

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 | 41.25 | 41.25 | 40.25 | 40.25 | 41.25 | 40.25 | (1.00) | (2.42%) |
| Personal Services | 3,772,476 | 2,874,688 | 3,035,376 | 3,033,108 | 6,647,164 | 6,068,484 | (578,680) | (8.71%) |
| Operating Expenses | 980,185 | 873,789 | 944,331 | 944,958 | 1,853,974 | 1,889,289 | 35,315 | 1.90% |
| Debt Service | 0 | 802 | 0 | 0 | 802 | 0 | (802) | (100.00%) |
| Total Costs | \$4,752,661 | \$3,749,279 | \$3,979,707 | \$3,978,066 | \$8,501,940 | \$7,957,773 | (\$544,167) | (6.40%) |
| General Fund | 1,992,454 | 1,604,573 | 1,638,989 | 1,637,808 | 3,597,027 | 3,276,797 | (320,230) | (8.90%) |
| State Special | 439,899 | 308,235 | 385,118 | 385,240 | 748,134 | 770,358 | 22,224 | 2.97% |
| Federal Special | 2,320,308 | 1,836,471 | 1,955,600 | 1,955,018 | 4,156,779 | 3,910,618 | (246,161) | (5.92%) |
| Total Funds | \$4,752,661 | \$3,749,279 | \$3,979,707 | \$3,978,066 | \$8,501,940 | \$7,957,773 | (\$544,167) | (6.40%) |

Program Description

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are legal affairs, personnel services, public information, the prevention resource center, and the AmeriCorps*VISTA Program. The Montana Health Coalition is administratively attached. Also, the director serves on many councils including the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

Program Highlights

| Director's Office Major Budget Highlights |
|--|
| ◆ The Director's Office overall budget proposal decreases 6.4% when compared to the 2011 biennium due to adjustments for termination costs |

Program Narrative

The 2013 biennium budget request declines 6.4% or \$0.5 million when compared to the 2011 biennium. Present law changes for the Director's Office are negative for both years of the 2013 biennium due to removal of department wide termination payouts of about \$1.4 million. Agencies pay accumulated annual leave and a portion of unused sick leave when employees retire or leave state employment. Termination payouts are recorded in the personnel program budget in the Director's Office and then removed in the statewide present law adjustments because they are considered a one-time expense. Removal of termination costs accounts for a reduction of about \$722,314 in general fund, \$140,277 in state special revenues, and \$500,985 in federal special revenues each year of the 2013 biennium. Increases in personal services and operating costs offset part of the reductions.

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.

| Director's Office | | | | | | | | | |
|---|---------------|--------------------|---------------------|-----------------------|---------------------|-------------------------|-------------------|--------------------|---------------------|
| Total 5% Reduction Plan Identified | | | | | | | | | |
| Included and not included in Executive Budget 2013 Biennium | | | | | | | | | |
| | FTE | General Fund | % Of Division Total | State Special Revenue | % Of Division Total | Federal Special Revenue | % Of Branch Total | Total Funds | % Of Division Total |
| <i>Included in Executive Budget</i> | | | | | | | | | |
| 55404 4% Personal services reductio | (1.00) | (\$87,292) | 30.67% | \$0 | 0.00% | (\$242,544) | 50.00% | (\$329,836) | 42.85% |
| 55140 17-7-140 Operation efficienci | 0.00 | (55,018) | 19.33% | 0 | 0.00% | 0 | 0.00% | (55,018) | 7.15% |
| Subtotal Included in Executive Budget | <u>(1.00)</u> | <u>(\$142,310)</u> | <u>50.00%</u> | <u>0</u> | <u>0.00%</u> | <u>(\$242,544)</u> | <u>50.00%</u> | <u>(\$384,854)</u> | <u>50.00%</u> |
| Total Director's Office | <u>(2.00)</u> | <u>(\$284,620)</u> | <u>100.00%</u> | <u>\$0</u> | <u>0.00%</u> | <u>(\$485,088)</u> | <u>100.00%</u> | <u>(\$769,708)</u> | <u>100.00%</u> |

All of the reductions proposed for this function are included in the Governor's proposed budget and in the funding tables of this narrative.

Reorganization

DPHHS reorganized division responsibilities and funding during FY 2010. The Director's Office transferred the Medicaid Management Information System (MMIS) to the Medicaid and Health Services Management Program and the Office of Budget and Finance to the Management and Fair Hearings Program under the supervision of the Operations Branch Manager. Total transfers of FTE and costs are as follows:

- 11.00 FTE
- \$717,779 in personal services
- \$6,808,013 in operating expenses
- \$2,855 in debt service

Appropriation authority was also transferred, and is therefore not included in the base funding for the Director's Office.

Summary of Director's Office Base Budget Compared to Executive Request by Function

The figure below shows the FY 2010 base budget expenditures compared to the 2013 biennium request by function of the Director's Office.

| Director's Office FY 2010 Base Expenditures Compare to 2013 Biennium Executive Request | | | | | | | | | | | | | | | | | | |
|--|--------------|--------------------|------------------|--------------------|--------------------|----------------|--------------|--------------------|------------------|--------------------|--------------------|----------------|--------------|--------------------|------------------|--------------------|--------------------|----------------|
| Major Function | FY 2010 | | | | | | FY 2012 | | | | | | FY 2013 | | | | | |
| | FTE | General Fund | State Special | Federal Special | Total | % of Total | FTE | General Fund | State Special | Federal Special | Total | % of Total | FTE | General Fund | State Special | Federal Special | Total | % of Total |
| Director's Office | 5.75 | \$152,129 | \$56,067 | \$198,596 | \$406,792 | 8.56% | 4.75 | \$169,982 | \$84,033 | \$245,556 | \$499,571 | 12.55% | 4.75 | \$169,855 | \$84,007 | \$245,565 | \$499,427 | 12.55% |
| Office of Legal Affairs | 14.50 | 731,553 | 69,101 | 508,848 | 1,309,502 | 27.55% | 14.50 | 711,229 | 67,791 | 498,274 | 1,277,294 | 32.10% | 14.50 | 710,829 | 67,840 | 498,007 | 1,276,676 | 32.09% |
| Office of Human Resources | 15.00 | 929,747 | 198,512 | 973,325 | 2,101,584 | 44.22% | 15.00 | 556,383 | 125,782 | 578,369 | 1,260,534 | 31.67% | 15.00 | 555,700 | 125,736 | 577,595 | 1,259,031 | 31.65% |
| Prevention Resource Center | 2.00 | 43,650 | 104,438 | 431,596 | 579,684 | 12.20% | 2.00 | 50,327 | 104,152 | 440,558 | 595,037 | 14.95% | 2.00 | 49,979 | 104,289 | 440,502 | 594,770 | 14.95% |
| Office of Planning Coordination & Analysis | 4.00 | 135,375 | 11,781 | 207,943 | 355,099 | 7.47% | 4.00 | 151,068 | 3,360 | 192,843 | 347,271 | 8.73% | 4.00 | 151,445 | 3,368 | 193,349 | 348,162 | 8.75% |
| Total Director's Office Budget | <u>41.25</u> | <u>\$1,992,454</u> | <u>\$439,899</u> | <u>\$2,320,308</u> | <u>\$4,752,661</u> | <u>100.00%</u> | <u>40.25</u> | <u>\$1,638,989</u> | <u>\$385,118</u> | <u>\$1,955,600</u> | <u>\$3,979,707</u> | <u>100.00%</u> | <u>40.25</u> | <u>\$1,637,808</u> | <u>\$385,240</u> | <u>\$1,955,018</u> | <u>\$3,978,066</u> | <u>100.00%</u> |
| Percent of Total | | 41.92% | 9.26% | 48.82% | 100.00% | | | 41.18% | 9.68% | 49.14% | 100.00% | | 41.17% | 9.68% | 49.14% | 100.00% | | |

Changes in the percentage of each functions' budget to the total Director's Office are driven by the elimination of the termination costs that are included in the Office of Human Resource FY 2010 base budget. As discussed previously, reductions of about \$1.4 million are removed in the statewide present law adjustments.

The Director's Office is responsible for the overall management of the agency. Its budget accounts for slightly more than 12% of the biennial budget request. Increases between the 2013 proposed budget and the FY 2010 base are due to statewide present law adjustments, which are partially offset by a reduction for operating efficiencies.

The Office of Legal Affairs represents DPHHS in court actions and administrative hearings, provides legal advice, and drafts administrative rules and legislation. The Office of Legal Affairs 2013 biennium budget decreases are primarily due to statewide present law adjustments.

The Office of Human Resources is responsible for employee recruitment and hiring, labor relations, contract administration, job classification and salary administration, employee relations, safety programs and training, and Equal Employment Opportunity programs for the agency. As discussed above, the reductions between the FY 2010 base and the 2013 biennium budget are due to elimination of termination costs for the agency recorded and funded in the Office of Human Resources.

The Prevention Resource Center (PRC) assists Montana communities in development of comprehensive prevention efforts in the areas of substance abuse, child and family safety, violence, and crime. The PRC also supports the Interagency Coordinating Council for State Prevention Programs, directs a statewide AmeriCorp* VISTA project, and provides information resources. The PRC budget increases slightly when compared to the FY 2010 base due to increased personal services costs included in the statewide present law adjustments for each year of the 2013 biennium.

The Office of Planning Coordination and Analysis provides support for the department's branches and divisions including analyzing the impacts that policy decisions have on clients in services, the fiscal implications and staffing requirements, and other special projects that enhance the effective and efficient use of the department's resources. Changes between the FY 2010 base and the 2013 biennium budget proposal are due to statewide present law adjustments. Statewide present law adjustments also include a funding shift that increases general fund and reduces state special revenues and federal funds.

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 | Director'S Office | | | | | |
|--------------------------------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| | 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 | \$ 1,992,454 | 41.9% | \$ 1,638,989 | 41.2% | \$ 1,637,808 | 41.2% |
| 01100 General Fund | 1,992,454 | 41.9% | 1,638,989 | 41.2% | 1,637,808 | 41.2% |
| 02000 Total State Special Funds | 439,899 | 9.3% | 385,118 | 9.7% | 385,240 | 9.7% |
| 02099 69010-Vista-Community Cost Shr | 89,285 | 1.9% | 86,677 | 2.2% | 86,934 | 2.2% |
| 02377 02 Indirect Activity Prog 04 | 350,614 | 7.4% | 298,441 | 7.5% | 298,306 | 7.5% |
| 03000 Total Federal Special Funds | 2,320,308 | 48.8% | 1,955,600 | 49.1% | 1,955,018 | 49.1% |
| 03072 69010-Cns-Grants-Vista | 367,385 | 7.7% | 366,517 | 9.2% | 366,972 | 9.2% |
| 03580 6901-93.778 - Med Adm 50% | 49,487 | 1.0% | 4,200 | 0.1% | 4,210 | 0.1% |
| 03594 03 Indirect Activity Prog 04 | <u>1,903,436</u> | <u>40.0%</u> | <u>1,584,883</u> | <u>39.8%</u> | <u>1,583,836</u> | <u>39.8%</u> |
| Grand Total | <u>\$ 4,752,661</u> | <u>100.0%</u> | <u>\$ 3,979,707</u> | <u>100.0%</u> | <u>\$ 3,978,066</u> | <u>100.0%</u> |

With the exception of the Prevention Resource Center, the functions within the Director's Office are cost allocated through indirect cost recoveries to the other division within DPHHS. The Director's Office is funded through a combination of general fund, and state and federal special revenues. The department has a complex public assistance

cost allocation plan that is reviewed by six federal agencies and approved by Montana’s federal oversight agency. Federal indirect cost allocations made up 81% of the federal revenues in the 2013 biennium. Federal revenues decrease about 6% between the 2013 and 2011 biennia. This is due to elimination of termination costs from the 2013 proposed biennium budget.

General fund supports about 41% of the Director’s Office in the 2013 biennium budget, increasing from the 33% of support appropriated by the 2009 Legislature for the 2011 biennium. The percentages changed due to the reorganization that moved functions that were supported by a higher percentage of federal funds out of the Director’s Office.

Two state special revenue funds support the Director’s Office:

- Cost allocations, budgeted at about \$298,000 annually
- Community costs shares for the VISTA volunteers

The PRC administers the VISTA program, which is also supported by a federal grant of \$0.7 million as proposed by the executive for the 2013 biennium.

LFD COMMENT

In the last two biennia the Director’s Office has had 3.00 FTE modified positions in the Director’s Office, including:

- An administrative assistant within the Office of Legal Affairs
- A human resource specialist to assist with classification and compensation review workloads in the Office of Human Resources
- A transportation coordinator in the Office of Coordination and Analysis

The 2009 Legislature considered but did not approve a request by the executive to increase personal service costs in the Office of Human Resources supporting an additional 5.00 FTE.

The positions are included as part of the indirect allocations charged to other divisions and as such increase the costs of the agency overall.

If the Director’s Office continues to require the services of the additional FTE in the next biennium, they should be included as part of the budget request so that the impacts of the costs are reflected in the costs and funding of the division.

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 | 1,992,454 | 1,992,454 | 3,984,908 | 121.61% | 4,752,661 | 4,752,661 | 9,505,322 | 119.45% |
| Statewide PL Adjustments | (282,310) | (283,491) | (565,801) | (17.27%) | (624,173) | (626,117) | (1,250,290) | (15.71%) |
| Other PL Adjustments | (27,509) | (27,509) | (55,018) | (1.68%) | (27,509) | (27,509) | (55,018) | (0.69%) |
| New Proposals | (43,646) | (43,646) | (87,292) | (2.66%) | (121,272) | (120,969) | (242,241) | (3.04%) |
| Total Budget | \$1,638,989 | \$1,637,808 | \$3,276,797 | | \$3,979,707 | \$3,978,066 | \$7,957,773 | |

Reductions included in the statewide present law adjustments reflect the elimination of termination costs for DPHHS. This is discussed in detail in the program narrative.

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 | | | | | (484,303) | | | | | (486,977) |
| Vacancy Savings | | | | | (131,525) | | | | | (131,422) |
| Inflation/Deflation | | | | | (628) | | | | | (620) |
| Fixed Costs | | | | | (7,717) | | | | | (7,098) |
| Total Statewide Present Law Adjustments | | (\$282,310) | (\$54,781) | (\$287,082) | (\$624,173) | | (\$283,491) | (\$54,659) | (\$287,967) | (\$626,117) |
| DP 55140 - 17-7-140 Operations Efficiencies | | | | | | | | | | |
| | 0.00 | (27,509) | 0 | 0 | (27,509) | 0.00 | (27,509) | 0 | 0 | (27,509) |
| Total Other Present Law Adjustments | 0.00 | (\$27,509) | \$0 | \$0 | (\$27,509) | 0.00 | (\$27,509) | \$0 | \$0 | (\$27,509) |
| Grand Total All Present Law Adjustments | 0.00 | (\$309,819) | (\$54,781) | (\$287,082) | (\$651,682) | 0.00 | (\$311,000) | (\$54,659) | (\$287,967) | (\$653,626) |

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** - None
- o **Program Specific Obstacles** - For all agency programs, decreased numbers of staff and increased stress and burnout for employees have resulted in fewer internal referrals, decreased satisfaction with work/life balance, lack of available time and resources to train and develop current staff and new recruits, and fear and uncertainty with government job stability. In combination, these factors have led to a shortage of high-level skilled workers seeking public service work with this agency
- o **Vacancy** - Ongoing vacancies have increased overtime and employee workload and stress. Supervisors are carrying increasingly heavy workloads across all agency programs to cope with staff vacancies and as new employees are trained to be fully productive in their positions. The one position included in the reduction in force in FY 2010 in the Office of Legal Affairs has resulted in fewer lawyers to carry out agency legal work and extending the time required to respond to legal challenges
- o **Legislatively Applied Vacancy Savings** - Each agency division was given a target for personal services budget reductions. In general, vacancies were held open until the 7% savings was accomplished. However, the agency managed the vacancy savings based on ongoing assessment of what positions constituted the most critical need and allocating resources using an agency-wide strategy. Some critical positions were filled quickly while others were held open longer. Each request to fill was reviewed, evaluated, and either held open or approved to be filled by the program administrator. After approval by the administrator, each request to fill was also thoroughly scrutinized and considered for final approval by the agency director
- o **Pay/Position Changes** - Director's Office upgraded two positions and changed the pay for two positions, including an operations manager and a legal secretary. The pay increases were funded by vacancy or other budgetary savings.
- o **Retirements** - Out of 34 total employees in the Director's Office, 20 or 58.8% are eligible for retirement. The division estimates 5 employees will retire in the 2011 and 2013 biennia (including actual retirements in FY 2010) at a total cost of \$26,565 in the 2013 biennium. Planning for these vacancies is ongoing but doesn't contemplate double filling positions at this time due to budget restrictions

DP 55140 - 17-7-140 Operations Efficiencies - The Governor made reductions to agencies' 2011 biennium general fund budgets in accordance with 17-7-140, MCA. A portion of the reductions was effective in FY 2011 and therefore is not reflected in the base. This reduction is to continue the original reduction in the 2013 biennium. The Director's Office will make operations reductions through efficiencies in the areas of travel, conferences, supplies, and contracting.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor.

| New Proposals | | | | | | | | | | |
|-----------------------------|-----------------------|-------------------|---------------|-------------------|--------------------|-----------------------|-------------------|---------------|-------------------|--------------------|
| | -----Fiscal 2012----- | | | | | -----Fiscal 2013----- | | | | |
| Program | FTE | General Fund | State Special | Federal Special | Total Funds | FTE | General Fund | State Special | Federal Special | Total Funds |
| DP 55404 - 4% FTE Reduction | | | | | | | | | | |
| 04 | (1.00) | (43,646) | 0 | (77,626) | (121,272) | (1.00) | (43,646) | 0 | (77,323) | (120,969) |
| Total | (1.00) | (\$43,646) | \$0 | (\$77,626) | (\$121,272) | (1.00) | (\$43,646) | \$0 | (\$77,323) | (\$120,969) |

DP 55404 - 4% FTE Reduction - The executive recommends a 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE associated with positions vacant when budgets were developed. The Director's Office proposes to permanently eliminate an operations manager position.