

Oklahoma Department of Human Services

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Finance and Budget Overview for Fiscal Year 2016



DECEMBER 2015

Budget Presentation Overview

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- Challenges
- Constraints
- Planning

DHS Budget Challenges

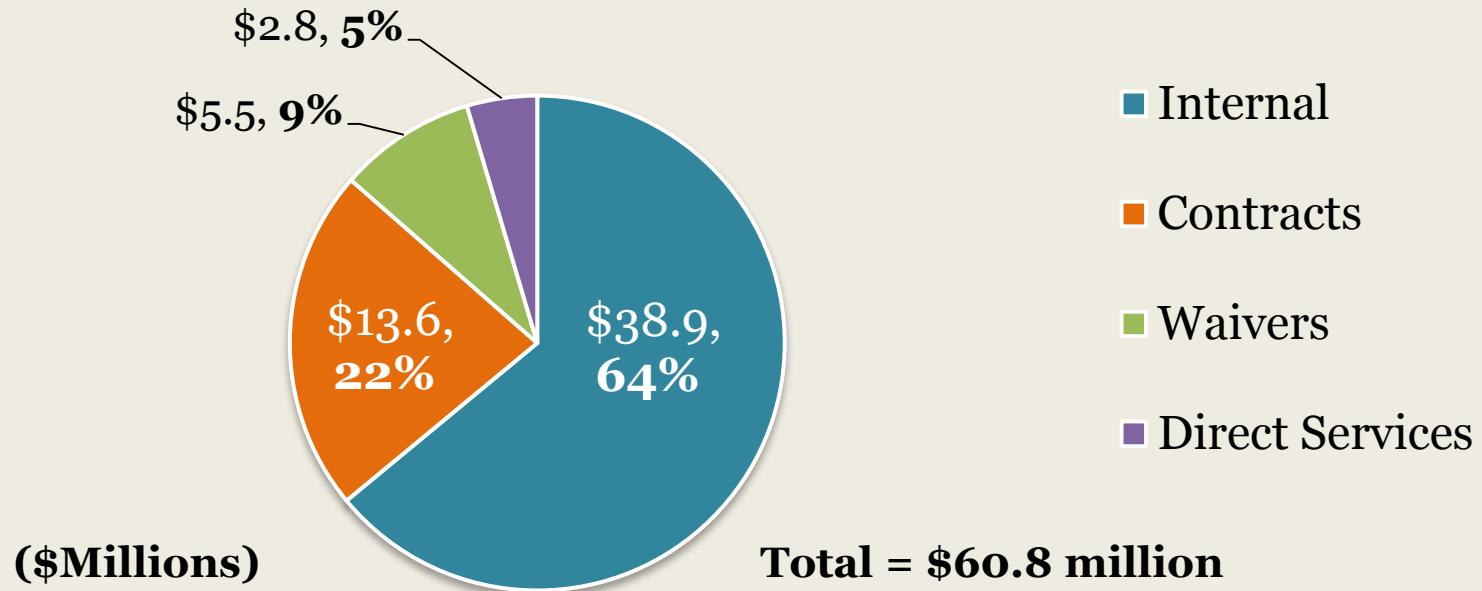
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- Entering a 3rd year where DHS must reallocate funds from essential services to replace decreasing federal funds and meet immediate needs
 - FY15: DHS reallocated **\$6 million** state funds (\$13 million total)
 - FY16: DHS absorbed a net appropriation loss of \$12 million and reallocated **\$33 million** in state funds (\$61 million total)
 - 2-year total budget impact: **\$74 million**

DHS Budget Challenges

FY16 Reductions by Impact

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Key Points

- Internal reductions comprised nearly two-thirds of all reductions and will have the least short-term impact on services
- Provider and client reductions were minimized by internal and contract reductions and maximizing use of carryover funds

DHS Budget Challenges

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- **Strategy for Program Reductions FY16**
 - Minimize service impact to clients
 - Minimize impacts to employees who work directly with clients
 - Look first within the department for more reductions than the administrative proportionate share
 - Protect core services and functions to the greatest extent possible

DHS Budget Challenges

FY16 Indirect Service Reductions

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- Reductions in response to **\$11.8 million** reduced appropriation, increased costs in Child Welfare, and erosion of Federal Medicaid Assistance Percentages (FMAP)
 - Reduced **194** positions/**86** filled (approx. **2.5%** of positions)
 - Reduced conferences, travel, printers, IT, phones
 - Reduced budgets to historical costs
 - Reduced contracts, selectively
 - Reduced TANF programs to fund eligible Child Welfare costs

DHS Budget Challenges

Direct Service Reductions - FY16

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- Waiver rate reductions
- Older American's Act service reductions
- Older American Volunteer Program reductions
- Low Income Home Energy Assistance Program reductions

DHS Budget Constraints

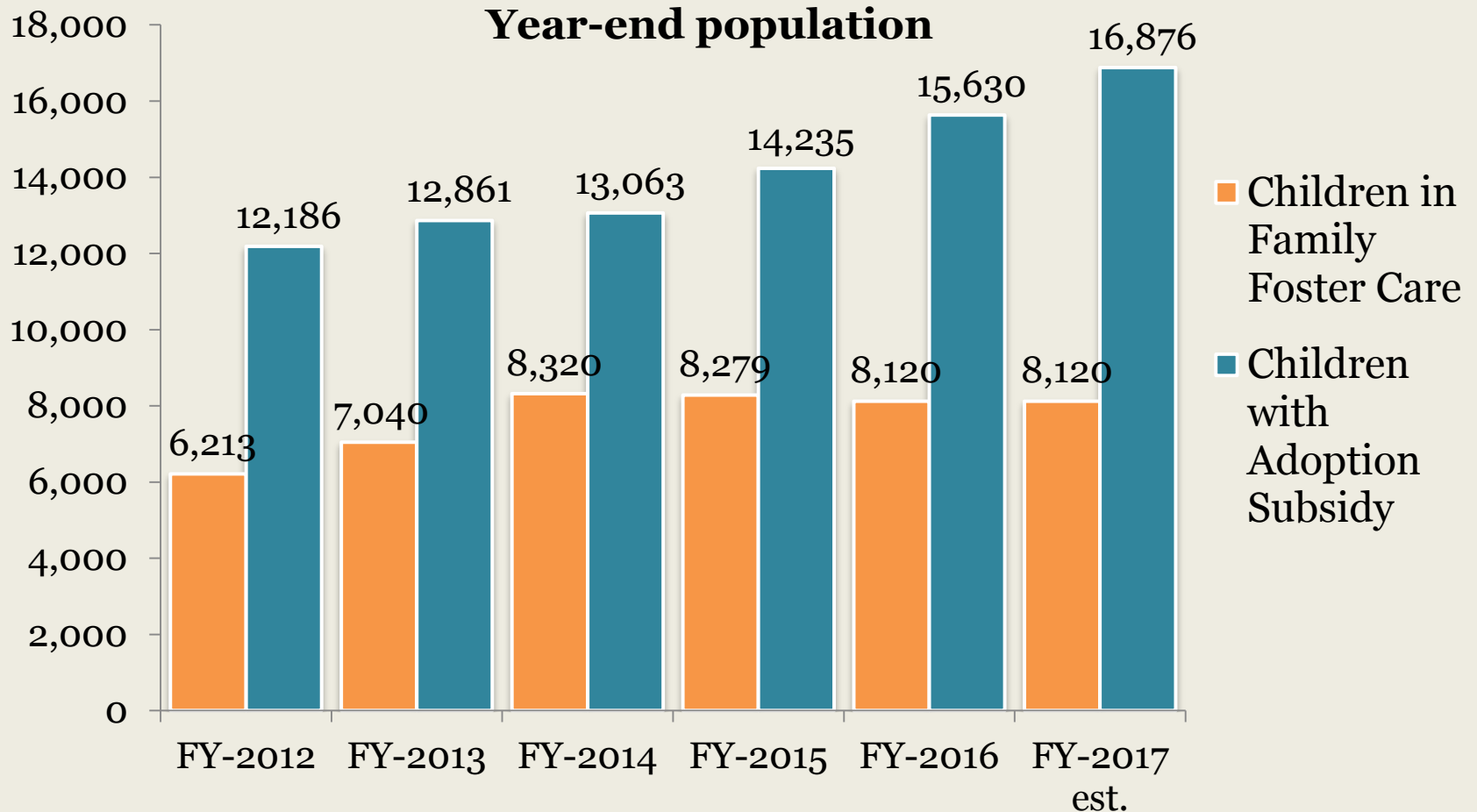
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- Vital system reforms in Child Welfare which are not part of the Pinnacle Plan, but are key to success and sustainability of a reformed child welfare system
- Deterioration of federal program funding that requires increased state dollar support to maintain services
- Loss of federal funds by reduced state dollar match
- Large percentage of DHS appropriation required as Maintenance of Effort (MOE) for large federal grants
- Deteriorating infrastructure

DHS Budget Constraints

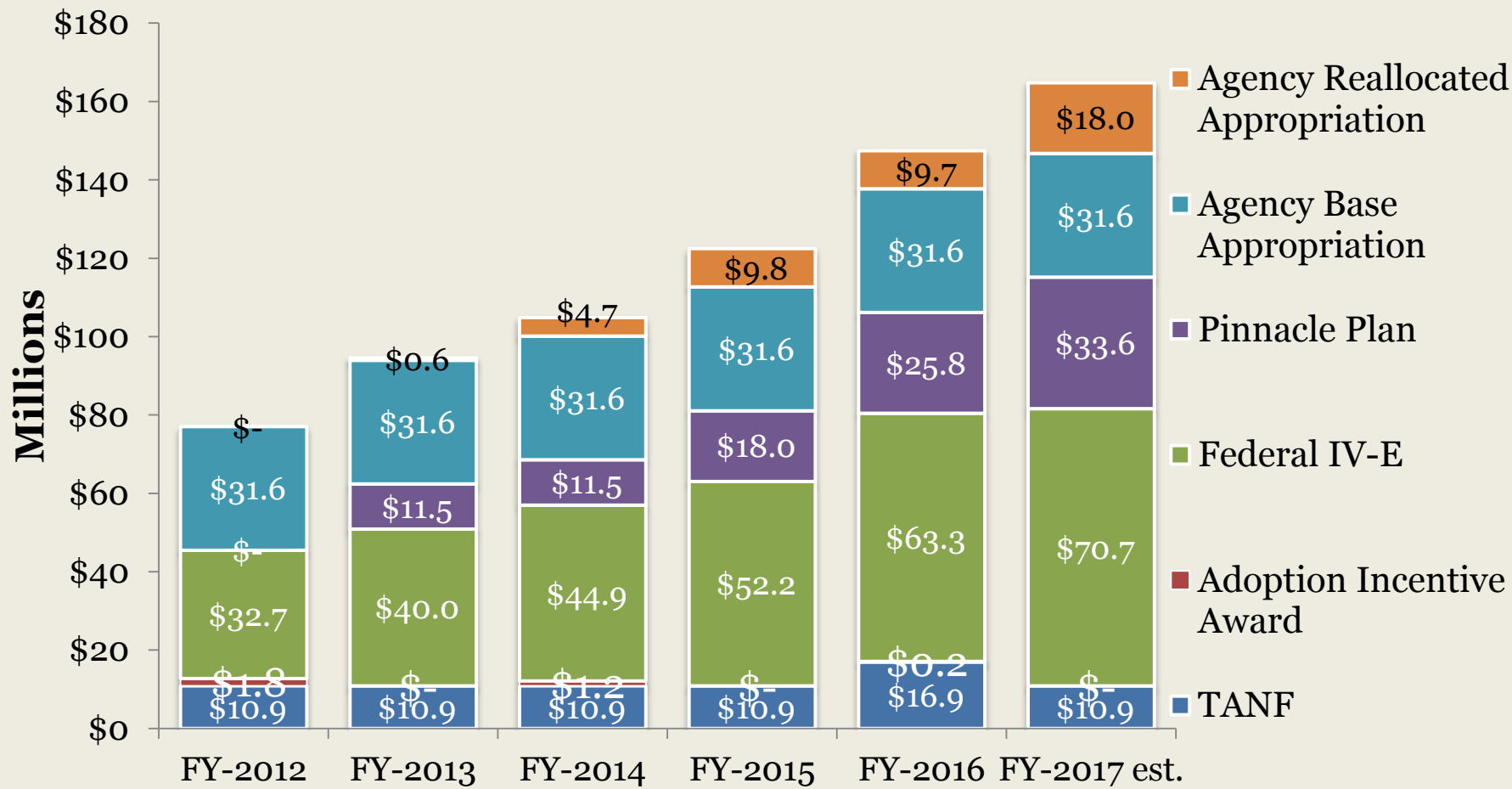
Children in Care

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Family Foster Care and Adoption Subsidy Annual Cost by Funding Source

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DHS Budget Constraints

Pinnacle Plan and Child Welfare System Improvement

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Pinnacle Plan, FY-2016

Purpose	FTE	Budget
CWS field workload standard employees	828	\$36.8
Program staff	322	\$9.7
Field and program staff raises		\$16.0
New employee operating costs and training		\$4.5
Foster care and adoption base		\$6.9
Foster care and adoption rates		\$18.9
Foster care recruitment and specialized home contracts		\$10.4
Other contracts		\$2.4
Oklahoma Children's Services		\$3.1
Total	1,150	\$108.8

Reallocations above Pinnacle Plan within agency, FY-2016

Purpose	Budget
CWS field workload standard employees	\$20.1
Program staff	\$0.1
Program staff raises	\$1.4
Foster care overruns	\$7.0
Adoption subsidy overruns	\$3.8
Adoption court mandate	\$4.9
Prevention programs	\$1.1
Backlog & case management	\$1.3
Group home capacity and rate increases	\$4.2
Other	\$1.8
Total	\$45.7

\$millions

FMAP Deterioration

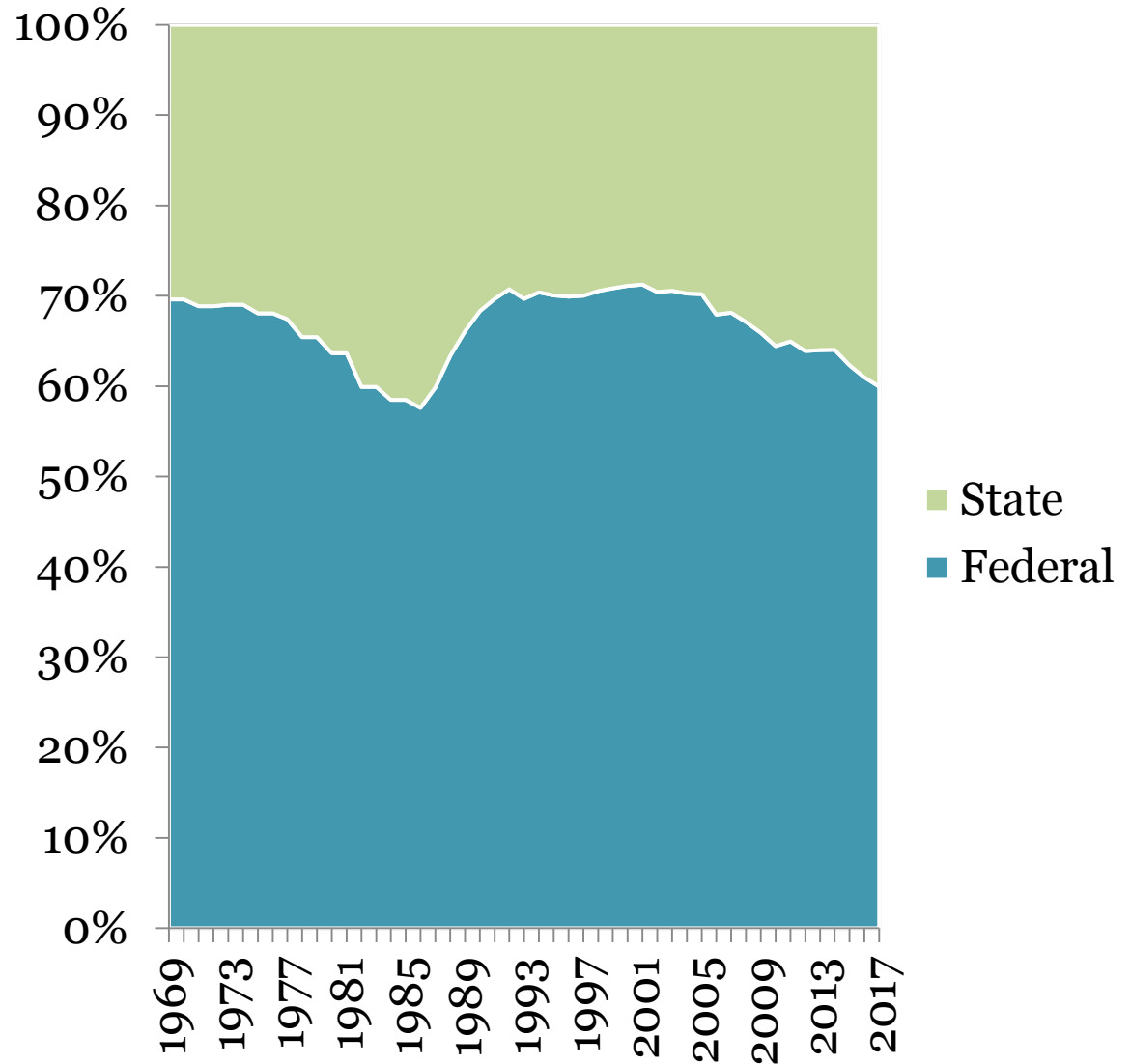
Federal Medical Assistance Percentage (FMAP) determines the federal share of costs for Medicaid-funded programs such as waivers, Child Welfare programs under Title IV-E and some child care grants.

Federal share rises when a state's income rises more slowly than national average income.

Oklahoma's recent income growth has caused FMAP to fall and the state share to rise.

Falling FMAP impact on DHS services was **\$18 million** additional state funds in FY-2015 and 2016, which we absorbed internally.

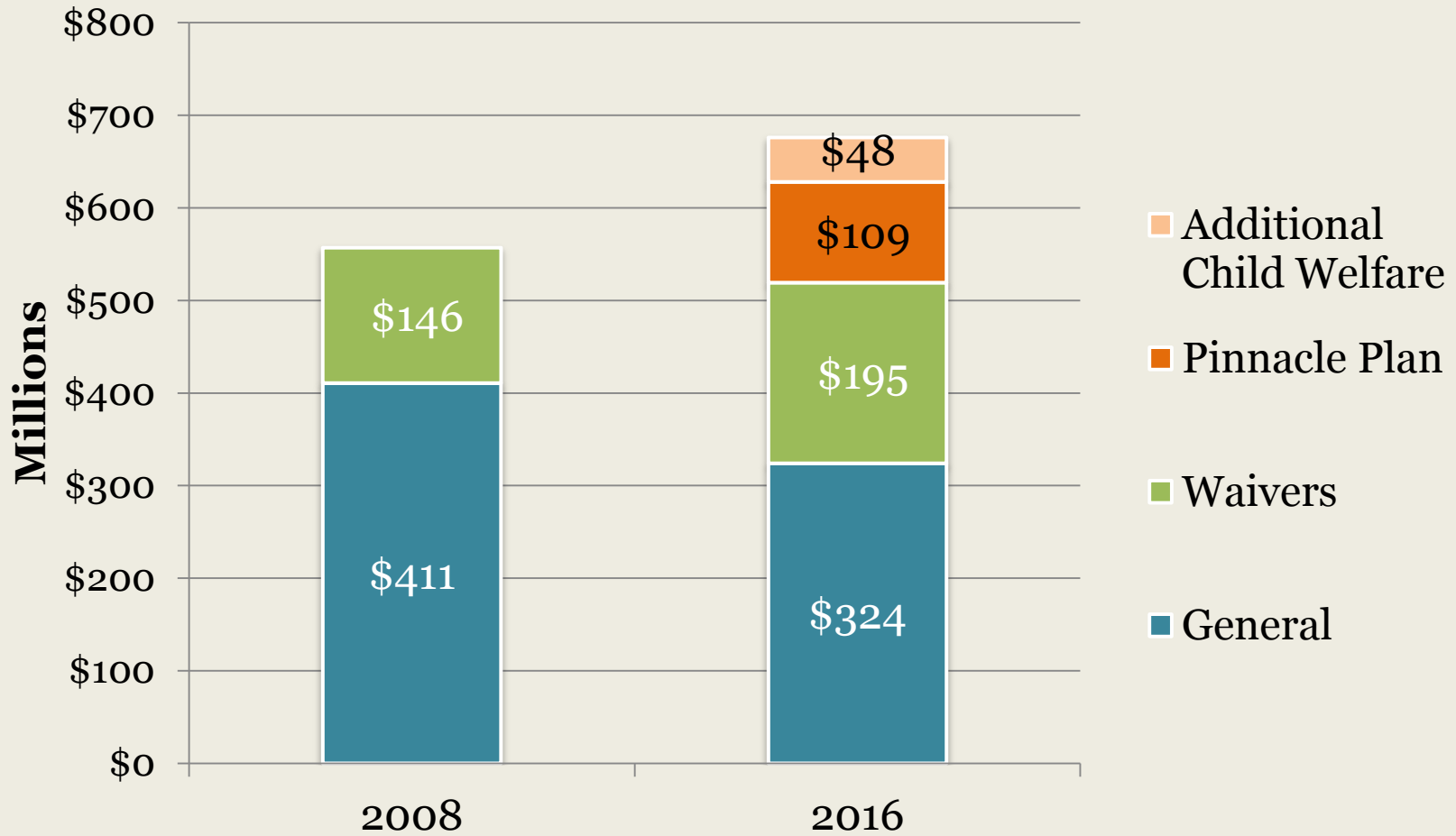
FY-2017 FMAP, which is based on 2012-2014 income, is the lowest since 1986. Impact will be additional **\$8 million**.



DHS Budget Constraints

Appropriation Changes

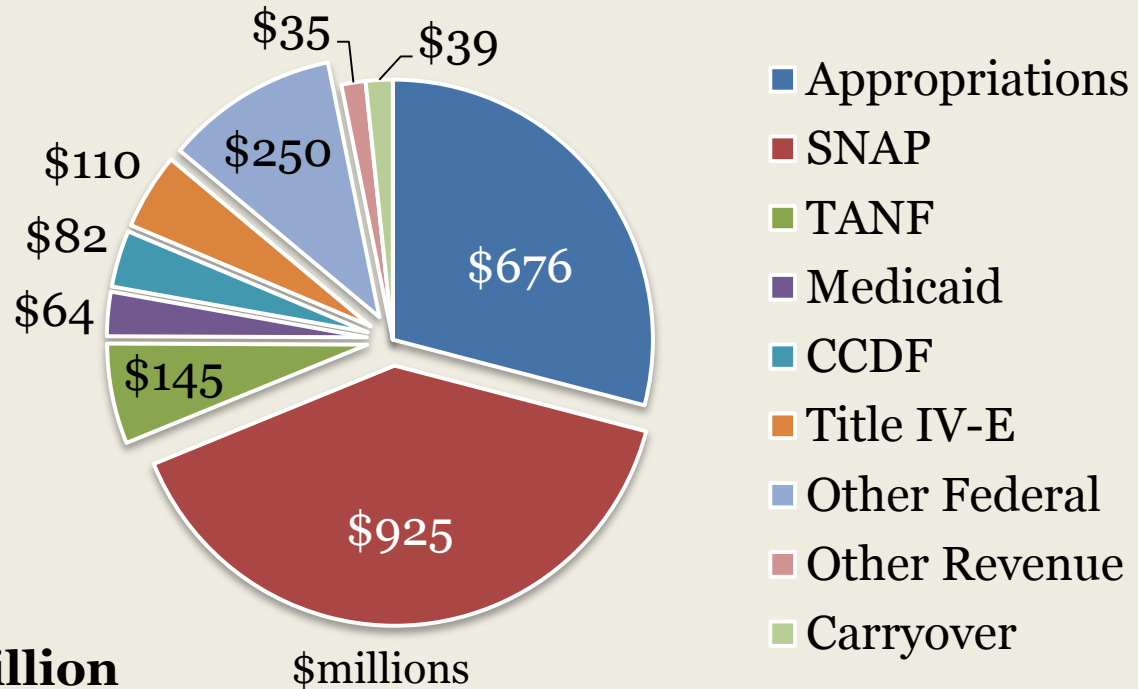
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DHS Budget Constraints

All Revenue FY16

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Total = \$2.326 billion

\$millions

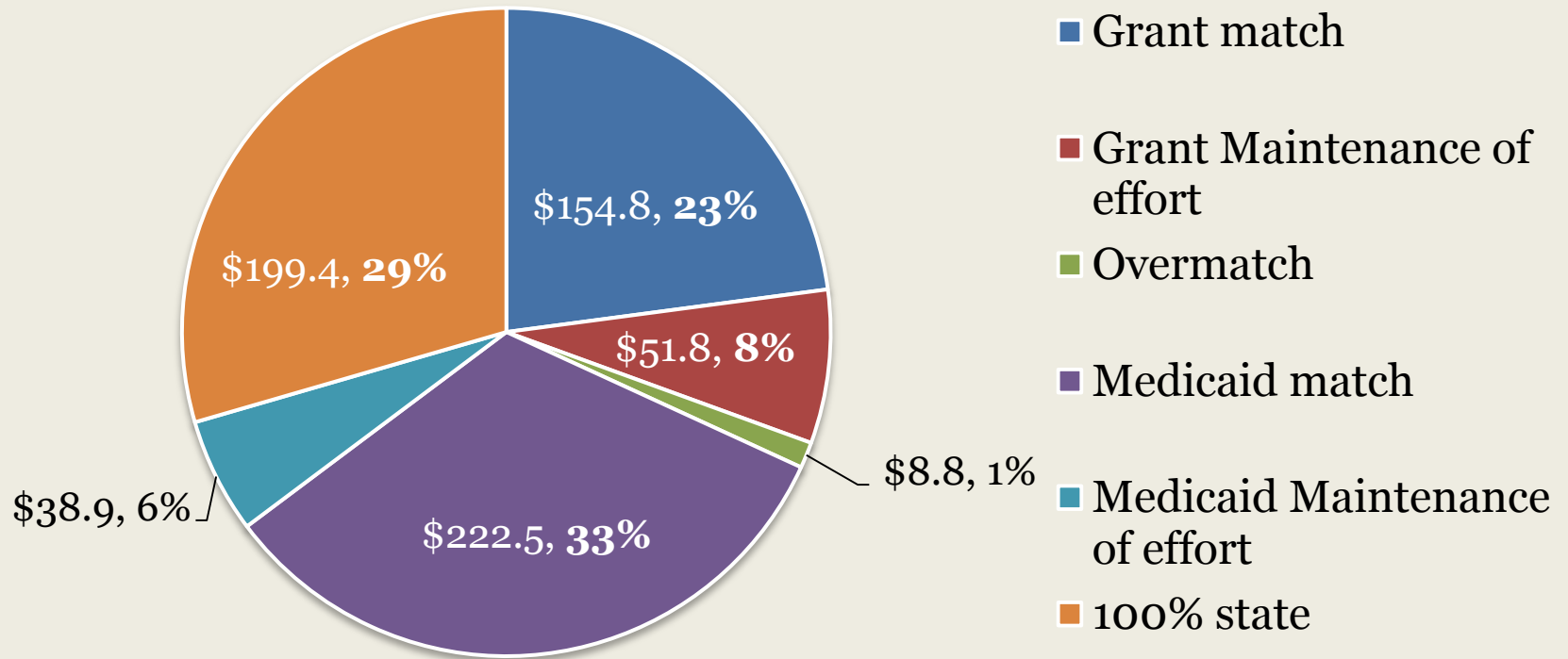
Key Points

- Federal funds represent the lion's share of agency funding
- SNAP is the largest item in the DHS budget
- All federal funding is contingent on what we spend for eligible purposes

DHS Budget Constraints

State Appropriations

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\$millions

Total = \$676.1 million

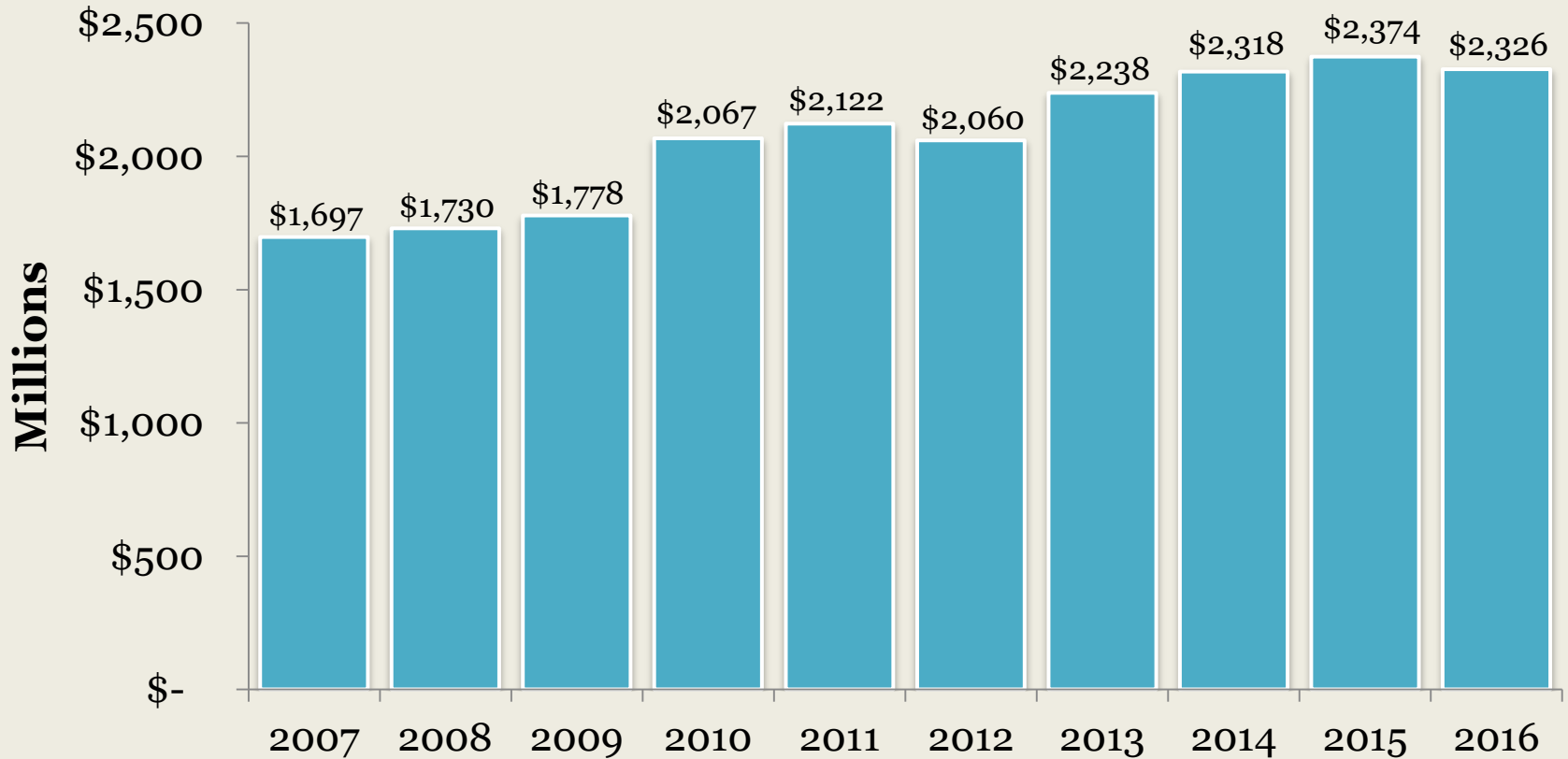
DHS Budget Planning Strategy for FY17 Budget

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- Continue evaluation of expenditures, programs and service priorities
- Prepare for impacts to client services
- Examine impacts of reducing additional positions

DHS Budget Planning Budget History

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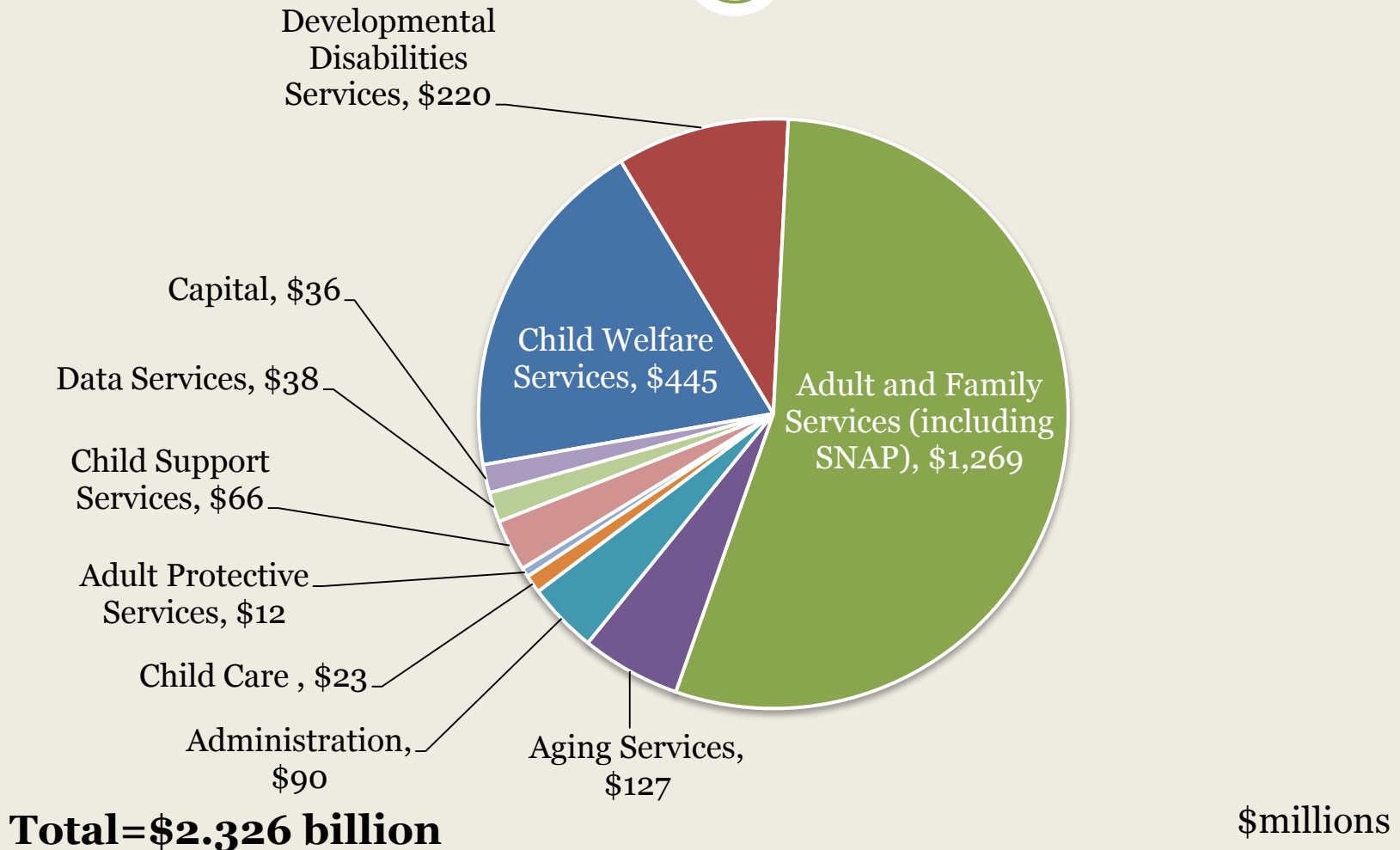


Source: DHS Initial Filed Budget Work Programs

DHS Budget Planning

FY16 Budget by Division

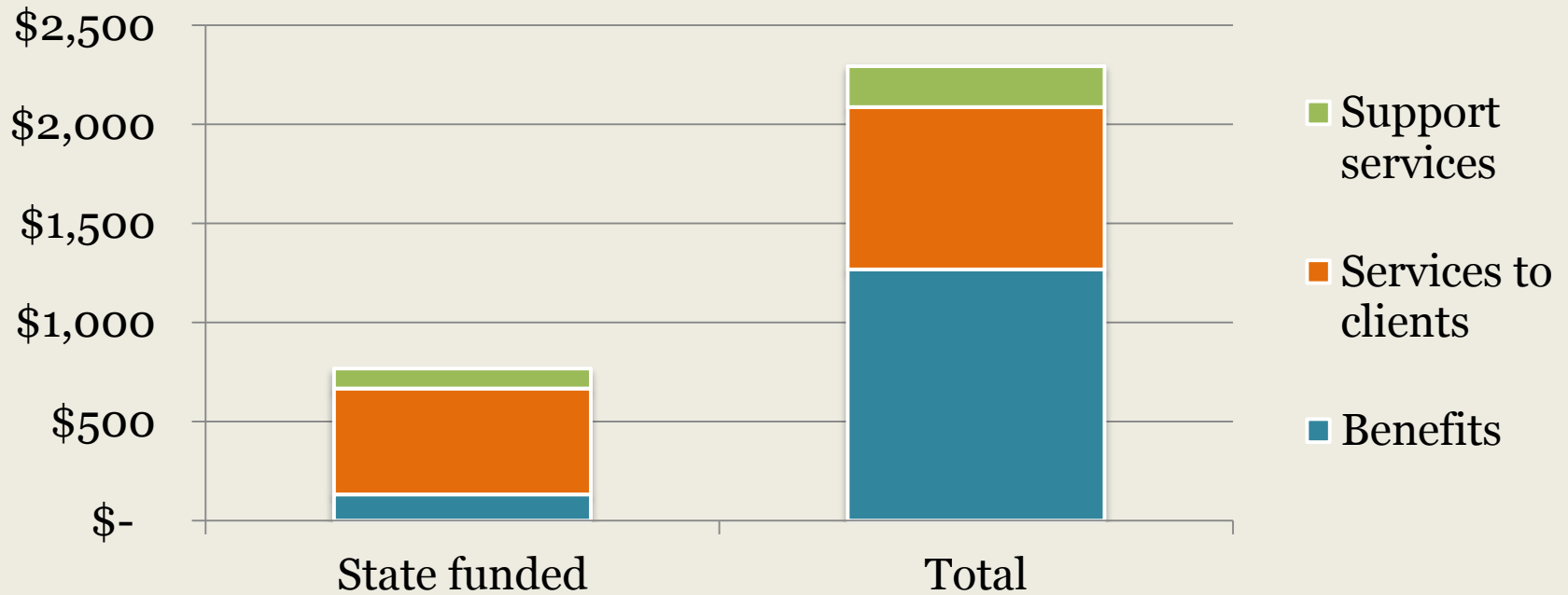
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DHS Budget Planning

Budget by Service

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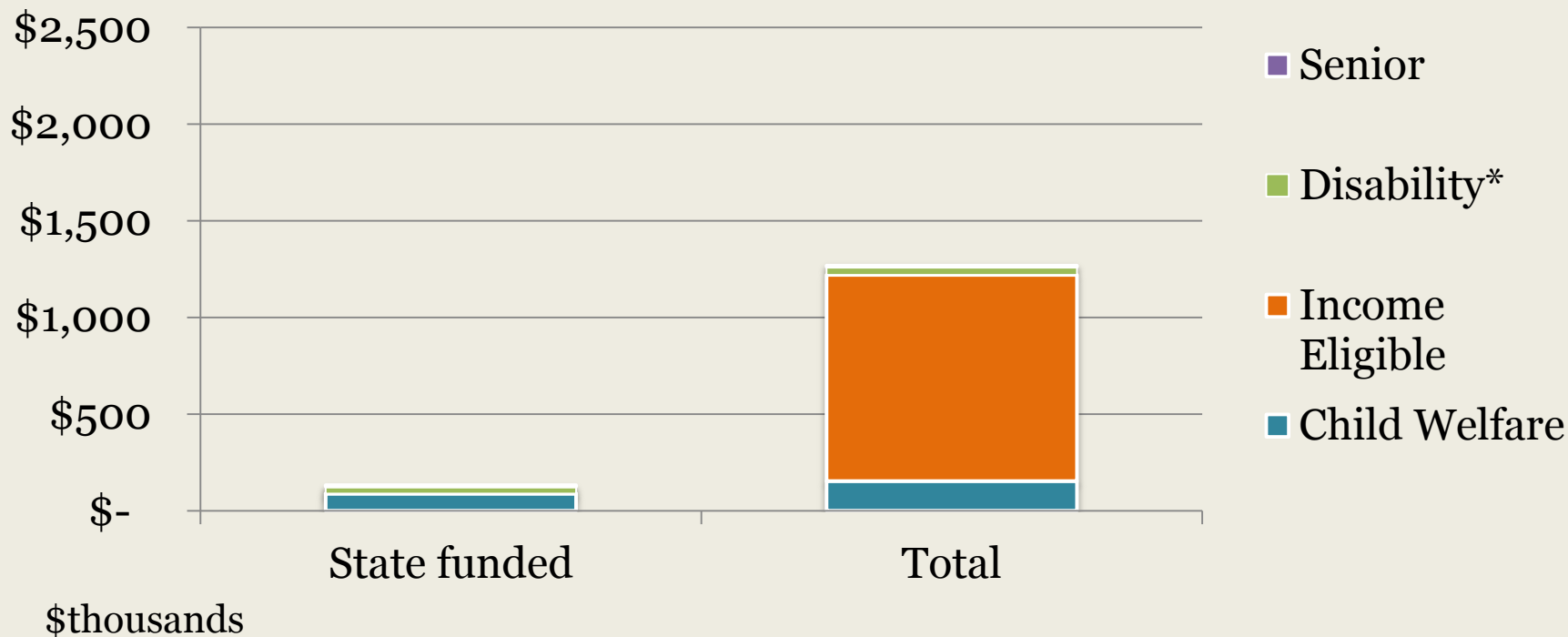


\$thousands

*Note: For most benefits to disabled and senior clients, only the state share is in DHS budget

DHS Budget Planning Benefit Eligibility by Population

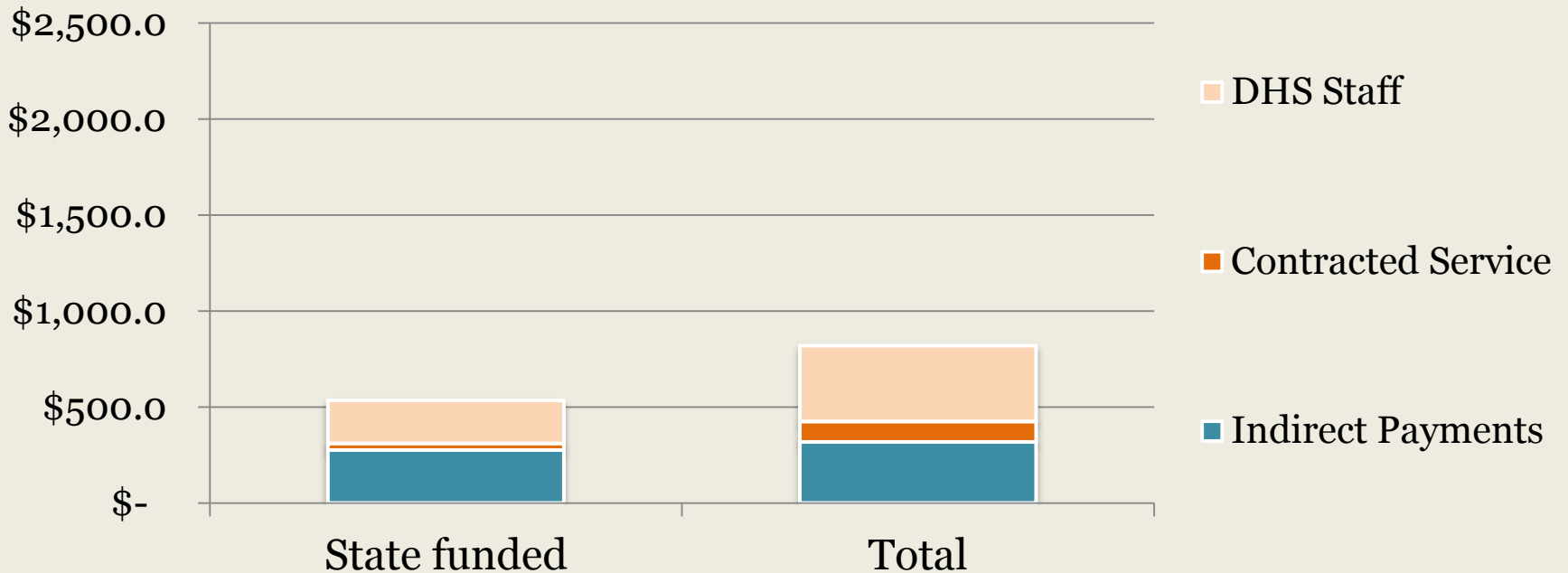
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DHS Budget Planning Services to Clients

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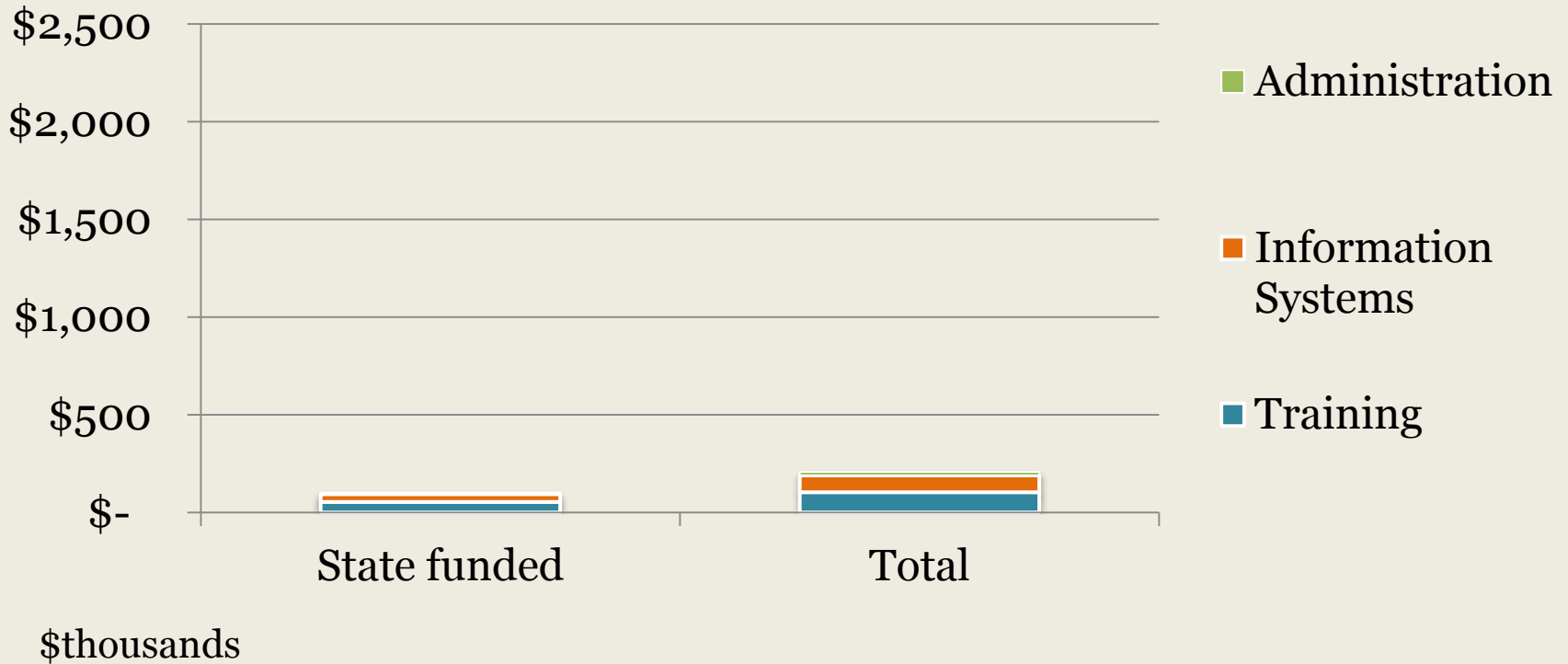


\$millions

*Note: For most benefits to disabled and senior clients, only the state share is in DHS budget

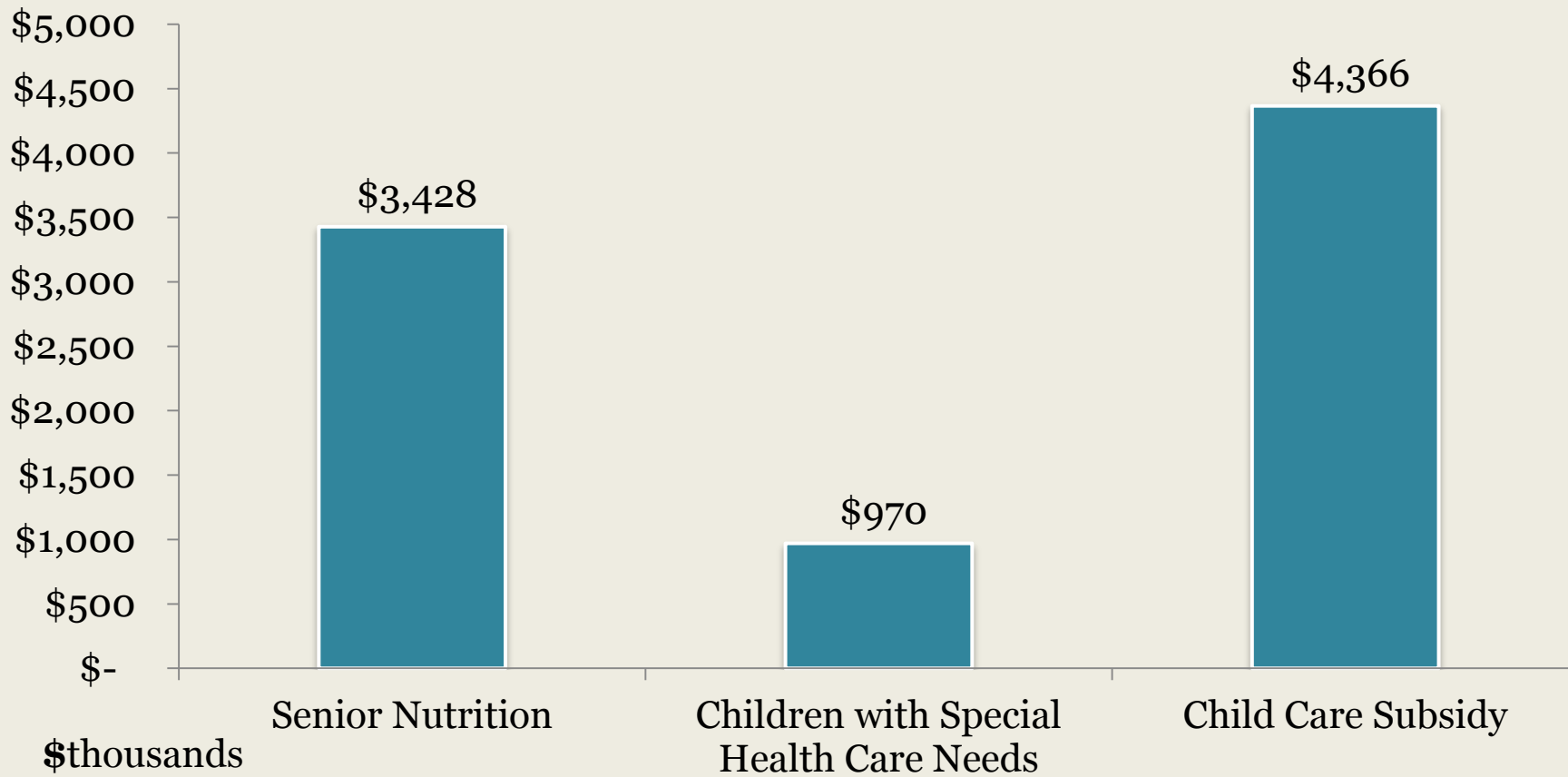
DHS Budget Planning Support Services

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DHS Budget Constraints Federal Grant Overmatches

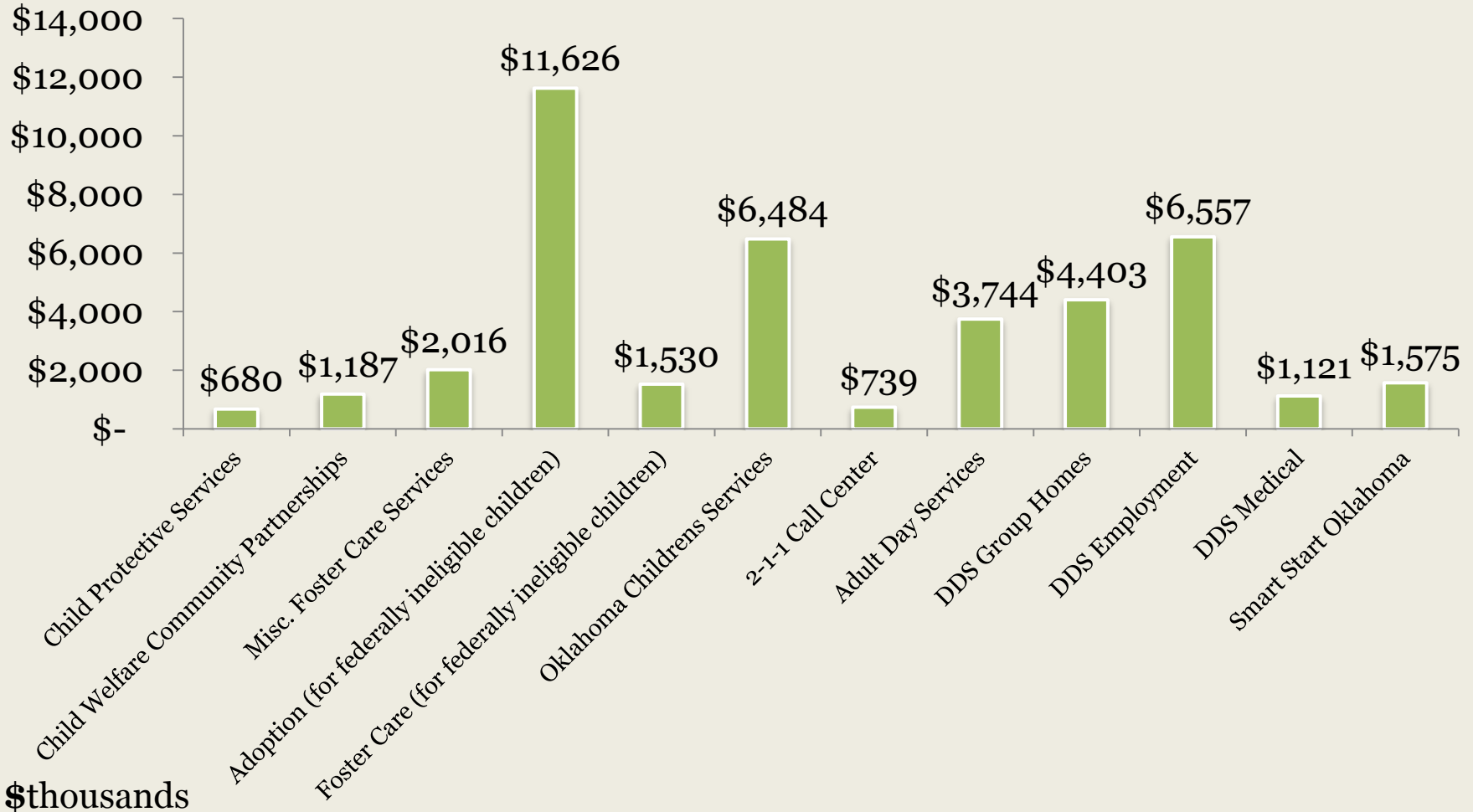
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DHS Budget Constraints

Services with no Federal Match

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DHS Budget Planning

Federal Revenue Loss

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- Federal grants are earned only by spending on eligible activities
 - The impact depends on federal share of the program
- Grants have varied federal shares
 - Adoption and foster care – **50-61%**
 - ✦ Many activities in Child Welfare and children served are not reimbursable, so only about **30%** are federally funded
 - Child Support – **66%**
 - Older Americans Act – **75%**
- Budget decisions must be made with the impact in total dollars (and level of service) in mind

DHS Planning Infrastructure

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- Lack of investment is challenging business operations
 - Information Systems
 - ✦ Primary operating systems are 20-24 years old
 - Physical Plants
 - ✦ Maintenance of state owned buildings is <**25%** of industry standard, and **56%** of our buildings lack adequate square footage to meet business needs
 - Vehicles
 - ✦ The average DHS owned vehicle has **112,555 miles**, and we are spending **\$8 million** annually to reimburse travel to employees when using personal vehicles

DHS Budget Planning

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- FMAP deterioration - loss of **\$8 million**
- Federal funding loss - **\$3 million**
- Adoption and Child Care subsidies challenged by growth - **\$7 million**
- Child Welfare staffing demands for workload standards - **\$20 million**

DHS Budget Planning

Funding Request for Year 5 of the Pinnacle Plan

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- **2017-Pinnacle Plan Year 5**
(\$11.3M/0 FTE)
 - Final salary increase for Child Welfare Specialists I-IV
 - Final scheduled rate increase for foster and adoptive families to achieve “Hit the MARC” target