

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	380.45	380.45	369.65	369.65	380.45	369.65	(10.80)	(2.84%)
Personal Services	18,935,742	19,692,618	19,072,999	19,067,603	38,628,360	38,140,602	(487,758)	(1.26%)
Operating Expenses	5,449,646	5,493,543	5,706,730	5,803,330	10,943,189	11,510,060	566,871	5.18%
Equipment & Intangible Assets	14,240	20,790	14,240	14,240	35,030	28,480	(6,550)	(18.70%)
Grants	6,338,025	6,846,306	6,338,025	6,338,025	13,184,331	12,676,050	(508,281)	(3.86%)
Benefits & Claims	28,554,530	33,920,201	30,109,287	32,556,673	62,474,731	62,665,960	191,229	0.31%
Debt Service	130,912	118,349	130,912	130,912	249,261	261,824	12,563	5.04%
Total Costs	\$59,423,095	\$66,091,807	\$61,372,193	\$63,910,783	\$125,514,902	\$125,282,976	(\$231,926)	(0.18%)
General Fund	30,727,782	34,702,045	32,212,586	33,859,974	65,429,827	66,072,560	642,733	0.98%
State Special	2,495,422	2,507,539	2,495,422	2,495,422	5,002,961	4,990,844	(12,117)	(0.24%)
Federal Special	26,199,891	28,882,223	26,664,185	27,555,387	55,082,114	54,219,572	(862,542)	(1.57%)
Total Funds	\$59,423,095	\$66,091,807	\$61,372,193	\$63,910,783	\$125,514,902	\$125,282,976	(\$231,926)	(0.18%)

Program Description

The Child and Family Services Division (CFSD) administers child protective services, child abuse and neglect services, prevention services, domestic violence grants, and other programs designed to keep children safe and families strong. CFSD is composed of three bureaus and five regions that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and

Program Highlights

Child and Family Services Major Budget Highlights
<ul style="list-style-type: none"> ◆ Major expenditures in this \$125 million biennium budget include: <ul style="list-style-type: none"> • \$62.7 million total funds in support of foster care and subsidized adoption - \$32 million general fund • \$12.7 million in grants for efforts to keep families together and free of violence - \$2.9 million general fund • \$50 million total funds for operations and personal services ◆ The Governor requests increases over the biennium of about \$7.5 million in total funds including: <ul style="list-style-type: none"> • \$6.0 million in present law adjustments, including \$5.6 million for foster care and subsidized adoption benefits and \$0.4 million in operating expenses and overtime • \$0.7 million in statewide present law adjustments • About \$0.8 million total funds to continue support services in the Chafee Independent Living Project ◆ The Governor proposes reductions of: <ul style="list-style-type: none"> • Nearly \$1.0 million total funds for a 4% reduction in personal services costs over the biennium • \$10.3 million total funds with the proposed postponement of the CAPS replacement system (MACWIS)

Program Narrative

Increases to the Budget

The introductory budget comparison table shows a decrease of about \$0.2 million when the 2011 and 2013 biennia are compared. However, 2011 biennium appropriations were significantly higher than actual expenditures in the base year of FY 2010. This lower level of expenditures reflected in FY 2010 is continued in the executive budget for the 2013 biennium, but is not reflected in the FY 2011 appropriated level shown in the table. If the influence of the FY 2011 appropriations is removed, the proposed budget actually includes increases over the biennium.

As reflected in the present law adjustments and new proposal tables, the Governor requests increases of about \$7.5 million over the biennium in total funds including:

- o \$6.0 million in present law adjustments for \$5.6 million in foster care and subsidized adoption benefits and \$0.4 million in operating expenses and overtime
- o \$0.7 million in statewide present law adjustments for the net of \$2.7 million in personal services that is offset by reductions of \$1.6 million in vacancy savings, and about \$0.4 million in fixed costs and inflation or deflation adjustments
- o About \$0.8 million total funds to continue support services in the Chafee Independent Living Project

There is a reduction in total funds over the biennium of about \$1.0 million for a new proposal to reduce personal services by 4%.

Appropriation versus Actual Expenditures

As shown in the program proposed budget comparison, the base year budget for actual expenditures was \$59.4 million. As a consequence of spending less than anticipated in FY 2010, the department transferred unused authority of about \$2.2 million general fund and \$3.0 million total funds of the FY 2010 appropriation to help fund the agency reorganization and cover budget shortfalls in other divisions. It also transferred about \$0.3 million total funds for termination payouts and, according to the department's budget status report, reverted about \$250,000 in general fund at year end.

The 2009 Legislature supported the division's request to increase foster care and subsidized adoption funding, which was based on a biennium in which the division had the largest increase in caseloads since 1996. In addition, the division recognized the potential negative impacts on children when family stress increases because of economic distress and factored that into the request. As shown in the caseload discussion, the caseload increased in subsidized adoption, but did not increase as expected in foster care. At the same time, the division responded in FY 2010 with program wide cost-cutting actions to address the economic downturn.

As of this writing, the division projects expenditures to be about \$62.5 million at FY 2011 year end, about \$3.6 million less than the appropriation.

There is further discussion of the requests to increase the budget in the statewide and present law sections, as well as the new proposal section.

Budget Proposals

The \$125 million biennium budget includes:

- o \$62.6 million total funds in support of foster care and subsidized adoption client caseload
- o About \$12.6 million in grant funding for programs that support efforts to keep families together and free of violence
- o Over \$38 million to support personal services for 369.65 FTE that carry out the programs

Summary of the Division Budget, Benefits, and Grants

The following is a brief overview of the executive budget request. There is additional information in the present law and new proposal sections of the program narrative.

As shown in the figure below, foster care, subsidized adoption, activities that keep children safe, family support, and reunification efforts comprise nearly 50% of the total budget. The remaining amount supports the five regional offices, centralized intake (all general fund), and administration.

Child and Family Services Division Summary of Benefit and Grant Costs and Funding													
	Fiscal 2010 Base				Fiscal 2012 Requested				Fiscal 2013 Requested				Percent Category Total
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	
Total CFSD Budget Request	\$30,727,782	\$2,495,422	\$26,199,891	\$59,423,095	\$32,212,586	\$2,495,422	\$26,664,185	\$61,372,193	\$33,859,974	\$2,495,422	\$27,555,387	\$63,910,783	
Benefits and Claims													
Foster Care	\$8,549,153	\$2,299,154	\$5,935,077	\$16,783,384	\$9,352,672	\$2,299,201	\$6,138,884	\$17,790,757	\$10,371,948	\$2,299,260	\$6,550,018	\$19,221,226	59.0%
* ARRA Benefit General Fund Reduct.	(\$696,639)	0	0	(696,639)	(\$696,639)	0	0	(696,639)	(\$696,639)	0	0	(696,639)	-2.1%
Subsidized Adoption	5,962,819	0	6,201,263	12,164,082	6,404,489	0	6,306,977	12,711,466	6,977,364	0	6,751,019	13,728,383	42.2%
In home and Reunification	93,638	0	73,222	166,860	93,714	0	73,146	166,860	93,711	0	73,149	166,860	0.5%
Big Brothers and Sisters	90,002	0	0	90,002	90,002	0	0	90,002	90,002	0	0	90,002	0.3%
Chafee - Independent Living	7,885	0	38,956	46,841	9,669	0	37,172	46,841	9,686	0	37,155	46,841	0.1%
Total Benefits & Claims	\$14,006,858	\$2,299,154	\$12,248,519	\$28,554,530	\$15,253,906	\$2,299,201	\$12,556,180	\$30,109,287	\$16,846,072	\$2,299,260	\$13,411,341	\$32,556,673	100.0%
Percent of Total Budget Request	45.6%	92.1%	46.8%	48.1%	47.4%	92.1%	47.1%	49.1%	49.8%	92.1%	48.7%	50.9%	
Grants													
In home and Reunification	849,116	0	663,980	1,513,096	849,801	0	663,295	1,513,096	849,779	0	663,317	1,513,096	23.9%
IV-E Pass Through	13,019	0	1,319,976	1,332,995	0	0	1,332,995	1,332,995	0	0	1,332,995	1,332,995	21.0%
Tribal Contracts	441,126	0	1,502,273	1,943,399	441,126	0	1,502,273	1,943,399	441,126	0	1,502,273	1,943,399	30.7%
Domestic Violence	117,684	86,516	746,942	951,142	117,684	86,516	746,942	951,142	117,684	86,516	746,942	951,142	15.0%
Chafee - Independent Living	9,820	0	48,517	58,337	12,042	0	46,295	58,337	12,063	0	46,274	58,337	0.9%
Community Based Challenge	0	0	191,678	191,678	0	0	191,678	191,678	0	0	191,678	191,678	3.0%
Chafee - ETV	0	0	145,000	145,000	0	0	145,000	145,000	0	0	145,000	145,000	2.3%
Access and Visitation	10,771	-	98,920	109,691	10,771	-	98,920	109,691	10,771	-	98,920	109,691	1.7%
Children's Trust Fund	0	92,687	0	92,687	0	92,687	0	92,687	0	92,687	0	92,687	1.5%
Total Grants	\$1,441,536	\$179,203	\$4,717,286	\$6,338,025	\$1,431,424	\$179,203	\$4,727,398	\$6,338,025	\$1,431,423	\$179,203	\$4,727,399	\$6,338,025	100.0%
Percent of Total Budget Request	4.7%	7.2%	18.0%	10.7%	4.4%	7.2%	17.7%	10.3%	4.2%	7.2%	17.2%	9.9%	
Total Benefits and Grants	\$ 15,448,393	\$ 2,478,357	\$ 16,965,805	\$ 34,892,555	\$ 16,685,330	\$ 2,478,404	\$ 17,283,578	\$ 36,447,312	\$ 18,277,494	\$ 2,478,464	\$ 18,138,740	\$ 38,894,698	
Percent of Total Budget Request	50.3%	99.3%	64.8%	58.7%	51.8%	99.3%	64.8%	59.4%	54.0%	99.3%	65.8%	60.9%	
Regional Offices, Centralized Intake, and Administration													
Regional Offices, Centralized Intake, and Administration	\$ 15,279,389	\$ 17,065	\$ 9,234,086	\$ 24,530,540	\$ 15,527,256	\$ 17,018	\$ 9,380,607	\$ 24,924,881	\$ 15,582,480	\$ 16,958	\$ 9,416,647	\$ 25,016,085	
Percent of Total Budget Request	49.7%	0.7%	35.2%	41.3%	48.2%	0.7%	35.2%	40.6%	46.0%	0.7%	34.2%	39.1%	

* This reduction relates to ARRA funds appropriated through HB 645, which reduced general fund by these amounts and replaced it with general fund.

The combined funds of foster care and subsidized adoption, including the ARRA enhanced FMAP general fund reduction, comprise 99% of the benefit costs of the division.

Grants for tribal contracts comprise 30.7% of that category, followed closely by in-home and reunification services at 23.9%. Funding for tribal contracts is used to reimburse tribes for Title IV-E allowable administrative costs of their child welfare programs.

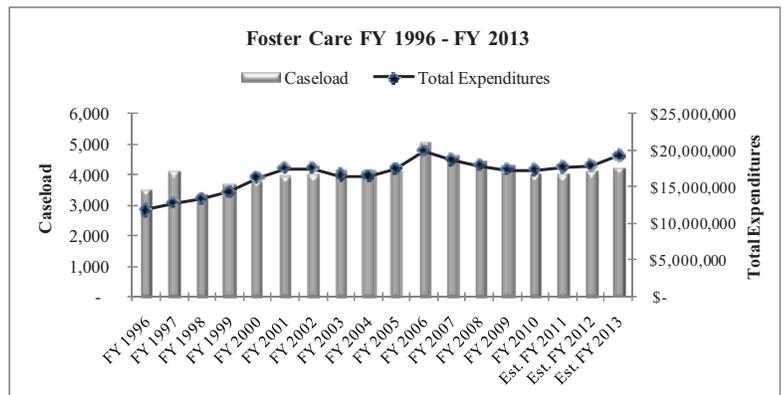
The Children’s Trust Fund listed in the grant category is funded from the state special revenue fund called the Child Abuse & Neglect Program. Funding serves Montana’s limited prevention and early intervention services. The trust fund is administratively attached to the department and is primarily funded from the Montana income tax check off, divorce filing fees, and the community-based child abuse prevention grant. State and federal mandates guide trust money to support nonprofit, community-based organizations that provide services and activities dedicated to preventing child abuse and neglect statewide, and focus on programs that work with children between birth and 5 years of age. Funds from the trust are used as match for the federal community based resource grant. The \$92,687 listed is for grants to be managed by the trust advisory committee.

Caseload

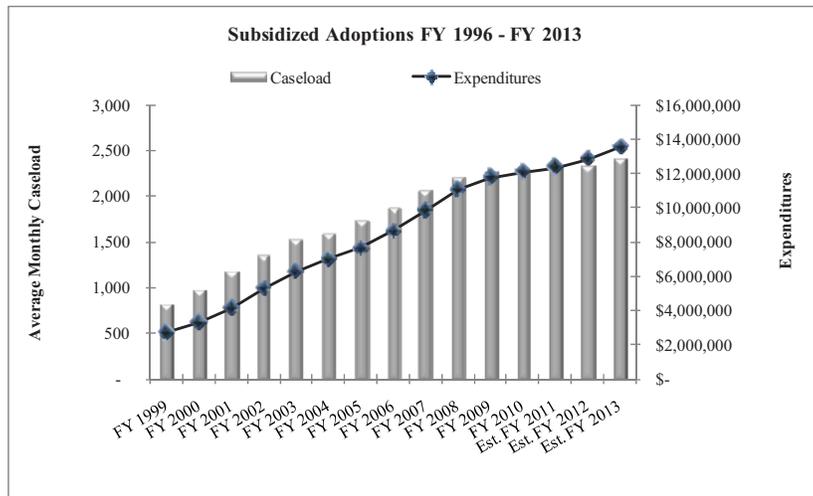
While the economic downturn has led to a nationwide increase in foster care placements, the increase in the caseload did not hit Montana until later in the recession. It was the last quarter of FY 2010 and the beginning of FY 2011 before caseloads began the expected upswing. The following charts show the historical changes in the number of foster care and subsidized adoption clients and related costs.

Foster Care

As shown in the following foster care caseload chart, the caseload and expenditures increased from FY 2000 through FY 2003, which was a period of economic downturn and recovery in Montana. Expenditures increased from \$16.1 million in FY 2000 to about \$17.3 million for the next two years then returned to \$16.2 million in FY 2003 and 2004. In FY 2006 expenditures increased to \$19.9 million that, according to the department, was congruent with a surge of adult addictive behavior that was primarily due to methamphetamine, alcohol, and prescription drugs and the related impact on families. The caseloads gradually returned to the \$16.4 million level by FY 2010.



However, the chart does not reflect the increase of about 2.7% that primarily occurred in the last quarter of FY 2010. Since that time, the caseload has ranged from 1,634 in July 2010 to 1,687 in October 2010. During this time period, the average caseload increased by 65 children, or about a 4.2% increase over the average FY 2009 caseload. Both LFD and CFSD have anticipated a possibility that the caseload could increase in FY 2011 through FY 2013 due to the economic downturn as it did in the FY 2000 – FY 2002 timeframe. CFSD is requesting \$3.4 million total funds to support a caseload increase over the base of 6.0% in FY 2012 and an additional 8.0% in FY 2013.



Subsidized Adoption

Subsidized adoption expenditures are projected to follow the historical pattern of increase as reflected in the chart. The main reason for the increase in subsidized adoption expenditures is the relationship of the number of children available for adoption who would enter with new cost plans and the number already in the program, who may or may not need an increase in their cost plans. Subsidies are negotiated at a rate that can be no more than \$10 a month less than the foster care rate. As families come into the program, they generally negotiate a higher cost plan for subsidies than those children already in the program. CFSD estimates that

there are currently about 300 children available for adoption whose parents' rights have been terminated. The division is requesting \$2.1 million total funds to support a projected caseload increase of 4.5% over the base in FY 2012 and an additional 8.0% in FY 2013.

Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

CFSD could be impacted by the following overarching critical goals that LFD staff, the agency, and the Joint Appropriations Subcommittee for Health and Human Services will follow through the budget cycle.

- Implement components of federal health insurance reform
 - Integrate Medicaid eligibility determination in the health insurance exchange design
 - Evaluate the potential for a single system to determine Medicaid eligibility
 - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review impact of economy on workload and programs
- Review effect of broad based budget reductions (such as proposed 4% FTE/personal services reductions)

The greatest impact of the goals on CFSD would be the continuing impact of the economic downturn, which could create family stress leading to incidents that are reported to centralized intake. An increase in the follow-up investigations and work on any substantiated cases would increase caseloads and services.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% reduction plan for CFSD is about \$2.6 million over the biennium. There is one request included in the Governor's budget of:

- \$644,878 in DP 55403 for a 4% personal services reduction

There are reductions of just over \$1.9 million over the biennium that are included in the overall plan by the division, but are not in the Governor's budget.

- \$180,012 to eliminate Big Brothers and Big Sisters funding

- Potential impact: The number of services provided by the seven Big Brothers and Big Sisters organizations receiving funds could be reduced. Services include actions to prevent or remedy neglect, abuse or exploitation of the youth, or promote positive development through establishing a one-to-one relationship with an adult. The programs receiving \$11,667 each year are: Butte, Great Falls, Flathead County, Gallatin County, Missoula, and Helena. Park County received \$20,000 each year.
- \$30,920 to reduce the subsidized adoption medical subsidy by 25%
 - Potential impact: Funds primarily support orthodontia services. These services and others not covered by Medicaid for children placed adoptively would be reduced.
- \$124,688 to reduce operating expenses by 2%
- Potential impact: The division would most likely reduce travel and communications expenditures.
- \$1,077,990 to reduce or eliminate foster care benefits by lowering the rate paid to providers for high cost placement from \$60 day to \$20 a day; reducing urine analysis by 50%; and eliminating clothing and diaper allowances, transportation, respite, in-home services, and case management. (High cost placement cost refers to a daily rate of \$45.50 for intensive level supervision services, plus \$60.00 per day for additional staff needed in severe cases.)
 - Potential impact: Families would have to make up the cost differences. This reduction could reduce the number of families considering foster care or subsidized adoption for these children, and providers might not be able to serve a child of intense need at the lower rate in the event a family could not make up the difference. As of this writing 33 youth are in high cost services.
- \$531,966 to reduce in-home and reunification services
 - Potential impact: Both federal and state statutes require CFSD to make “reasonable efforts” to prevent foster care placement and to reunify the child/children with the parents. CFSD contracts for services to achieve “reasonable efforts” in preventing children from entering foster care and enabling children to safely return home. CFSD would have to manage contracted services to ensure statute is met and penalties are avoided.

Other Reductions

The Montana Automated Child Welfare Information System (MACWIS)

The Governor also put the MACWIS system on hold as part of the 17-7-140 reductions, which garners a potential \$10.3 million in Long Range Information Technology (LRIT) funding for the legislature to use for other purposes. As part of the Governor’s 17-7-140, MCA reduction plan, the Office of Budget and Program Planning (OBPP) would introduce a bill to propose the postponement of MACWIS and the reversion of \$10.3 million of LRIT funds to the general fund.

2007 Legislature

The system was initially funded in HB 4 during the 2007 May Special Session and was being designed to replace the antiquated Child and Adult Protective Services system (CAPS) used in the monitoring of foster care cases, adoption cases, payment for service to providers, and reporting. CAPS was being replaced because it does not allow for the efficient or timely enhancements needed to meet the changing federal requirements attached to foster care and subsidized adoption tracking associated with federal Title IV-E funding. The proposed budget for MACWIS was \$27.1 million with \$15.2 million in LRIT funds and \$11.9 million in federal funds. At the time the project was placed on hold LRIT funds totaling \$8.7 million (\$4.9 million general fund and \$3.8 million federal funds) in the LRIT account had been transferred to DPHHS, leaving \$18.4 million (\$10.3 million general fund and \$8.1 million federal fund) in the LRIT account.

The reduction impacts both the CFSD and Technology Services Division (TSD) which manages the project. It delays the DPHHS system upgrade for at least two years.

Current Status

With the MACWIS funding on hold the CFSD continues its operations on the existing CAPS system and has worked with TSD to address federal program compliance. The federal Administration for Children and Families (ACF) is aware

of the situation and has acknowledged the limitations of the CAPS system to easily comply with federal changes because it is programmed in the antiquated COBOL language. ACF is presently supporting CFSD reimbursement data.

ARRA Funds

The figure below shows the ARRA appropriations for subsidized adoption, foster care benefits and the 2% provider rate increase approved by the 2009 Legislature in HB 645.

The total appropriation for provider rates was provided to the Director's Office to be allocated among programs. The figure shows the distribution for CFSD and \$237,144 reduction made by the Governor's 17-7-140 reductions in April of 2010. Because the appropriation was in HB 645 rather than HB 2 it became a one-time-only appropriation and any amount remaining after the Governor's reductions was removed from the base budget used to develop the 2013 biennium budget request. There is additional discussion at the agency level.

As of this writing, the division anticipates spending the ARRA appropriations by the deadline of June 30, 2011.

Child and Family Services American Recovery and Reinvestment Act Funding											
	FY 2010 Appropriation Federal Funds Only		FY 2010 Appropriations			FY 2011 Appropriations			Total Appropriation	Total Expenditures	Balance
	Federal Funds	Total	General Fund	Federal Funds	Total	General Fund	Federal Funds	Total	FY 2009 - FY 2011	FY 2009 - FY 2011	November FY 2011
Subsidized Adoption											
Subsidized Adoption Benefits	\$360,000	\$360,000	\$0	\$580,000	\$580,000	\$0	\$280,000	\$280,000	\$1,220,000	\$1,104,185	\$115,815
Provider Rate Increases	0	0	6,000	6,000	12,000	14,000	14,000	28,000	40,000	12,000	\$28,000
Governor Reduction: Provider Rates	0	0	0	0	0	(6,000)	0	(6,000)	(6,000)	0	(6,000)
Subtotal Subsidized Adoption	\$360,000	\$360,000	\$6,000	\$586,000	\$592,000	\$8,000	\$294,000	\$302,000	1,254,000	\$1,116,185	\$137,815
Foster Care		\$0								0	
Foster Care Benefits	\$265,000	\$265,000		\$320,000	\$320,000		\$180,000	\$180,000	\$765,000	\$678,452	\$86,548
Provider Rate Increases	0	0	198,010	87,527	285,537	480,157	201,803	681,960	967,497	144,292	823,205
Governor Reduction: Provider Rates	0	0	0	0	0	(216,144)	0	(216,144)	(216,144)	0	(216,144)
In-Home Services; Provider Rates	0	0	15,000	0	15,000	35,000	0	35,000	50,000	15,000	35,000
In-Home Services Governor Reduction	0	0	0	0	0	(15,000)	0	(15,000)	(15,000)	0	(15,000)
Subtotal Foster Care	\$265,000	\$265,000	\$213,010	\$407,527	\$620,537	\$284,013	\$381,803	\$665,816	1,551,353	837,744	713,609
Governor's Reductions	0	0	\$56,163	0	\$56,163	\$349,470	0	\$349,470	\$405,633	0	\$405,633
Total ARRA	\$625,000	\$625,000	\$275,173	\$993,527	\$1,268,700	\$641,483	\$675,803	\$1,317,286	\$3,210,986	\$1,953,929	\$1,257,057

Source of data: SABHRS Nov. 11, 2010

Endowment For Children

Within the permanent Children's Trust Fund, there is an Endowment for Children managed by the Board of Investments. It was launched in FY 2000 and later received a \$1.0 million general fund legislative appropriation to provide a permanent source of funding to support the programs and services related to child abuse and neglect, family services programs operated by nonprofit or public community-based educational and service organization. The fund can accept donations.

Investment income is reinvested into the corpus of the trust. The value of the endowment as of September 30, 2010 was \$1.3 million.

The \$1.0 million endowment is included in the list of the "Reference Book" options that identifies opportunities for the legislature to reduce or reclaim general fund. All or part of the endowment could be transferred back to the general fund. It would take legislation to address 52-7-105, MCA and make a temporary amendment to address the endowment language.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table							
Child & Family Services							
Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget	
	FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013	
01000 Total General Fund	\$ 30,727,782	51.7%	\$ 32,212,586	52.5%	\$ 33,859,974	53.0%	
01100 General Fund	30,727,782	51.7%	32,212,586	52.5%	33,859,974	53.0%	
02000 Total State Special Funds	2,495,422	4.2%	2,495,422	4.1%	2,495,422	3.9%	
02089 Child Abuse & Neglect Program	99,598	0.2%	99,598	0.2%	99,598	0.2%	
02209 Third Party Contributions-F.C.	2,299,999	3.9%	2,299,999	3.7%	2,299,999	3.6%	
02473 Assault Intervention & Trtmnt	87,125	0.1%	87,125	0.1%	87,125	0.1%	
02496 Family Preservation Conference	8,700	0.0%	8,700	0.0%	8,700	0.0%	
03000 Total Federal Special Funds	26,199,891	44.1%	26,664,185	43.4%	27,555,387	43.1%	
03109 Tanf Benefits	2,000,001	3.4%	2,000,001	3.3%	2,000,001	3.1%	
03224 Access & Visitation Grt 93.597	98,920	0.2%	98,920	0.2%	98,920	0.2%	
03458 6901 - Chafee - Etv 93.599	145,000	0.2%	145,000	0.2%	145,000	0.2%	
03522 93.556 - Family Preservation	814,720	1.4%	818,132	1.3%	818,258	1.3%	
03526 93.643 - Child Justice	88,982	0.1%	88,987	0.1%	88,987	0.1%	
03530 6901-Foster Care 93.658	7,561,630	12.7%	7,757,383	12.6%	8,167,431	12.8%	
03531 6901-Subsidized Adopt 93.659	6,205,703	10.4%	6,311,697	10.3%	6,755,709	10.6%	
03532 93.669 - Child Abuse	106,340	0.2%	106,120	0.2%	106,124	0.2%	
03533 93.671 - Domestic Violence	752,198	1.3%	752,168	1.2%	752,168	1.2%	
03534 93.672 - Child Abuse Challenge	213,161	0.4%	213,052	0.3%	213,054	0.3%	
03536 93.674 - Iv-E Independent Livi	382,753	0.6%	394,155	0.6%	393,302	0.6%	
03593 03 Indirect Activity Prog 03	7,830,483	13.2%	7,978,570	13.0%	8,016,433	12.5%	
Grand Total	<u>\$ 59,423,095</u>	<u>100.0%</u>	<u>\$ 61,372,193</u>	<u>100.0%</u>	<u>\$ 63,910,783</u>	<u>100.0%</u>	

The division is funded from a variety of sources. The funding and federal matching rates vary by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers such factors as the results of a random moment in time study of social worker time spent on various activities.

General fund comprises 53% of the budget, with most used as matching funds to draw federal funds. General fund supports benefits, grants and functions serving foster care, subsidized adoptions, and family reunifications as well as safe, non-violent environments for children. The only major activity of the division that is supported entirely by the general fund is the centralized intake function at about \$2.0 million over the biennium for 18.00 FTE. Over \$23.8 million over the biennium supports the five regional offices across the state with their 305.8 FTE, and about \$5.0 million over the biennium supports the 43.85 FTE and operating costs of central administration.

Federal foster care and adoption subsidy funds comprise over 23%, and federal funds obtained through the cost allocation process comprise about 13%.

State special revenue primarily supports the cost of foster care from a wide variety of third party contributions such as parental payments, collections from child support enforcement for children in foster care, and supplemental security income (SSI) for eligible children. It represents nearly 4% of the budget.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	30,727,782	30,727,782	61,455,564	93.01%	59,423,095	59,423,095	118,846,190	94.86%
Statewide PL Adjustments	380,815	375,272	756,087	1.14%	361,914	357,727	719,641	0.57%
Other PL Adjustments	1,346,428	2,999,359	4,345,787	6.58%	1,698,624	4,240,903	5,939,527	4.74%
New Proposals	(242,439)	(242,439)	(484,878)	(0.73%)	(111,440)	(110,942)	(222,382)	(0.18%)
Total Budget	\$32,212,586	\$33,859,974	\$66,072,560		\$61,372,193	\$63,910,783	\$125,282,976	

As shown in the following detail for statewide and present law adjustments, total funds include:

- Over \$0.7 million in statewide present law adjustments that is the net of:
 - \$2.7 million in personal services to fully fund vacant positions and related benefits and health insurance, partially offset by reductions of
 - \$1.6 million in vacancy savings, and about \$0.4 million in fixed costs and inflation or deflation adjustments

The general fund in statewide present law adjustments is higher than the federal funds because the percentage of general fund match for positions and operations varies.

Present law adjustments are discussed in the following sections.

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,356,728					1,349,720
Vacancy Savings					(811,672)					(811,413)
Inflation/Deflation					(110,217)					(107,655)
Fixed Costs					(72,925)					(72,925)
Total Statewide Present Law Adjustments		\$380,815	\$0	(\$18,901)	\$361,914		\$375,272	\$0	(\$17,545)	\$357,727
DP 30001 - Adoption Caseload Increase	0.00	275,792	0	271,592	547,384	0.00	804,920	0	759,381	1,564,301
DP 30002 - Foster Care Caseload Increase	0.00	698,300	0	309,073	1,007,373	0.00	1,689,886	0	747,956	2,437,842
DP 30003 - FMAP Rate Decrease - Foster Care	0.00	105,317	0	(105,317)	0	0.00	133,093	0	(133,093)	0
DP 30004 - FMAP Rate Decrease - Subsidized Adoption	0.00	165,878	0	(165,878)	0	0.00	209,625	0	(209,625)	0
DP 30005 - Restore OT/Holidays Worked	0.00	64,959	0	22,739	87,698	0.00	64,959	0	22,739	87,698
DP 30006 - Non DofA Rent Annualization	0.00	36,182	0	19,987	56,169	0.00	96,876	0	54,186	151,062
Total Other Present Law Adjustments	0.00	\$1,346,428	\$0	\$352,196	\$1,698,624	0.00	\$2,999,359	\$0	\$1,241,544	\$4,240,903
Grand Total All Present Law Adjustments	0.00	\$1,727,243	\$0	\$333,295	\$2,060,538	0.00	\$3,374,631	\$0	\$1,223,999	\$4,598,630

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – There are no exceptions to the pay plan across the divisions of DPHHS.
- o **Program Specific Obstacles** – CFSD primarily experiences high turnover in child protection specialists. This is primarily due to: 1) jobs that are demanding, highly stressful, and overwhelm new hires; 2) competition with other entities offering equal positions that are less stressful and may have better pay; 3) difficult recruitment and retention in very rural areas; and 4) the 24/7 nature of child protection.
- o **Vacancy** - High vacancy rates have contributed to overtime costs in addition to the 24/7 nature of the central intake and child protective services functions.
- o **Legislatively Applied Vacancy Savings** – Each division was given a target for personal services budget reductions. Vacancies are addressed at the agency level considering critical needs and resource distribution with final approval from the agency director.
- o **Pay/Position Changes** – There were two positions with pay changes that converted a social worker position to a new role and added supervisory duties to an administrative support position.
- o **Retirements** – CFSD has 168 employees eligible for retirement out of 360 employees. It is estimated that 25 could retire at an estimated liability of \$221,375.

DP 30001 - Adoption Caseload Increase - This request supports a caseload increase for subsidized adoption of \$1,080,712 general fund and \$1,030,973 federal funds for the biennium that is based on an estimated caseload increase of 4.5% in FY 2012 and 8% in FY 2013.

The following information is provided so that the legislature can consider various performance measurement principles and when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: The subsidized adoption program encourages and promotes the adoption of children with special needs out of the public foster care system. Adoption subsidies are currently paid to approximately 2,100 children, of which an average of 1,528 are eligible for Title IV-E funding, which is a federal entitlement program. The negotiated amount of the adoption subsidy payment is based upon the child's identified special needs, but the amount cannot exceed \$10.00 less per month than the amount the child would have received in a regular or specialized foster family home. There are currently over 300 children with special needs whose parent's rights have been terminated and have the permanency goal of adoption identified.

Goal: To move children with special needs out of the foster care system to permanent placements.

Increasing costs are related to:

- o Children aging out of adoption are typically paid lower subsidies than the children presently entering into adoption subsidy agreements primarily because foster care rates have increased over time increasing the ceiling on newly negotiated adoption subsidies.
- o The state may renegotiate a subsidy agreement if circumstances merit.

Funding: Subsidized adoption caseload is funded with both general fund and Title IV-E federal funds. The non-Title IV-E eligible subsidized adoption benefits are paid at 100% general fund. This request recognizes the increase in the FMAP rate from 31.96% in the 2010 base budget for Title IV-E eligible benefits to the FMAP rate of 33.78% in 2012 and 34.26% in the 2013.

Challenges: Recruitment of prospective adoptive placements for children in the foster care system.

Risks: Adoption is the highest priority option for permanency under federal and state law. If children are not placed adoptively within the federal timelines, the successful completion of the federally approved PIP would be in jeopardy and financial penalties could be imposed.

Demographics of population served: Individuals eligible for adoption subsidies are children with special needs in the foster care system whose parents' rights have been terminated by the court. In 2010 an estimated 2,265 unduplicated individuals received adoption subsidies, with an average of 2,104 subsidies being paid each month.

DP 30002 - Foster Care Caseload Increase - The Child and Family Services Division is requesting a foster care caseload increase of \$2,388,186 in general fund and \$1,057,029 in federal funds for the biennium that is based on an estimated increase in caseload of 6.0% in FY 2012 and 8.0% in FY 2013.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification: CFSD is federally mandated to provide protective services to children who are abused, neglected, abandoned, or at substantial risk of such abuse or neglect. Maintenance payments and support services are currently paid to the 1,687 foster kids in care of the state, of which an average of 45.76% are eligible for Title IV-E funding. In 2010, an estimated 2,500 unduplicated children were placed in foster care during the year, with an average of 1,586 placements per month.

Goal: Place children in a safe and permanent environment.

Increasing caseload trends: Foster care caseload could theoretically be correlated to a number of factors such as the economy, staffing trends, availability of In-Home Services, drug use trends, and others. At this time the division is unable to correlate the current increase in caseload to any one factor. However, the continuous increase since the beginning of the current state fiscal year, and the relatively larger increases in the past two months, suggests that the caseload will continue to rise.

Funding: The foster care caseload is funded with general fund, state special revenue, TANF, and Title IV-E federal funds. The Title IV-E eligible benefits are calculated at the FMAP rate of 33.78% in 2012 and 34.26% in 2013. The overall base year funding included general fund payments of 39.92%, IV-E general fund match payments of 11.02%, third party collections (state special revenue) of 13.70%, TANF payments of 11.91%, and IV-E payments of 23.45%. This decision package is a request for increased general fund and federal funds. This request is for projected growth in clients and recognizes the increase in the FMAP rate from 31.96% in the 2010 base budget.

Challenges: Predicting foster care caseloads is difficult due to the fact that the number of referrals and removals of children from their homes vary over time and do not appear to be associated with any single identifiable factor.

Risks: Without sufficient funding, children would still be placed into foster care; however, the support services would be cut. It could be more difficult to recruit and retain foster parents and could result in more children being placed into emergency shelter facilities or other residential settings at a higher cost to the division.

Demographics of population served: Individuals eligible for foster care services include any child under the age 18 who is removed from his or her parent, guardian, or legal custodian pursuant to the requirements of Montana Code Annotated Title 41.

**LFD
COMMENT**Foster Care and Subsidized Adoption Caseloads**Caseload Discussion**

The core of the foster care and subsidized adoption caseload increases were discussed earlier in the write-up. LFD estimates do not vary significantly from the division's estimate. However, in light of the increase in caseload over the last few months, an update in caseload should be presented during the Joint Appropriation Subcommittee on Health and Human Services discussion.

Reporting During the Interim

Additionally, should the legislature approve the requests to increase funding in support of caseload increases, it may wish to include a performance measure that would recommend reports throughout the interim that: 1) track the caseloads; and 2) discuss the relationship of the economic downturn and the obstacles mentioned in the personal services narrative to the workload of the division.

DP 30003 - FMAP Rate Decrease - Foster Care - This request is an increase of \$238,410 in general fund and a decrease of the same amount in federal funds over the biennium to address federal changes in the FMAP rate for foster care. The foster care adjusted base expenditures were calculated based upon an initial FMAP estimate of 68.04%. This adjustment reduces the FMAP from 68.04% to 66.22% in FY 2012 and to 65.74% in FY 2013 to reflect updated information.

DP 30004 - FMAP Rate Decrease - Subsidized Adoption - The Governor requests an increase of \$375,503 in general fund and a decrease of the same amount in federal funds over the biennium to address federal changes in the FMAP rate for subsidized adoption. The subsidized adoption adjusted base expenditures were calculated based upon an FMAP of 68.04%. This adjustment reduces the FMAP from 68.04% to 66.22% in FY 2012 and to 65.74% in FY 2013.

DP 30005 - Restore OT/Holidays Worked - The Governor requests an increase of \$129,918 in general fund and \$45,478 in federal funds over the biennium to reinstate overtime compensation and holidays worked that was primarily earned by social workers called out at night or required to work additional hours due to staff shortages. Overtime and holidays worked are removed from the FY 2010 base for budgeting purposes and must be requested in a decision package. These expenses are on-going, routine costs for this division.

DP 30006 - Non DofA Rent Annualization - This request of \$133,058 in general fund and \$74,173 in federal funds for the biennium would support the annualization of lease amounts for non-state owned buildings due to the relocation of the CFSD central office and the Region IV office.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals Program	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 30101 - Continue Chafee Independent Living Support										
03	0.00	80,000	0	304,057	384,057	0.00	80,000	0	303,202	383,202
DP 55403 - 4% Personal Svs GF Bud Reduction										
03	(10.80)	(322,439)	0	(173,058)	(495,497)	(10.80)	(322,439)	0	(171,705)	(494,144)
Total	(10.80)	(\$242,439)	\$0	\$130,999	(\$111,440)	(10.80)	(\$242,439)	\$0	\$131,497	(\$110,942)

DP 30101 - Continue Chafee Independent Living Support - The Governor requests \$767,259 total funds over the biennium to continue support for modified FTE or contracted services in the independent living program that have been in the division budget for several years. The authority is requested at this time because it funded modified positions and was not included in the FY 2010 base budget.

The division would use contracted services, modified FTE, or a combination of the two to provide services to all regions in the state. Services were performed by modified FTEs in FY 2008 – FY 2010 and through contracted providers prior to that.

The John H Chafee Foster Care Independence Program offers assistance to help current and former foster care youth achieve self-sufficiency. Grants are offered to states and Tribes who submit a plan to assist youth in a wide variety of areas designed to support a successful transition to adulthood.

DP 55403 - 4% Personal Services GF Reduction - This request represents the 4% personal service reduction applied to most agencies. It reduces general fund by \$644,878 over the biennium and represents a reduction of 10.8 FTE and a total of 11 positions. Positions that are 24/7 were exempted from the 4% calculation, which includes the Centralized Intake Unit (17 workers) and on-call Child Protective Specialists (39 workers, one per office) in the field.