



NPAIHB POLICY BRIEF

Oregon's 2007-09 Biennium Budget Proposal

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Governor Kulongowski Releases Oregon's 2007-2009 Budget Proposal

Portland, OR — On December 4th, Oregon Governor Ted Kulongoski presented his 2007-2009 biennium budget titled, "Hope and Opportunity Budget." The budget provides increased investments in public education, children's health, law enforcement and criminal justice and the development of renewable energy. For the first time in eight years, the Governor indicates that Oregon has the resources to keep pace with inflation and population growth in many of its programs.

"We begin with the ability to meet the growing demand for state-funded programs by fully funding the services projected to meet the needs of a growing population," the Governor said. "But for the first time in many years, we also have additional resources—\$820 million above this level—to restore, improve and expand critical services." Oregon would spend 20 percent more in the next two years, including a \$1.1 billion increase for education and a \$700 million increase for health care and human services, under the Governor's proposed budget.

The Governor's recommended budget for Department of Human Services (DHS), which includes those programs that provide direct funding to Tribal health and social service programs, is \$12 billion. This is a 20.8 percent increase over the 2005-07 legislative approved budgets.

(Dollars in Thousands)	Oregon Department of Human Services		
	2003-05 Actual	2005-07 Legislature Approved	2007-09 Gov Recommended
Department-wide Support Services	\$ 293,094	\$ 388,841	\$ 484,756
Children, Adults, Families	\$ 2,112,133	\$ 2,312,042	\$ 2,527,922
Health Services	\$ 4,464,316	\$ 4,758,346	\$ 6,167,381
Seniors and People w/Disabilities	\$ 2,233,219	\$ 2,489,229	\$ 2,836,466
TOTAL BUDGET	\$ 9,102,762	\$ 9,948,458	\$ 12,016,525

Department Wide Support Services: The Governor's budget provides \$484.8 million for the Department Wide Support Services Division. This is a 2.5% increase over the last approved biennium budget. These services are now known as the Administrative Services Division (ASD) which provides coordinated administrative services to all areas of DHS. Its core functions include Administrative Services, Finance and Policy Analysis, Office of Information Services, and Office of the Director. The services provided by all of these units support and benefit the entire department. Highlights of the recommended budget include:

- Department of Human Services Infrastructure. The Governor's recommended budget provides funding to the DHS to strengthen its ability to be fiscally and operationally accountable. Actions include improving the ability to recover overpayments and implementation of recommendations coming out of a comprehensive operational review of the Department such as enhancing the agency's actuarial and caseload forecasting services.

Children, Adults, and Families: The Governor's budget provides \$2.5 billion for the Children, Adults, and Families (CAF) Division. This is an increase of 9.3% over the last approved biennium budget. The CAF Division provides policy and program support for benefits and services to help low-income families become self-sufficient while creating a safe and permanent living environment for children. Highlights of the recommended budget include:

- Services for Children: Budget invests in a continuum of services for children and families aimed at keeping children safe and at supporting strong, financially secure families. Investments include strengthening supports for child welfare worker caseload, expanding legal foster care to abused or neglected children.
- Temporary Assistance for Needy Families (TANF) Reauthorization: One of the most significant impacts of the federal Deficit Reduction Act of 2005, is changes made in the TANF program through the reauthorization of that program. The Governor's budget funds a comprehensive re-design of Oregon's TANF program, designed to ensure the health and well-being of children in TANF families and to help parents achieve self-sufficiency through sustained employment.
- Employment Related Daycare: The Governor's budget makes significant investments to allow more low-income working families access quality child care. Actions include reducing co-pays for families, expanding the programs income eligibility limits, and increasing the subsidies families pay child care providers.

Health Services: The Governor's budget provides \$6.2 billion for the Health Services (HS) program area of the DHS, which provides policy and program support for benefits and services through three divisions; Addictions and Mental Health Division (AMHD), Division of Medical Assistance Programs (DMAP) and the Public Health Division (PHD). The budget for the HS program is the most significant piece of the DHS budget in that it is 51 percent of the Department's budget. The primary services within this program area include:

- Medical Assistance Programs
- Mental health services
- Chemical dependency services.

The Division of Medical Assistance Programs (DMAP) administers medical coverage through the Oregon Health Plan (OHP) which is funded in part with Medicaid and Children's Health Insurance Program (CHIP) federal funds. The resources from this program provide the most funding to the Indian Health Service (IHS) and Tribal health programs. Tribal participation in the OHP-Plus and OHP-Standard have been reduced considerably over the last three years due to the state's budget woes. The Governor's budget proposes to increase funding for Health Services by 29.6% over the two year biennium. This is a significant increase that will result in more people being added back to the OHP-Plus and OHP-Standard plans. Tribes will also see an increase in their Medicaid participation if the Governor's budget is approved. Highlights of the recommended budget include:

- Healthy Kids Plan: 117,000 Oregon children, or about one in eight, are uninsured. The Governor's recommended budget proposes a plan to deliver health-care coverage to more than 102,000 kids who otherwise would have no coverage in the next three years. The Healthy Kids Plan proposes to provide comprehensive health coverage options for every Oregon child under age 19. It reduces barriers to enrolling children and keeping them enrolled, and expands coverage options to working families whose incomes are too high to qualify for help under the state's existing programs. The Healthy Kids expands school-based health centers by adding 13 new centers bringing the total number to 60 centers in 25 counties. The Healthy Kids Plan will be funded through a proposed increase in tobacco taxes.
- Health Care for Low-income Adults: The recommended budget proposes to investment to support the state's commitment to the growing demand for health care services for categorically eligible adults covered through the OHP Plus program. The budget expands coverage for low income adults by providing more funding for the OHP Standard program. The additional funding will allow the program to provide health services to 10,000-15,000 additional low-income adults. The recommended budget also invests in an expansion of health care family planning services, covering an additional 26,000 individuals through the Family Planning Expansion Project.
- Oregon Health Plan: The Oregon Health Plan will provide access to health care for about 412,000 Oregonians each month. About 388,000 of these clients will receive the full benefit package offered by the Oregon Health Plan Plus program. The remaining 24,000 clients qualify for the Oregon Health Plan Standard program, receiving a smaller benefit package. The Governor's recommended budget also includes funding to increase the Standard program by up to 15,000 clients per month.
- Health protection and promotion: The Governor's budget investments in state and local public health infrastructure and in safe drinking water programs and access to emergency health services. The budget significantly expands Oregon's tobacco cessation efforts.
- Re-design of Oregon's Mental Health System: The recommended budget funds the expansion of community services for people with mental illness and the construction of a new State Hospital System. The Governor proposes re-designing Oregon's mental health services, including crisis, supported employment, and supported housing services. The budget also continues the state's expansion of community-based mental health services delivery and begins implementation of the Phase II Master Plan calling for the reconstruction of the Oregon State Hospital.
- Chemical Dependency Services: The Governor's Recommended Budget makes available funding to expand the availability of substance abuse treatment, including outpatient and residential treatment as well as supported housing, with particular emphasis on treatment for parents struggling with substance abuse and invests in a new youth substance abuse prevention initiative.

Governor Kulongoski's budget now goes to a Democratic controlled Legislature that convenes Jan. 8, 2007. The budget relies on four tax increases: two to be paid by corporations and two to be paid by private households. Cigarette taxes would rise 84 cents to \$2.03 a pack, drivers would pay a surcharge on auto insurance, and corporations would forgo their \$275 million "kicker" rebate for 2007 and pay a higher minimum corporate tax. Together, the four taxes would raise nearly \$600 million in 2007-09 to cover the increases in the proposed budget.

By the end of the 2007-09 biennium, budget reserves are expected to total \$902 million, or slightly over six percent of the General Fund/Lottery Funds budget. This includes \$145 million ending balance proposed in the Governor's Budget, \$30 million in the Emergency Fund, \$452 million in the Education Stability Fund, and \$275 in corporate kicker revenues that the Governor proposes to put in a Rainy Day Fund. □

Additional informational and budget documents concerning the 2007-09 biennium budget are available at: www.oregon.gov/DAS/BAM/GRB0709.shtml

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