

### 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	14.00	14.00	14.00	14.00	14.00	14.00	0.00	0.00%
Personal Services	935,508	943,540	1,048,699	1,047,730	1,879,048	2,096,429	217,381	11.57%
Operating Expenses	138,057	102,996	135,820	135,935	241,053	271,755	30,702	12.74%
Debt Service	0	2,855	0	0	2,855	0	(2,855)	(100.00%)
<b>Total Costs</b>	<b>\$1,073,565</b>	<b>\$1,049,391</b>	<b>\$1,184,519</b>	<b>\$1,183,665</b>	<b>\$2,122,956</b>	<b>\$2,368,184</b>	<b>\$245,228</b>	<b>11.55%</b>
General Fund	426,233	412,328	470,558	470,172	838,561	940,730	102,169	12.18%
State Special	30,990	23,768	35,637	35,577	54,758	71,214	16,456	30.05%
Federal Special	616,342	613,295	678,324	677,916	1,229,637	1,356,240	126,603	10.30%
<b>Total Funds</b>	<b>\$1,073,565</b>	<b>\$1,049,391</b>	<b>\$1,184,519</b>	<b>\$1,183,665</b>	<b>\$2,122,956</b>	<b>\$2,368,184</b>	<b>\$245,228</b>	<b>11.55%</b>

### Program Description

The Management and Fair Hearings Office (MFH) is responsible for all the oversight and management of the Operations Branch. MFH is made up of the Office of Budget and Finance and the Office of Fair Hearings.

The Office of Budget and Finance manages the department's budgeting processes and provides guidance and support to the eleven DPHHS divisions concerning the reporting and operation of its financial structure. It also oversees the day-to-day management of appropriations and operating budget changes for DPHHS and ensures that uniform budgeting processes are used throughout the department.

The Office of Fair Hearings provides impartial administrative hearings for individuals or entities that have been negatively impacted by a program administered by the department. Hearings Officers adjudicate a wide range of department-related issues, including:

- Eligibility and service issues for public assistance programs
- Licensing and certification issues
- Ability to pay for care in state institutions
- Denial of admission to or discharge from state institutions and long-term care facilities
- Substantiation of child abuse and neglect
- Eligibility for vocational rehabilitation services
- Enforcement of laws prohibiting sales of tobacco to minors
- Enforcement of the Montana Food, Drug and Cosmetic Act

The Office of Fair Hearings does not have jurisdiction over issues determined by the Child Support Enforcement Division.

Hearing officers research statutes, rules, regulations, policies, and court cases to reach conclusions of law. After weighing evidence and evaluating testimony, they issue written decisions that are binding unless appealed to the state Board of Public Assistance, the department director, or a district court.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA

## Program Highlights

<b>Management and Fair Hearings Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Total funding for the division increases 11.6% when the 2011 and 2013 biennia are compared due to increases in statewide present law adjustments</li> <li>◆ The Governor proposes a general fund reduction over the biennium of \$2,532 as part of the 5% reduction plan</li> <li>◆ Additional 5% plan reductions of \$6,440 are not included in the executive budget</li> </ul>

## Program Narrative

As mentioned in the agency overview, the Management and Fair Hearings Program was created in the DPHHS reorganization. The Office of Budget and Finance and the Office of Fair Hearings and their existing budgets moved into the new structure. Additionally, positions of Branch Manager and Branch Financial Manager and associated, existing funding were moved to the new program to accommodate structural reorganization of the department. The positions are housed in the Office of Budget and Finance.

The program's 2013 biennium request is 11.6% higher than the 2011 biennium. The major increase for the biennium is from \$225,365 in statewide present law adjustments that primarily support increases in:

- Personal services of just over \$312,000 that are partially offset by reductions in vacancy savings of about \$87,000
- The Governor's required reduction in operating costs of \$2,532 over the biennium in April 2010 per MCA 17-7-140

Duties of the newly created MFH are carried out with a staff of 14.00 FTE, 8.00 of which work in the Office of Budget and Finance, and 6.00 of which work in the Office of Fair Hearings. The Branch Manager and Financial Manager are attached to the Office of Budget and Finance.

As shown in the introductory Program Budget Comparison, and concurrent with the duties of the programs, the majority of the requested expenditure increases for the 2013 biennium are for personnel costs. Projected expenses for staff account for 88% of the total biennial budget request while operations expenses account for 12% of the projected biennial total.

The increase in personal services is the net of statewide present law adjustment costs to fully fund the positions in the 2013 biennium including salaries, longevity, employee benefits, and health insurance that is offset by a reduction due to vacancy savings. There is further information in the statewide and present law sections of this write-up.

## *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.

In its leadership role for the management and financial oversight, MFH could be impacted by the following overarching critical goals that the LFC has recommended be discussed during the division budget presentation and, if appropriate, followed 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
- Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

At the time of this writing, the exact impact on the MFH cannot be determined, but the management staff would be present at discussions involving technology systems, business processes, and overall performance measure discussion and reporting. The staff involvement as well as any budget impacts for the division will be determined as the process evolves.

#### 5% 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 the Management and Fair Hearings Program would reduce general fund by \$8,972 over the biennium and contains:

- A \$2,532 general fund request that is in the executive budget as DP 55140 for reductions in MFH operations over the biennium
- A \$6,440 general fund proposal (\$16,154 total funds) that is not in the executive budget and is presented for legislative consideration. Over the biennium the proposal would reduce:
  - Temporary services for the Fair Hearings unit by \$3,720 general fund and \$9,734 total funds
    - Potential Impact: The program would have to manage the reduction in temporary services to ensure satisfactory customer service and support during times of peak workloads.
  - Travel across the program by \$2,720 general fund and \$6,420 total funds
    - Potential Impact: Staff would take advantage of web enabled meeting tools to reduce travel.

There is a detailed listing of 5% plans in the Operations Branch Overview.

#### 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						
Management And Fair Hearings						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 426,233	39.7%	\$ 470,558	39.7%	\$ 470,172	39.7%
01100 General Fund	426,233	39.7%	470,558	39.7%	470,172	39.7%
02000 Total State Special Funds	30,990	2.9%	35,637	3.0%	35,577	3.0%
02221 02 Indirect Activity Prog 16	30,990	2.9%	35,637	3.0%	35,577	3.0%
03000 Total Federal Special Funds	616,342	57.4%	678,324	57.3%	677,916	57.3%
03304 03 Indirect Activity Prog 16	616,342	57.4%	678,324	57.3%	677,916	57.3%
Grand Total	\$ 1,073,565	100.0%	\$ 1,184,519	100.0%	\$ 1,183,665	100.0%

The program receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula applied to all funds in the department that benefit common purposes met by MFH, generally referred to as indirect activity. As shown in the funding table, federal funding comprises 57.3% of the budget, general fund 39.7%, and state special revenue 3%.

**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	426,233	426,233	852,466	90.62%	1,073,565	1,073,565	2,147,130	90.67%
Statewide PL Adjustments	45,591	45,205	90,796	9.65%	112,220	111,366	223,586	9.44%
Other PL Adjustments	(1,266)	(1,266)	(2,532)	(0.27%)	(1,266)	(1,266)	(2,532)	(0.11%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$470,558</b>	<b>\$470,172</b>	<b>\$940,730</b>		<b>\$1,184,519</b>	<b>\$1,183,665</b>	<b>\$2,368,184</b>	

**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					156,887					155,877
Vacancy Savings					(43,696)					(43,655)
Inflation/Deflation					(346)					(341)
Fixed Costs					(625)					(515)
<b>Total Statewide Present Law Adjustments</b>		<b>\$45,591</b>	<b>\$4,647</b>	<b>\$61,982</b>	<b>\$112,220</b>		<b>\$45,205</b>	<b>\$4,587</b>	<b>\$61,574</b>	<b>\$111,366</b>
DP 55140 - 17-7-140 Operations Reduction	0.00	(1,266)	0	0	(1,266)	0.00	(1,266)	0	0	(1,266)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$1,266)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,266)</b>	<b>0.00</b>	<b>(\$1,266)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,266)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$44,325</b>	<b>\$4,647</b>	<b>\$61,982</b>	<b>\$110,954</b>	<b>0.00</b>	<b>\$43,939</b>	<b>\$4,587</b>	<b>\$61,574</b>	<b>\$110,100</b>

**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 for brevity by the LFD.

- **Pay Plan Exceptions** - There are no exceptions to the pay plan across the divisions of DPHHS.
- **Program Specific Obstacles** - MFH has occupations that encompass management, budget, and hearings officers. Recruitment issues are consistent with those of the department as a whole.
- **Vacancy** - MFH does not find particularly high turnover; however, it is subject to turnover due to advancement, retirement, and other typical issues.
- **Legislatively applied vacancy savings** - The 7% vacancy savings was addressed at the agency level and each division was given a target. Overall management of the vacancy savings was based on critical needs and resources agency-wide with the agency director having final approval.
- **Pay Changes** - Because of the reorganization, equivalent positions were moved into vacant positions within in the branch. There were no changes for MFH.
- **Retirements** - MFH has 6 out of 13 employees eligible for retirement. Two employees are anticipated to retire in the 2013 biennium for a liability of \$17,710.

DP 55140 - 17-7-140 Operations Reduction - This decision package reduces the general fund base budget for the Management and Fair Hearings program. This amount represents the 5% budget reduction required by the Governor per

17-7-140 in April 2010 and continues the operations reduction implemented in FY 2011. The Management and Fair Hearings Program would make operations reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage and contracting.