mandated caseloads and the Healthier Oregon Program, based on the Fall 2024 forecast; one-time fund shifts, reductions to services and supplies, and closure of the Stabilization and Crisis Unit (SACU) program to achieve \$93 million in General Fund savings; and \$91 million General Fund of new investments.

- \$24.3 million General Fund and nine positions (7.14 FTE) for youth housing and homelessness prevention.
- \$21.4 million General Fund, and \$59.4 million total funds, for adult foster home reimbursement rates.
- \$10 million General Fund, and \$25.8 million total funds, and 26 positions (11.41 FTE) to expand access to behavioral health services for seniors and people with disabilities.
- \$7 million General Fund, and \$14.1 million total funds, and two positions (1.50 FTE) to implement evidence-based child welfare prevention services.
- \$2.8 million General Fund, and \$5.7 million total funds, and 33 positions (21.27 FTE) to improve safety and regulatory oversight of facilities serving vulnerable Oregonians.

In support of these and other policy packages, the Governor's budget requests 173 new positions. The overall reduction in FTE compared to CSL results from the proposed closure of the SACU program.

KEY PERFORMANCE MEASURES

A copy of the DHS [Annual Performance Progress Report](#) can be found on the LFO website.

DHS - Self Sufficiency Program

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	595,136,056	376,068,197	339,042,415	349,822,921
Other Funds	232,170,470	454,376,470	482,304,639	487,379,672
Federal Funds	561,817,319	601,505,942	625,141,542	650,605,647
Federal Funds (NL)	4,793,396,288	3,681,868,127	3,381,868,127	3,381,868,127
Total Funds	6,182,520,133	5,113,818,736	4,828,356,723	4,869,676,367
Positions	2,787	1,061	1,011	999
FTE	2,764.32	1,015.21	1,010.50	998.00

* Includes legislative and administrative actions through December 2024.

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:

- **Supplemental Nutrition Assistance Program (SNAP)** – Federally funded benefits that help low-income families, single adults, and childless couples buy the food they need to stay healthy. The benefit costs are included in the budget as Nonlimited Federal Funds.
- **Temporary Assistance to Needy Families (TANF)** – Provides cash assistance which, when coupled with SNAP benefits, supply basic supports for families with children under the age of 19 that meet eligibility criteria. TANF also provides Job Opportunity and Basic Skills (JOBS) services, which include education, training, job placement, and support services. Other program services include assistance 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.
- **Refugee Program** – Refugees and others with an eligible immigration status can get help with cash, medical, employment and other services when they first come to Oregon to facilitate a successful transition in the U.S. and help them attain self-sufficiency. These services are paid for with a combination of General Fund and Federal Funds received through the Office of Refugee Resettlement, which are passed through to local resettlement agencies. DHS works with local resettlement agencies community groups and social and workforce agencies to provide time-limited cash and medical assistance, SNAP benefits, and employment services to new refugees in Oregon.
- **Youth Services** – Supports youth experiencing homelessness, teen pregnancy prevention and other youth development initiatives related to juvenile crime, drug and alcohol use, youth suicide, school dropout, and sexual assault prevention and education programs.

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

BUDGET ENVIRONMENT

TANF Cash Assistance

The federal TANF block grant has been capped since the program's inception in 1996, resulting in cash assistance payments to low-income families remaining relatively flat over the past 25 years. The real value of the TANF cash payment has fallen by more than 50% due to inflation. In the 2022 session, the Legislature approved changes to improve the benefit, including: raising the TANF resource limit to allow families to retain more of their resources and still qualify for cash assistance and ending full family disqualifications, thereby preserving family income support for children when parents, for example, are unable to meet program reporting requirements. These changes were funded with one-time TANF carryover funds. The agency estimates there will be sufficient TANF fund to support these benefits through 2025-27.

Youth Experiencing Homelessness Program

The Youth Experiencing Homelessness Program (YEHP) coordinates the delivery of services to youth under the age of 25 who are experiencing homelessness, and awards grants to a network of community-based organizations to provide housing supports and services to unaccompanied homeless youth. The 2023-25 legislatively approved budget for YEHP is \$27.9 million. Most of this amount, \$22.8 million, is from one-time appropriations made to the Department as part of a legislative housing package. Absent any legislative action, the 2025-27 YEHP program budget would reset back to its base funding level of approximately \$5.9 million. The Governor's budget proposes to backfill most of the one-time money with permanent funds, increasing the program's base budget by 423% to \$25.1 million, and adding six permanent full-time positions (6.00 FTE).

Job Opportunities and Basic Skills (JOBS) Services

The JOBS Services program was established to comply with requirements of the federal Personal Responsibility and Work Opportunity Act of 1996. One goal of JOBS services is to help TANF participants meet work participation requirements by connecting them with activities that promote self-sufficiency, such as paid employment, education, and training. Over the years, as the agency has shifted to providing personalized, needs-based support for families, the scope of services supported by JOBS has expanded to include child care, housing assistance, behavioral health interventions, and other support services. The CSL budget includes \$94.5 million for JOBS (\$80.7 million Federal Funds, \$13.4 million General Fund, and \$451,439 Other Funds). The Governor's budget proposes to increase General Fund support by \$9.3 million, or 70%. At the December 2024 meeting of the Emergency Board's Human Services Subcommittee, the Department indicated there has not been an evaluation of the effectiveness of Oregon's JOBS program. Anecdotal evidence indicates the program does not work for many TANF enrollees, in particular, enrollees who exceed the 5-year lifetime limit on TANF cash assistance benefits.

CURRENT SERVICE LEVEL

The 2025-27 current service level (CSL) for SSP is \$4.8 billion total funds, a decrease of \$285.5 million, or 5.6%, compared to the 2023-25 legislatively approved budget. This reduction is primarily from a projected drop in Nonlimited Federal Funds for SNAP. General Fund totals \$339 million, a net decrease of \$37 million, or 9.9%, compared to the 2023-25 legislatively approved budget. This decrease reflects the phase out of one-time expenditures totaling \$63.5 million General Fund, partially offset by increased costs for inflation, and personal services. The General Fund being phased out includes, \$22.8 million provided as part of the housing package for host homes and student housing, \$22.6 million for refugee and newcomer support services, and \$10 million provided for emergency food assistance. The CSL budget also phases out \$8 million provided on a one-time basis to cover a federal TANF penalty.

GOVERNOR’S BUDGET SUMMARY

The 2025-27 Governor’s budget for SSP proposes total spending of \$4.9 billion all funds, an increase of \$41.3 million, or less than one percent, compared to the CSL budget. The General Fund totals \$349.8 million, or \$10 million above CSL. This reflects a net increase between \$30 million General Fund for new ongoing spending and \$20 million in a one-time fund shift from General Fund to the federal TANF block grant. New investments include \$19.7 million General Fund and six permanent positions (5.25 FTE) to maintain Youth Experiencing Homelessness Program (YEHP) core services, and \$9.3 million General Fund for JOBS services and to increase JOBS incentive payments.

DHS - Child Welfare

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	822,207,304	1,023,185,961	1,202,164,935	1,197,373,410
Other Funds	32,417,512	49,701,966	49,800,724	44,648,701
Federal Funds	550,314,383	624,838,028	670,320,945	668,019,232
Total Funds	1,404,939,199	1,697,725,955	1,922,286,604	1,910,041,343
Positions	3,402	3,594	3,583	3,612
FTE	3,347.72	3,411.39	3,552.50	3,572.77

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

Child Welfare (CW) programs work to assure the safety of children and provide services to their families, including 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.

- **Substitute Care, or 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.

BUDGET ENVIRONMENT

Foster Care Maintenance Payments

Traditionally, the agency has been required to submit a policy option package as a means to adjust foster care maintenance payments. In a change from historical practice, DHS would like to begin adjusting foster care payments as part of CSL budget development. The 2025-27 CSL budget adds \$10.7 million General Fund, and \$20.4 million total funds, to increase the payment 6.8%, or an average of \$78 per month, effective January 1, 2026. As part of the 2023-25 legislatively adopted budget, the Legislature approved an average increase of \$240 per month or 24% effective January 1, 2024. Using a U.S. Department of Agriculture (USDA) report, *Expenditures on Children by Families, 2015*, DHS determined the higher payments approved for 2023-25 equate to 64% of the estimated cost of raising a child. According to DHS, the CSL adjustment is needed to keep foster care maintenance payments at approximately 64% of the cost of raising a child.

Temporary Lodging Prevention

To allow DHS to comply with the terms of the settlement agreement related to temporary lodging, SB 5701 (2024) established a special purpose appropriation (SPA) in the amount of \$10 million to be allocated to DHS for temporary lodging prevention services to complex children and young adults. Pursuant to a budget note, the Department provided updates during the 2023-24 interim on temporary lodging and temporary lodging prevention utilization and expenditures. Despite significant growth in spending on these activities in the current biennium, the agency did not request allocation of the SPA. The Governor’s budget, nonetheless, proposes to increase the CW budget \$10 million to ensure compliance with the settlement agreement.

Training

In recent years, due in part to issues raised in legal challenges, child welfare training has been a funding priority for both the Legislature and executive branch. The 2021-23 legislatively adopted budget provided funds and positions to establish a training unit within the program with the aim of improving outcomes for children and families.

CURRENT SERVICE LEVEL

The 2025-27 current service level for CW is \$1.9 billion all funds, an increase of \$224.6 million, or 13.2%, above the 2023-25 legislatively approved budget. The General Fund totals \$1.2 billion, an increase of \$179 million, or 17.5%. Of the total General Fund increase, \$103.7 million, or 58%, is attributed to personal services adjustments, including most notably the roll-up cost of 202 child safety worker positions authorized in the 2023-25 LAB. Other significant General Fund adjustments in the CSL budget include \$52.9 million for inflation, \$10 million to backfill for lower federal funding, and \$24.7 million for phase-ins.

These phase-ins consist of \$17 million to restore one-time reductions to services and supplies, \$6.4 million in roll-up costs related to a foster care rate increase, and \$1.2 million for Treatment Foster Care Services. These increases are partially offset by projected caseload savings of \$10 million General Fund. Included within the CSL inflation adjustment is an average 5.8% rate increase for behavior rehabilitation services, and a 6.8% rate increase in foster care reimbursement rates.

GOVERNOR'S BUDGET SUMMARY

The Governor's Budget proposes \$1.2 billion General Fund, which is \$4.8 million below the CSL budget. The budget includes \$28.3 million in reductions, of which \$21.3 million are one-time to services and supplies, and \$23.5 million of new, ongoing spending for program expansion. This includes:

- \$10 million for temporary lodging prevention;
- \$7 million for Family First Prevention Service Act implementation;
- \$4.3 million and three positions (1.89 FTE) for a foster care Path to Housing Stability initiative;
- \$1.9 million and 15 positions (10.85 FTE) to establish a contract administration unit; and \$383,562 and three positions (2.25 FTE) for FOCUS expansion.

DHS - Vocational Rehabilitation

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	36,303,472	41,073,319	44,135,325	44,858,470
Other Funds	4,784,001	10,939,321	11,063,358	11,062,941
Federal Funds	88,844,714	101,134,498	104,590,608	104,556,467
Total Funds	129,932,187	153,147,138	159,789,291	160,477,878
Positions	269	285	282	286
FTE	265.89	280.34	281.04	284.04

* Includes legislative and administrative actions through December 2024.

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. The following are the VR programs:

- **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.

CURRENT SERVICE LEVEL

The 2025-27 current service level (CSL) for Vocational Rehabilitation is \$159.8 million total funds, an increase of \$6.6 million, or 4.3%, compared to the 2023-25 legislatively approved budget. The General Fund is \$44.1 million, an increase of \$3.1 million, or 7.5%, over the 2023-25 legislatively approved budget. It includes standard adjustments for inflation and personal services costs, which total \$3 million.

GOVERNOR’S BUDGET SUMMARY

The 2025-27 Governor’s budget proposes total spending of \$160.5 million total funds, an increase of \$688,587, or less than one percent, compared to the 2025-27 CSL budget. Proposed General Fund

spending of \$44.9 million is \$723,145, or 1.6%, above CSL. The budget includes a request for \$745,663 and four permanent full-time positions (3.00 FTE) to handle contract and fiscal compliance workload.

DHS - Aging and People with Disabilities

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	1,291,866,691	1,820,230,298	2,398,679,004	2,410,164,924
Other Funds	356,058,871	343,140,065	366,523,811	402,221,724
Federal Funds	3,151,180,245	3,304,732,324	4,090,877,607	4,146,919,244
Total Funds	4,799,105,807	5,468,102,687	6,856,080,422	6,959,305,892
Positions	1,873	1,557	1,559	1,619
FTE	1,810.53	1,541.96	1,551.05	1,582.50

* Includes legislative and administrative actions through December 2024.

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 waiver under Section 1915(c) of the Social Security Act. Since July 2013, many services now fall under the K Plan, which is a Medicaid state plan option authorized under the Affordable Care Act.

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. Community-based facilities include adult foster care homes, assisted living, residential care, and enhanced residential care.

BUDGET ENVIRONMENT

Rate and Wage Study

As noted previously, DHS was directed in a budget note to conduct a comprehensive rate and wage study across home and community-based service delivery systems, with a focus on providers of in-home and residential care. The due date for the report was extended, and the Department will be reporting on the rate and wage study to the Joint Committee on Ways and Means during the 2025 legislative session. The final report identifies several inconsistencies in the rate structures used by the Aging and People with Disabilities (APD) and Intellectual and Developmental Disabilities (I/DD) programs to fund in-home and community-based services, and makes various recommendations estimated to cost \$1.3 billion annually (between both state and federal funds) to raise direct care worker wages and bring the program rates and rate methodologies into closer alignment.

CURRENT SERVICE LEVEL

The 2025-27 current service level budget for APD is \$6.9 billion total funds, an increase of \$1.4 billion, or 25.4%, compared to the 2023-25 legislatively approved budget. The General Fund is \$2.4 billion, an increase of \$578.4 million, or 31.8%, over the 2023-25 legislatively approved budget. Caseload growth, inflation, and an increase in the state share of cost for Medicaid are the main drivers, and account for 90% of the increased General Fund.

The CSL budget adds General Fund to cover the roll-up cost of legislation, collective bargaining agreements, and rate increases. Specifically, it phases in \$49.5 million to fund agency with choice (HB 4129, 2023), \$31.2 million for bargained wage and rate increases for home care workers and adult foster care providers, and \$11.5 million to fund a 5% rate increase that took effect on July, 1, 2024 for community-based care facilities and in-home care agencies.

One-time expenditures phased out of CSL include \$39.7 million General Fund associated with American Rescue Plan Act investments in home and community-based services, and \$1 million provided in the current biennium for deaf and hard of hearing services.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's budget proposes total spending of \$7 billion total funds, an increase of \$103.2 million, or 1.5%, compared to the 2025-27 current service level budget. General Fund totals \$2.4 billion and is an increase of \$11.5 million above CSL. The net General Fund increase is comprised of \$33.7 million of new spending priorities, partially offset by \$22.4 million of reductions to the CSL budget. The latter includes a one-time sweep of \$18 million from the Quality Care Fund, a \$3 million reduction to mental health funding, and a one-time reduction of \$1.1 million to services and supplies.

Proposed new spending initiatives include:

- \$21.4 million General Fund to increase rates for Adult Foster Care providers;
- \$10 million General Fund to expand access to behavioral health;
- \$1.3 million General Fund to increase oversight of facilities; and
- \$1 million General Fund to comply with new access rules promulgated by the Centers for Medicare and Medicaid Services.

While rate increases are included for nursing facility care and adult foster care providers, the Governor's budget does not propose a rate increases for community-based care residential facilities.

DHS - Intellectual and Developmental Disabilities

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	1,077,647,832	1,952,672,610	2,359,667,193	2,340,464,041
Other Funds	21,432,951	32,174,448	34,277,316	33,808,360
Federal Funds	3,201,265,377	3,450,158,904	4,023,876,534	3,996,312,628
Total Funds	4,300,346,160	5,435,005,962	6,417,821,043	6,370,585,029
Positions	1,007	991	996	1,048
FTE	990.81	979.64	992.06	660.20

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Intellectual and Developmental Disability (I/DD) 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. All clients are served in the community and most available 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 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.

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. Available primary support services 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.

BUDGET ENVIRONMENT

Children's Extraordinary Needs Program

SB 91 (2023) established the Children's Extraordinary Needs program which allows parents to be the paid attendant care services provider of their child with very high medical or behavior needs. The Department estimates approximately 1,400 children currently meet the statutory eligibility criteria for the program; however, only 155 children are enrolled based on the level of funds appropriated for the program. The Governor's budget does not propose to raise the cap, and there is currently a wait list of prospective enrollees.

Rate and Wage Study

As noted previously, DHS was directed in a budget note to conduct a comprehensive rate and wage study across home and community-based service delivery systems, with a focus on providers of in-home and residential care. The due date for the report was extended, and the Department will be reporting on the rate and wage study to the Joint Committee on Ways and Means during the 2025 legislative session. The final report identifies several inconsistencies in the rate structures used by the Aging and People with Disabilities (APD) and Intellectual and Developmental Disabilities (I/DD) programs to fund in-home and community-based services, and makes various recommendations estimated to cost \$1.3 billion annually (between both state and federal funds) to raise direct care worker wages and bring the program rates and rate methodologies into closer alignment.

CURRENT SERVICE LEVEL

The 2025-27 current service level budget for I/DD is \$6.4 billion total funds, an increase of \$982.8 million, or 18.1%, compared to the 2023-25 legislatively approved budget. The General Fund is \$2.4 billion, an increase of \$407 million, or 20.8%, over the 2023-25 legislatively approved budget. Caseload growth, inflation, and an increase in the state share of cost for Medicaid are the main drivers, and account for 90% of the General Fund growth.

The CSL budget adds \$31.3 million General Fund for bargained wage and rate increases for personal support workers and adult foster home providers. Additionally, there is \$10.9 million for the roll-up costs of recently enacted legislation, including \$4.1 million for SB 1521 (2024) related to agency with choice services, \$3.6 million for SB 104 (2023), also related to agency with choice services, and \$3.1 million for SB 91 (2023), which created the Children's Extraordinary Needs Program.

One-time expenditures that were phased out include \$79.5 million General Fund associated with American Rescue Plan Act investments in home and community-based services, and \$3.5 million provided in current biennium to address high vacancy rates in the Stabilization and Crisis Unit program.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's budget proposes total spending of \$6.4 billion total funds, a decrease of \$47.2 million, or less than 1%, compared to the 2025-27 current service level budget. Proposed General Fund spending of \$2.3 billion is \$19.2 million below CSL. The General Fund decrease from CSL is comprised of \$23.3 million in reductions, that are partially offset by \$4.1 million for new spending priorities. No rate increases are proposed for I/DD providers.

Reductions to the General Fund include:

- \$17.7 million from closure of Stabilization and Crisis Units;
- \$3.8 million related to reduced contractual services; and
- \$1.6 million one-time reduction to services and supplies.

General Fund investments include:

- \$1.6 million and 14 positions (12.52 FTE) to enhance safety and oversight of providers;
- \$1.4 million and six positions (4.50 FTE) to improve service equity and accessibility; and

- \$1.1 million and 12 positions (8.54 FTE) to comply with new access rules promulgated by the Centers for Medicare and Medicaid Services.

DHS - Oregon Eligibility Partnership

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	-	371,533,373	444,374,422	444,885,391
Other Funds	-	11,578,031	9,484,966	5,712,458
Federal Funds	-	434,198,263	483,531,991	501,750,069
Total Funds	-	817,309,667	937,391,379	952,347,918
Positions	-	2,624	2,637	2,659
FTE	-	2,579.95	2,635.16	2,654.89

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

The Oregon Eligibility Partnership (OEP) is a new program and budget structure established in the 2023-25 legislatively adopted budget to consolidate most eligibility staff and functions. The program has primary responsibility for several enterprise information technology solutions, including the ONE eligibility system and Centralized Abuse Management and Provider Time Capture systems. OEP staff are located in DHS district offices throughout the state and respond to customer inquiries about their applications for benefits and determine financial eligibility for medical, food, cash, and childcare benefits. The OEP budget includes the Virtual Eligibility Center, Business Information Services, Service Delivery Support, Oversight, Quality Assurance, and Central Coordination, and the OEP Director’s Office. OEP aims to streamline the benefit application process and provide timely and accurate eligibility determinations.

BUDGET ENVIRONMENT

Workload Model Positions

DHS uses workload models to estimate the number of positions required to deliver services in each of its major programs. Based on the latest caseload forecast and built-in assumption regarding the length of time required to complete certain tasks, the OEP workload model estimates the program requires 4,956 positions. The Governor’s budget supports 2,273 budgeted positions, in the classifications forecast by the model, or 45% of the workload models estimate. In a recent presentation before the Joint Committee on Ways and Means Human Services Subcommittee, the Department indicated this low level of staffing may explain benefit calculation errors that potentially result in federal penalties. As of December 16, 2024, the OEP program also had 512 non-budgeted positions, which would put the program at 56% of the workload model estimate for necessary positions.

CURRENT SERVICE LEVEL

The 2025-27 current service level budget for OEP is \$937.4 million total funds, an increase of \$120.1 million, or 14.7%, compared to the 2023-25 legislatively approved budget. The General Fund is \$444.4 million, an increase of \$72.8 million, or 19.6%, over the 2023-25 legislatively approved budget. A significant driver of the increase is personal services costs associated with permanent positions authorized in the current biennium to address redeterminations and other ongoing workload. Also included in CSL are standard adjustments for inflation and caseload growth, and the restoration of one-time reductions to services and supplies. One-time expenditures of \$4.5 million provided in the current biennium for ONE system changes have been phased out.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's budget proposes total spending of \$952.3 million total funds, an increase of \$15 million, or 1.6%, above the 2025-27 current service level budget. Total General Fund of \$444.9 million is \$510,969 above CSL. This net increase to the General Fund is comprised of \$12.6 million in new spending, partially offset by \$12.1 million of reductions to services and supplies and training. New General Fund investments include:

- \$5.5 million for reshoot adjustments, which is mostly comprised of positions transfers between OEP and other programs;
- \$5 million and four positions (3.00 FTE) for federally required changes to the data services hub;
- \$1.3 million for maintenance and operation of the Central Abuse Management System;
- \$476,087 and one position (0.75 FTE) for the elderly simplified application process; and
- \$384,446 for mainframe modernization.

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

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	579,952,033	522,508,387	572,883,155	567,026,956
Other Funds	200,549,265	280,685,784	317,084,650	318,478,681
Federal Funds	330,109,258	362,367,518	386,121,664	385,362,384
Total Funds	1,110,610,556	1,165,561,689	1,276,089,469	1,270,868,021
Positions	1,110	1,170	1,172	1,190
FTE	1,088.81	1,151.75	1,167.14	1,178.48

* Includes legislative and administrative actions through December 2024.

PROGRAM DESCRIPTION

Three budget structures support the Department's central administrative functions and services shared between DHS and the Oregon Health Authority (OHA): Central Services, Shared Services, and Statewide Assessments and Enterprise Costs.

- **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.
- **Shared Services** supports certain functions for both DHS and OHA that the two agencies agree to share as part of an agreement formed when they become separate agencies in 2011. Some shared service functions are housed in DHS and some in OHA. The functions housed in DHS include forecasting, financial services, human resources, facilities, research and analytics, imaging and records, contracts and procurement, training, internal audit, payment recovery, and background checks.
- **Statewide Assessments and Enterprise Costs (SAEC)** contains various Department of Administrative Services' assessments and 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.

CURRENT SERVICE LEVEL

The 2025-27 current service level (CSL) budget for Central Services, Shared Services, and Statewide Assessment and Enterprise Costs (SAEC) is \$1.3 billion total funds, an increase of \$110.5 million, or 9.5%, compared to the 2023-25 legislatively approved budget. The General Fund is \$572.9 million, an increase of \$50.4 million, or 9.6%, over the 2023-25 legislatively approved budget. The increase reflects standard adjustments for personal services and inflation. One-time General Fund investments that have been phased out include \$10 million provided for resiliency hubs, \$4 million for water delivery, and \$2 million for cooling/warming grants.

GOVERNOR'S BUDGET SUMMARY

The 2025-27 Governor's budget proposes total spending of \$1.3 billion total funds, a decrease of \$5.2 million, or less than one percent, from CSL. General Fund spending of \$567 million is \$5.9 million, or 1%, below CSL. The net General Fund decrease is comprised \$17.7 million of reductions to services and supplies, postage and handling, and statewide charges partially offset by \$11.8 million of new spending. New General Fund investments include:

- \$5 million to the Office of Resiliency and Emergency Management (OREM) for climate response and building resilience services;
- \$3.5 million to the Office of Worker Safety for contracts and 10 positions (4.46 FTE) to enhance security at DHS field offices; and
- \$1.5 million to improve IT security and privacy posture.

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