

June 2010 Budget Situation

Forecast down with resulting General Fund deficit of \$577.1 million

The SSF trigger will still occur:

\$116 million from RDF on June 1, 2010

\$84 million from ESF on May 1, 2011

Options to deal with immediate deficit:

- Do nothing (only need to be balanced by June 30, 2011 and forecasts still coming)
- Legislature comes into special session and makes immediate adjustments (can partially deal with deficit or the entire amount)
- Governor uses allotment authority by issuing rule by July 1, 2010
 - Governor balances to a zero deficit position; in effect until the next forecast
 - At \$577.1 million = 4.63% biennial reduction
 - Allotment does not disappropriate General Fund from agencies, only the authority to spend a portion of the appropriation
 - Allotment does reduce the agency ability to spend; can be re-adjusted later in biennium
 - Allotment authority law to resolve deficit put into place for this type of contingency
 - Allotment does not apply to Judicial Branch, Legislative Branch, Secretary of State, debt service, already used appropriations

Resources Potentially Available:

- FMAP extension for 6 months through June 30, 2011 – approximately \$195 million (latest iteration was \$115 million)
- Proposed extension of federal SFSF – approximately \$230 million (only one of federal pieces will likely pass and now not likely until fall 2010)
- Emergency Fund - \$20 million General Purpose; \$30 million DHS SPA (Dec. 1st)
- OUS – OF and tuition reserves
- Reserve funds (after \$200 million SSF trigger) - \$10 million RDF + \$100 million ESF (by June 30, 2011)
- Tax Amnesty – June 2011 new projected balance = \$12.0 million
- Lottery Forecast – June 2010 = \$4.0 million
- Judicial Branch/Legislative Branch/Secretary of State equivalent reductions = \$22.9 million + \$3.3 million + \$0.5 million (total of approximately \$26.7 million if all taken)

Other Considerations:

- Allotment reduction to K-12 at the \$577.1 million deficit level is about \$243.4 million; resulting in a SSF of about \$5.76 billion for 2009-11
- DHS reviewing further reductions in Health Services, potentially offsetting some reductions in senior programs
- Allotment reductions now help with the 2011-13 tentative budget gap (roll-up of cuts)
- Continued uncertainty about future forecasts (especially December 2010)
- Legislature can access available resources in regular 2011 session to re-adjust budgets
- Emergency Board can access Emergency Fund resources in September and December to offset any immediate critical needs resulting from allotment reductions (anything not spent is available to Legislature in next regular session)
- Allotment reductions do not necessarily mean immediate service cuts; can be spread out over the next 12 months or isolated to the last six months after more is known; agencies would need to develop plans

Human Services Program Area 2009-11 Allotment Reduction Summary

<u>Agency/Program</u>	<u>General Fund Leg Approved Budget*</u>	<u>General Fund Reduction Target</u>
Commission for the Blind	1,449,953	67,116
Commission on Children and Families	50,062,670	2,317,322
<i>Department of Human Services</i>		
Administrative Services Division	212,646,014	9,843,048
Children, Adults and Families	703,703,588	32,573,328
Health Services	1,534,740,049	71,040,694
Seniors and People with Disabilities	967,261,422	44,773,004
Capital Improvements	663,318	30,704
Debt Service	29,365,538	-
<i>Agency Total</i>	<u>3,448,379,929</u>	<u>158,260,778</u>
Long Term Care Ombudsman	1,174,082	54,346
Office of Private Health Partnerships	21,291,139	985,533
Psychiatric Security Review Board	1,368,232	63,333
Total Human Services Area	3,523,726,005	161,748,428

* Includes those items exempt from allotment reductions like debt service.

Human Services Program Area Major Reductions

Commission for the Blind

- Reduce funding (\$67,116 GF) across all programs. The Board believes it can meet federal match requirements with donations, cooperative agreements and other means in lieu of GF.

Commission on Children and Families

- Reduce state office support by 6% and eliminate 4 positions (4.46 FTE); reduce funding for local flexible grants and statewide initiatives by 4.5%. Local impact will vary, but program services will be reduced and staffing reductions are likely in some counties.

Department of Human Services

Administrative Services Division

- The \$9.8 million GF reduction results in significant staffing cuts of 152 positions. A large proportion of this appropriation is for fixed costs such as rent, so the majority of cuts have to be staff. The loss of infrastructure puts the agency at risk, especially during the transition to the Oregon Health Authority.

Children, Adults and Families

- Limit Employment Related Day Care Program (ERDC) to families leaving Temporary Assistance for Needy Families (TANF) program (\$17.3 million GF), and further reduce JOBS employment and training services (\$5 million GF).
- Eliminate the TANF cooperation incentive payment for 25,000 families and add half back to the TANF base grant (\$3.5 million GF). The net effect is to cut the maximum monthly grant by about 4%; e.g., the \$528 maximum grant for a family of 3 would be cut by about \$21.
- Assume no cost increase from foster care rate redesign on Adoption Assistance costs (\$3.6 million GF). This is a budget risk if renegotiations result in higher costs per case.
- Extend current hiring freeze to include direct care staff (\$1.9 million GF). Combined with impact of prior freeze, total workforce reduction is about 5%.
- Redirect \$500,000 excess Law Enforcement Medical Liability Account (LEMLA) revenue. **Statute change required.**

Health Services

- Reduce Community Mental Health Program (\$5 million GF), including reducing treatment services for families who do not qualify for Medicaid, limiting access to in-hospital acute psychiatric treatment, and eliminating the Personal Care 20 program.
- Delay development of 44 additional secure residential beds (\$8.3 million GF).
- Delay in hiring staff at the new state hospital will delay the implementation of the new treatment model (20 hours of active treatment per week) by about two months.
- Eliminate the increases in capitation payments paid to MCOs that were expected to go into effect January 1, 2011, a \$5.1 million GF reduction.

Seniors and People with Disabilities

- Eliminate \$1.5 million GF for optional Medicaid services for Home Delivered Meals and Personal Care 20. SPD indicates these 2,440 clients are not likely to soon come into other long-term care due to lower need levels.
- Eliminate Oregon Project Independence for 2,000 non-Medicaid clients a year (\$7.6 million GF), and cut Medicaid in-home care hours for shopping, meal prep, housekeeping, etc, by 75% for 10,500 clients monthly (\$8.2 million GF). No change to in-home care hours for Essential Activities of Daily Living (e.g., mobility, toileting etc). Some clients might move to other care settings as a result, but timing and extent of impact is uncertain.
- Eliminate non-Medicaid in-home supports for about 300 families with children with developmental disabilities (DD) who are transitioning from crisis services (\$2.1 million GF).
- Eliminate the \$1.8 million GF DD Family Support Program for 1,140 clients in their homes.
- Reduce DD crisis diversion services for both adults and children by 3.5% (\$354,195 GF).
- Reduce preventive maintenance for state-financed DD group homes by \$1 million GF.
- Adjust case management staffing for children with developmental disabilities from one case manager per 45 children to one case manager per 300 children (\$1.3 million GF).
- Reduce provider funding and reimbursement rates as follows:
 - Limit administrative and property cost components for nursing facility rate setting (\$5.5 million GF). Resulting daily rate of \$195.70 is about 7.7% less than July 2010 base rate.
 - Establish a flat monthly payment rate of \$1,696 for Assisted Living Facilities, about a 15% reduction overall (\$3.7 million GF). Cut rates for residential care and the PACE program by 6% (\$0.9 million GF). Maintain rates for foster care.
 - Reduce funding for Transfer Area Agencies on Aging by 5% (\$1.4 million GF). Moves from about 90% of state-level costs to 85%; local staff reductions likely.
 - Cut provider rates by 4-6% for all DD comprehensive services (\$4.9 million GF).
 - Cut funding 10% for Community Developmental Disability Programs and brokerages for Targeted Case Management services, Regional Programs, and administration (\$1.5 million GF). Moves from about 95% of state-level costs to 85%, local staff reductions likely. Also eliminate Community Developmental Disability Programs and brokerages Quality Assurance funding (\$1.7 million GF).

Long Term Care Ombudsman

- Use 2009 vacancy savings and travel savings from using telephone conference calls for half of future advisory committee meetings.

Office of Private Health Partnerships

- Results in about 900 fewer members being enrolled in the FHIAP program. The program would peak at 10,100 members this biennium, rather than 11,000.

Psychiatric Security Review Board

- Reduce General Program (\$52,808) and Gun Relief Hearings Program (\$10,525). General Program reductions – fewer hearings and staff – mean not meeting mandatory timelines. The Gun Relief Hearings Program, however, has vacancy savings that could be used instead.

Education Program Funding --- General Fund, Lottery Funds, and ARRA-Backfill Only

	2009-11 LAB (including trigger)			2009-11 LAB (adj. for allotment reductions)			Variance			
	GF	LF	ARRA	Total	GF	LF	ARRA	Total	\$	%
ODE - SSF	5,258.22	494.09	226.51	5,978.82	5,014.83	494.09	226.51	5,735.42	(243.39)	-4.1%
School Districts	6,073.95	473.82	215.75	6,763.52	4,782.12	473.62	215.75	5,471.49	(231.83)	-4.1%
ESDs	244.27	19.47	10.76	274.50	232.71	19.47	10.76	262.93	(11.56)	-4.2%
ODE - GIA (E/ESCE)	111.32	-	-	111.32	106.17	-	-	106.17	(5.15)	-4.6%
ODE - GIA (OPK)	110.08	-	-	110.08	104.99	-	-	104.99	(5.10)	-4.6%
ODE - GIA (All Other)	61.87	-	-	61.87	59.00	-	-	59.00	(2.86)	-4.6%
ODE - Ops. & All Other	52.67	55.23	-	107.91	50.24	55.23	-	105.47	(2.44)	-2.3%
Subtotal:	5,594.17	549.32	226.51	6,370.00	5,335.22	549.32	226.51	6,111.05	(258.95)	
OUS	751.89	23.10	68.95	843.94	720.26	23.10	68.95	812.32	(31.62)	-3.7%
CCWD - CCSF	452.43	-	-	452.43	431.49	-	-	431.49	(20.94)	-4.6%
CCWD - All Other	12.21	8.93	-	21.14	12.03	8.93	-	20.96	(0.18)	-0.9%
Subtotal:	464.64	8.93	-	473.57	443.52	8.93	-	452.45	(21.12)	
OSAC	95.04	8.94	-	103.98	90.65	8.94	-	99.59	(4.39)	-4.2%
OHSU	79.38	-	-	79.38	75.71	-	-	75.71	(3.67)	-4.6%
Total - Education:	6,985.12	590.29	295.46	7,870.88	6,665.37	590.29	295.46	7,551.12	(319.75)	-4.1%

ARRA Funding

Potential loss of federal resources due to maintenance of effort -- \$14.7 to \$32.3M

State School Fund

Trigger does occur in 2 phases -- \$115.7M from Rainy Day Fund (June '10) and \$84.3M from Ed. Stability Fund (May '11)
All Funds estimated to include \$5.76B -- or decrease of \$374M from 2007-09 legislatively approved (6.1%)

Grant-in-Aid (GIA)

Potential loss of federal resources due to maintenance of effort -- \$2.9M.

OUS

Emergency Board action to address allotment reductions

OSAC

Emergency Board action may indirectly address allotment reductions. Questions remain on maintenance of effort.

Public Safety Area Summary

Agency/Program	General Fund Leg Approved Budget*	General Fund Reduction Target
<i>Department of Corrections</i>		
Corrections Operations & Health Care	714,022,757	33,050,986
Community Corrections	214,877,639	9,946,347
All Other Corrections	192,323,412	8,902,347
Debt Service	130,860,333	-
Agency Total	1,252,084,141	51,899,680
Criminal Justice Commission	5,364,461	248,312
District Attorneys	10,359,927	479,545
Department of Justice	55,056,876	2,529,478
Military Department	26,070,650	875,632
Parole & Post Prison Supervision	3,960,399	183,321
<i>Oregon State Police</i>		
Patrol and Criminal Divisions	144,413,428	6,684,670
Forensics & Medical Examiner	36,152,577	1,673,446
All Other Divisions	43,664,443	2,052,170
Debt Service	14,420,077	-
Agency Total	238,650,525	10,410,286
Department of Public Safety Standards & Training	11,360,288	-
<i>Oregon Youth Authority</i>		
Facility Programs	149,231,009	4,534,980
Community Programs	75,615,959	6,739,010
Program Support	31,998,896	615,000
Capital Improvements	735,400	34,041
Debt Service	7,653,121	-
Agency Total	265,234,385	11,923,031
Total Public Safety Area	1,868,141,652	78,549,285

* Includes those items exempt from allotment reductions like debt service.

Judicial Branch Agencies Not Subject to Governor's Allotment Reduction Authority

Oregon Judicial Department	297,215,227	13,247,179
Public Defense Services Commission	209,794,161	9,713,470
Commission on Judicial Fitness and Disability	178,929	8,284
Total Judicial Branch Area	507,188,317	22,968,933

Public Safety Area Major Proposed Reductions

Department of Corrections

- The agency's list includes closure of three prisons (Mill Creek & Santiam in Salem, Powder River in Baker) saving an estimated \$15.3 million. According to the agency this would require releasing over 760 inmates. The Governor has already stated he is unwilling to make this reduction.
- Community Corrections grants to counties are to be reduced by \$9.9 million. The first \$6.5 million represents the estimated funding over and above the threshold which would trigger the ability of counties to "opt-out". The remaining \$3.4 million goes beyond that threshold and would trigger the ability of counties to opt-out.
- Approximately \$16.7 million represents estimated remaining balances and reserves (based on March actual) including undedicated BM 57 funds. Other reductions include eliminating in-service training, a one-time 5% charge to inmate accounts to offset operations costs, and suspension of General Fund outside work-crews.

Criminal Justice Commission

- Reduce funding (by \$248,312) across the board for drug court grants by approximately 7% for 2011 awards, and the remainder is from unspent balances for 2010 grants.

District Attorneys and Their Deputies

- The most likely option for this \$479,545 reduction is to reduce the salaries of the 36 District Attorneys who are state employees. The DAs did not take a reduction for furloughs as most other executive branch agencies did for 2009-11.

Department of Justice

- Reduce funding for Crime Victims programs by \$1.0 million including over \$700,000 in reductions to grants to non-profit domestic and sexual violence programs.
- Reduce funding for Defense of Criminal Convictions (DCC) by \$650,000.

Military Department

- Reduce \$875,632 through layoffs (16%), funds shifts to Federal Funds (46%), and Services and Supplies reductions (37%). The four position reductions are in administrative support and public affairs, including one in the Reintegration Program. There are no armory or other facility closures.
- OMD has an alternative reduction plan due to General Fund savings in the Youth Challenge Program (\$812,459) and Debt Service savings (\$264,147). The combined total of \$1.1 million could be used in lieu of across-the-board reductions, if the Legislature comes into session.

Board of Parole & Post Prison Supervision

- Continue to hold a paralegal position vacant that is currently vacant, which will impact the agency's backlog of administrative reviews. The Board will also try to reduce its attorney general usage; while current spending patterns appear to support this possibility, those costs are difficult to predict.

Oregon State Police

- Delay hiring 34 new trooper positions and transfer another 15 existing troopers from the Patrol Division to the Fish and Wildlife Division. This means that 49 positions will be held vacant between the Patrol and Criminal Divisions and will effectively delay the full implementation of 24/7 coverage.
- Reduce Forensics staffing including three positions left vacant and reducing overtime. In addition lab supplies and equipment will be reduced by over \$670,000.
- Shift \$695,524 funding for agency administrative support from General Fund to federal grant sources though federally approved indirect allocation. Some of these grants have not been approved and if not available staff reductions in admin and/or dispatch may be required.

Oregon Youth Authority

- For the final \$2 million needed to reach its allotment target, the agency will need to eliminate close custody beds and/or reduce state assistance to counties. A \$2 million cut in close custody equates to the loss of 125 beds and 55 positions. That same cut on the community side reflects a 12% cut in county funding and would likely lead to staffing reductions at the county level.

Judicial Branch Proposed Major Reductions *Not Subject to Governor's Allotment Reduction Authority*

Oregon Judicial Department

- OJD's reduction totals \$13.3 million and would be achieved using \$6.3 million of General Fund savings set aside by the 2010 Special Session to cover a shortfall in HB 2287 revenue and a \$6.9 million across-the-board reduction comprised of one-time/non-permanent position actions including vacancy savings/hiring freeze; fund shifts; temporary layoffs; and other unspecified administrative actions.
- According to OJD, its reduction plan would result in some reduced courthouse hours of operation and some court closures, but none of which would be on a statewide basis. OJD is unable to provide detail on which courts and what court programs would be impacted and to what extent.

- Given the projected HB 2287 revenue shortfall, the elimination of the \$6.3 million in contingency funds will trigger an Other Funds reduction.
- Alternatives to the OJD reduction plan including delaying the Oregon eCourt Program and utilizing Other Fund ending balances.

Public Defense Services Commission

- PDSC's reduction totals \$9.7 million and would result in the suspension of trial-level public defense for the last month of the biennium.
- PDSC cannot control its caseload or prioritize one case-type over another. Caseload trends at the trial-level have been declining and may see a further decline as reductions impact other entities in the public safety system. A recent increase in Appellate caseloads is of concern.
- A relatively small amount of Application Contribution Program revenue could be sweep in lieu of a portion of the Commission's General Fund reduction.

Commission on Judicial Fitness and Disability

- The Commission reduction totals \$8,284 and can be achieved from savings in its prosecution budget as there have been no formal prosecutions thus far this biennium. If a prosecution were to occur, the majority of the expenditures would likely fall into the next biennium.

Natural Resources Area Summary

Agency/Program	General Fund Base for Allotment Reduction	General Fund Reduction Target
Department of Agriculture		
Administration	1,340,946	62,070
Food Safety	5,715,954	264,582
Natural Resources	3,759,269	174,011
Ag Development	3,098,825	143,440
Ag Development/Alternative Energy Dev	175,000	8,100
Agency Total	14,089,994	652,203
Columbia River Gorge Commission		
Joint Operating Program	862,588	38,933
Commissioner Expenses	23,223	1,048
Agency Total	885,811	39,981
Department of Environmental Quality		
Air Quality	7,633,053	353,322
Water Quality	19,126,500	885,335
Land Quality	967,313	44,775
Cross Program	658,776	30,494
Agency Total	28,385,642	1,313,926
Department of Fish & Wildlife		
Fish Division/Propagation	5,192,841	240,368
Fish Division/Natural Production	3,344,705	154,821
Fish Division/Marine Resources	1,058,260	48,985
Wildlife Division/Game	191,923	8,884
Wildlife Division/Habitat	902,464	41,774
Wildlife Division/Diversity	1,166,684	54,005
Administration	351,925	16,290
Capital Improvement	157,553	7,293
Agency Total	12,366,355	572,420
Department of Forestry		
Administration	3,514,236	162,668
Private Forests	5,026,042	232,648
Protection from Fire	31,265,140	1,447,214
Agency Total	39,805,418	1,842,530
Department of Geology and Mineral Industries	2,896,740	134,086
Department of Land Conservation & Development		
Planning	14,496,256	671,009
Grants	2,296,810	106,316
Agency Total	16,793,066	777,325
Land Use Board of Appeals	1,531,111	69,106
Water Resources Department	20,863,526	965,740
Total Natural Resources Area	137,617,663	6,367,317

* Excludes those items exempt from allotment reductions like debt service.

Administration Program Area Summary

Agency/Program	General Fund Leg Approved Budget	General Fund Reduction Target
Department of Revenue	152,839,266	7,109,405
State Library	3,387,024	156,780
Office of the Governor	10,905,192	504,784
Oregon Government Ethics Commission	176,399	8,165
Employment Relations Board	1,732,400	80,190
Advocacy Commissions Office	419,895	19,436
Department of Administrative Services		
Office of Economic Analysis	260,863	12,075
PERS Blended Rate Settlement	7,142,532	330,617
Oregon Public Broadcasting	125,000	5,786
Historical Society	625,000	28,930
Portland Art Museum	500,000	23,144
Oregon Legal Aid	1,000,000	46,288
Skanner Foundation	150,000	6,943
Jefferson County Economic Development	415,000	19,210
Total Administration Program Area	179,678,571	8,351,753

Economic Development/Consumer and Business Services Principal Proposed Allotment Reductions [\$2,429,001 total]

(p. 81) Housing and Community Services Department [\$477,348 total reduction]

- State Homeless Assistance Program [\$382,179] – eliminates services to 3,158 clients.
- General Fund Food Program [\$95,169] – 275,000 lbs. of bulk food for the Oregon Food Bank network.

(p. 82) Department of Veterans' Affairs [\$287,412 total reduction]

- Emergency Assistance [\$115,040] – reduce crisis funding by 22%.
- Pass-thru Funds to Counties [\$166,586] – reduce by 4.63%.

(pp. 83+) Oregon Business Development Department [\$447,389 total reduction]

- Oregon Business Development Fund [\$231,442] – reduce the \$5 million capitalization provided to this Fund in the 2010 Special Session by 4.63%, thereby likely eliminating two business loans.
- Oregon Arts Commission [\$215,947] – reduce Arts Commission General Fund support by 4.63%. Reductions include approximately \$156,000 in capacity grants to arts organizations and \$50,000 in marketing for the Cultural Trust.

(p. 84) Employment Department [\$138,146 total reduction]

- Maintain some position vacancies resulting in increased Child Care Division backlogs.

(pp. 115-116) Oregon Department of Transportation [\$480,874 total reduction]

- Special Transportation Grants [\$356,421] – reduce grants to agencies by 4.63%.
- OWIN [\$124,453] – vacancy savings.

(pp. 118-119) Bureau of Labor and Industries [\$597,832 total reduction]

- Agency has saved funds from vacancy savings and lower-than-budgeted Attorney General billings. Agency will make some additional services and supply purchase reductions.