

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - REGULAR SESSION
JOINT APPROPRIATIONS SUBCOMMITTEE ON HEALTH & HUMAN SERVICES**

Call to Order: By **CHAIRMAN DAVE LEWIS**, on January 11, 2001 at 8:30 A.M., in Room 152 Capitol.

ROLL CALL

Members Present:

Rep. Dave Lewis, Chairman (R)
Sen. John Cobb, Vice Chairman (R)
Rep. Edith Clark (R)
Rep. Joey Jayne (D)
Sen. Mignon Waterman (D)

Members Excused: Sen. Bob Keenan (R)

Members Absent: None.

Staff Present: Robert V. Andersen, OBPP
Pat Gervais, Legislative Branch
Lois Steinbeck, Legislative Branch
Sydney Taber, Committee Secretary
Connie Welsh, OBPP

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: Child Support Enforcement
Operations and Technology
Division - Overview Public
Testimony, 1/11/2001
Executive Action: None.

CHILD SUPPORT ENFORCEMENT DIVISION DISCUSSION

{Tape : 1; Side : A; Approx. Time Counter : 0.4 - 0.7}
CHAIRMAN LEWIS opened the hearing.

{Tape : 1; Side : A; Approx. Time Counter : 0.7-8.8}

Pat Gervais, Legislative Fiscal Division (LFD) Staff, went over the LFD issues in the fiscal division budget analysis for Child Support Enforcement Division.

The state special revenue for the Child Support Enforcement Division (CSED) comes from the retention of the state's share of child support collections for client's who receive or have received Temporary Assistance for Needy Families (TANF) and performance-based incentive funds from the federal government.

The 1999 Legislature appropriated general fund monies of \$1.3 million for the Child Support Enforcement Division as a one time only appropriation because state special revenue collections were expected to decline and additional funds were needed to operate the department. It was anticipated that state special revenue would decline due to reduction in Families Achieving Independence in Montana (FAIM) caseloads, changes in the federal regulations governing distribution of child support collections, and changes in federal regulations governing the distribution of federal child support collection incentive funds.

The Child Support Enforcement Division expended the general fund appropriated for FY00, but since it was designated as a one time only appropriation; it was not included in the division's base budget for the 2003 biennium. The Executive Budget does not request any general fund support for this program in the 2003 biennium, but does request continued general fund support for the System for Child Support Enforcement and Recovery (SEARCHS) costs that are included in the Operations and Technology Division. During the 1999 session, the funding of SEARCHS was shifted from state special revenue and federal funds to general fund and federal funds.

In reviewing the state special revenue account fund for FY00 and FY01, the ending fund balance of that account in FY00 is \$1.1 million. This is an indication that the general fund support for the Child Support Enforcement Division and SEARCHS costs was probably greater than necessary during FY00.

Section 17-2-108 MCA provides for the expenditure of non-general fund money first, and states that general fund appropriations will be reduced and non-general funds appropriations increased if non-general fund money can be substituted. Thus, the department could have reduced the general fund appropriation for FY00 and utilized state special revenue instead. Had SEARCHS system costs and full support of Child Support Enforcement Division been funded out of the state special revenue, it would have had a negative fund balance. Some general fund support was necessary. The budget analysis discusses the potential uses of the state special revenue fund balance in the 2003 biennium, it is possible

that the department could use that funding in FY01 to fund SEARCHS in replacement of general fund for the \$650,000 of general fund appropriated for the Child Support Enforcement Division.

If that action is not taken, while the projected revenues are less than the total expenditures anticipated, there is a sufficient ending fund balance in the state special revenue to fund requested costs in the Child Support Enforcement Division, and the general fund portion of the SEARCHS in the next biennium.

The anticipated revenues in the state special revenue account for each year of the next biennium are \$4.1 million and the anticipated expenses, if the Committee chose to fund SEARCHS from state special revenue rather than general fund, would be approximately \$4.6 million per year. This would result in revenues that are less expenditures by approximately \$500,000 to \$600,000 per year. The Committee can fund the cost in the next biennium given the fund balance that is in the account at this time. There are not enough ongoing revenues to sustain the ongoing costs in the state special revenue fund.

Another issue that may work into the potential solvency of this fund is federal legislation. There's been a great deal of conversation about federal legislation that would increase the amount of child support collections passed through the families. The discussions of this legislation take several forms, and may or may not provide for states to use TANF funds to replace the collections that they would lose, and/or, continue to that states remit to the federal government the federal share. Congress did not take action on this issue in the last session, although there is ongoing discussion and may be legislation that could impact the Child Support Enforcement Division if Congress does not provide an alternative funding mechanism.

There are several questions that the committee may wish to consider with regard to the state special revenue account:

1. If Child Support Enforcement Division revenues are used to support the SEARCHS system costs included in the Operations and Technology Division, there is sufficient revenue to fund this in the next biennium, but not on an ongoing basis; there would be a deficit in the account on an ongoing basis.
2. The Committee could fund a portion of the costs with state special revenue and a portion of the costs with general fund, or it could balance revenues and expenditures, and attempt to decrease the costs to the level of revenues expected.

{Tape : 1; Side : A; Approx. Time Counter : 8.9-11.5}

Ms. Gervais answered questions from **SEN. WATERMAN** and **CHAIRMAN LEWIS** on the stability of funding resources for the SEARCHS system.

{Tape : 1; Side : A; Approx. Time Counter : 11.6-16.0}

In response to questions by **SEN. WATERMAN**, **Ms. Gervais** explained that some computer system costs were included within the division administering the program and might more appropriately be assigned to Operations and Technology Division which is responsible for system oversight. This is an LFD issue.

{Tape : 1; Side : A; Approx. Time Counter : 16.9-18.0}

Ms. Gervais reviewed general fund provisions that the committee might to like to consider in regard to general fund support for Child Support Enforcement Division or SEARCHS costs should collections be less than projections, or should federal legislation restrict the state's ability to collect or retain its share, or should additional funds be available if collections in the special revenue fund are greater than expected and or than the appropriated level.

{Tape : 1; Side : A; Approx. Time Counter : 18.5-19.4}

In response to remarks by **CHAIRMAN LEWIS** regarding language that might be included limiting the fund balance growth, **Mary Ann Wellbank, Administrator for Child Support Enforcement Division (CSED)**, stated that there would need to be analysis of any language, since federal law requires that the program be supplemented not supplanted. The base budget is \$10.7 million so incentive money would need to be put back into the program.

{Tape : 1; Side : A; Approx. Time Counter : 19.5-25.3}

Wayne Peterson, Child Support Bureau Chief, is doing a program transfer of general fund and state special revenue. The FY01 general fund will be transferred to Program 33, and the state special revenue fund balance will be reduced. There are pending liabilities of \$1 million to \$1.3 million which is the reason for the excess fund balance. **CHAIRMAN LEWIS** stated that state special revenue reduced the general fund expenditures for FY00 so the CSED general fund appropriation has reverted back to the general fund. **SEN. COBB** wants that money to be used as part of the department's supplemental.

It was agreed after a request by **Connie Welsh, Office of Budget on Public Policy**, that the issue be deferred until the supplemental discussion on Monday.

{Tape : 1; Side : A; Approx. Time Counter : 29.4-48}

The committee looked at the 15% reduction plan for the Child Support Enforcement Division. **Ms. Wellbank** explained how the closing of a regional office and elimination of TANF liaisons would effect her division. In response to a questions by **SEN. WATERMAN** and **CHAIRMAN LEWIS** regarding problems with Maintenance of Effort, **Ms. Wellbank** said that the state could get into trouble with the feds if they did make the reduction in the program and said that she would have an analysis available tomorrow. She said that since most of their business is done by phone closure of a regional office is better than not providing services.

{Tape : 2; Side : B; Approx. Time Counter : .4-19.0}

Mike Billings, Administrator of the Operations and Technology Division, discussed the 15% budget cut for his division which would require a cut of \$1,615,000 from the division's general fund programs. He stated that the suggested cuts would allow the division to still operate, but at significantly reduced levels.

His recommendations under the circumstance, which he stressed he does not endorse, would be a proposal to reduce the costs of the Information Services Division (ISD) processing. It is one of the larger areas in the operating budget and would yield more general fund than cutting other areas. It would reduce ISD cash. The second area to cut would be 475 of the 3,000 subscriptions for computer hookup, all being used, which would result in reduced efficiencies. The largest area in the Operations and Technology Division budget is the contract effort for the systems: The Economic Assistance Management System (TEAMS), Child and Adult Protective Services (CAPS) System, SEARCHS, and Medicaid Management Information System (MMIS). Cuts in this area would require major planning.

SEN. COBB suggested that it would be better to have an upgraded TEAMS system rather than a new building. **Mr. Billings** responded that the building issue would be handled in Long Range Planning.

The final proposed reduction would be in SABHRS operations costs which would not be a great deal. The department is obligated to pay the SABHRS debt service costs; the operations costs would be money that could be pulled from the budget; and the SABHRS budget may not have been coordinated with all agencies.

{Tape : 2; Side : A; Approx. Time Counter : 20-25.0}

Mr. Billings gave his presentation on Operations and Technology Division **EXHIBIT (jhh08a01)**. He explained the Operations and Technology Division's various functions and its greatest costs.

Mr. Billings mentioned the Virtual Human Services Pavilion and that it will be featured at Rotunda Days later this month. He mentioned various systems which are part of the Virtual Human Services Pavilion and the success they are having in outreach to Montanans.

{Tape : 2; Side : A; Approx. Time Counter : 25.1-29.6}

SEN. WATERMAN asked about the progress in developing a non-stigmatic electronic card for those on Medicaid. **Mr. Billings** responded that the card is designed and ready to be used, but there is a special printer needed. To a query from **CHAIRMAN LEWIS** regarding the cost of the printer, **Mr. Billings** responded that it would cost \$40,000 and be financed over ten years.

{Tape : 2; Side : A; Approx. Time Counter : 29.7-39.8}

Mr. Billings proceeded to discuss the on-line certification system used by authorized agencies to find information on births, deaths, marriages, and divorces; and the electronic benefit transfer system (EBT) for food stamps. The system will be ready by spring of 2002; no funding was requested since it is being built as an enhancement to TEAMS and is part of the base funding. The system will be cost effective to the state almost immediately. The Division will explore the options of putting child support enforcement payments on the card as well.

{Tape : 2; Side : A; Approx. Time Counter : 39.9-47.0}

CHAIRMAN LEWIS questioned whether the \$20 million that the Division has with outside contractors is the best deal for Montana. **Mr. Billings** responded that the contracts are competitively bid and that Montana's system development have been much less in comparison to other states, and that the Division gets excellent service for the cost.

{Tape : 2; Side : A; Approx. Time Counter : 47.1-48.0}

SEN. WATERMAN asked if the 42% increase in TEAMS and 40% in SEARCHS is an expansion or inflation.

{Tape : 2; Side : B; Approx. Time Counter : 0.1-2}

Pat Gervais, Legislative Fiscal Division Staff, handed out a revised Table 1 for Operations and Technology Division Major System Costs **EXHIBIT(jhh08a02)** and reviewed the Operations and Technology Division system costs. The costs included with the contract increases including new proposals and present law adjustment. **Mr. Billings** explained that the 42% increase is not representative of the increase in the cost of TEAMS, but is TANF money tied up to enhance TEAMS or rebuild it, if necessary, for FAIM II.

{Tape : 2; Side : B; Approx. Time Counter : 2-6.5}

SEN. WATERMAN requested a breakout in the charts, that shows this. **Ms. Gervais** said that she would ask DPHHS to help her prepare that information and pointed out that when the Committee reaches the Human and Community Services Division budget there is an LFD issue with the funding of the re-procurement of TEAMS. It has not been cost allocated across food stamps, Medicaid, and TANF programs. The entire cost of re-procurement is proposed to be funded with TANF funds. Federal cost allocation procedures require that all benefitting programs receive a portion of the cost. Food stamps and Medicaid does require general fund match. The Committee requested a breakout of the costs of the enhancements as well as the percent of increase of the contracts. **Mr. Billings** responded that he was not prepared to discuss the issue in such depth, but would provide the Committee with more information on Monday.

{Tape : 2; Side : B; Approx. Time Counter : 6.6-10.3}

After a short break, **Ms. Gervais** explained the next biennium increases in the major system costs for the Operations and Technology Division. The **Ms. Gervais** explained that a funding of the Operation and Technology Division shifts general fund equates to \$1.1 million in general and that \$400,000 is due to increase costs requiring a higher percentage of general fund. **Joyce Zahn, Bureau Chief for Support and Vital Records**, explained that her analysis of a \$700,000 worth of funding shift and cost allocations adjustments in the base budget were the result of several decision packages which were funded at a lower general fund rate. The Division received a higher federal fund and special fund, but the general fund was capped. Fixed costs to personal services are funded at a higher general fund rate than the average 38%.

{Tape : 2; Side : B; Approx. Time Counter : 10.4-15.8}

CHAIRMAN LEWIS called for the public testimony on the Child Support Enforcement Division. **SEN. WATERMAN** went into the hall to ask for members of the public who wished to offer testimony to the Committee to come forward. No one came forward. **CHAIRMAN LEWIS** called for members of the public to come forward three times to which there was no response.

CHAIRMAN LEWIS closed the hearing.

ADJOURNMENT

Adjournment: 11:05 A.M.

REP. DAVE LEWIS, Chairman

SYDNEY TABER, Secretary

DL/ST

EXHIBIT (jhh08aad)