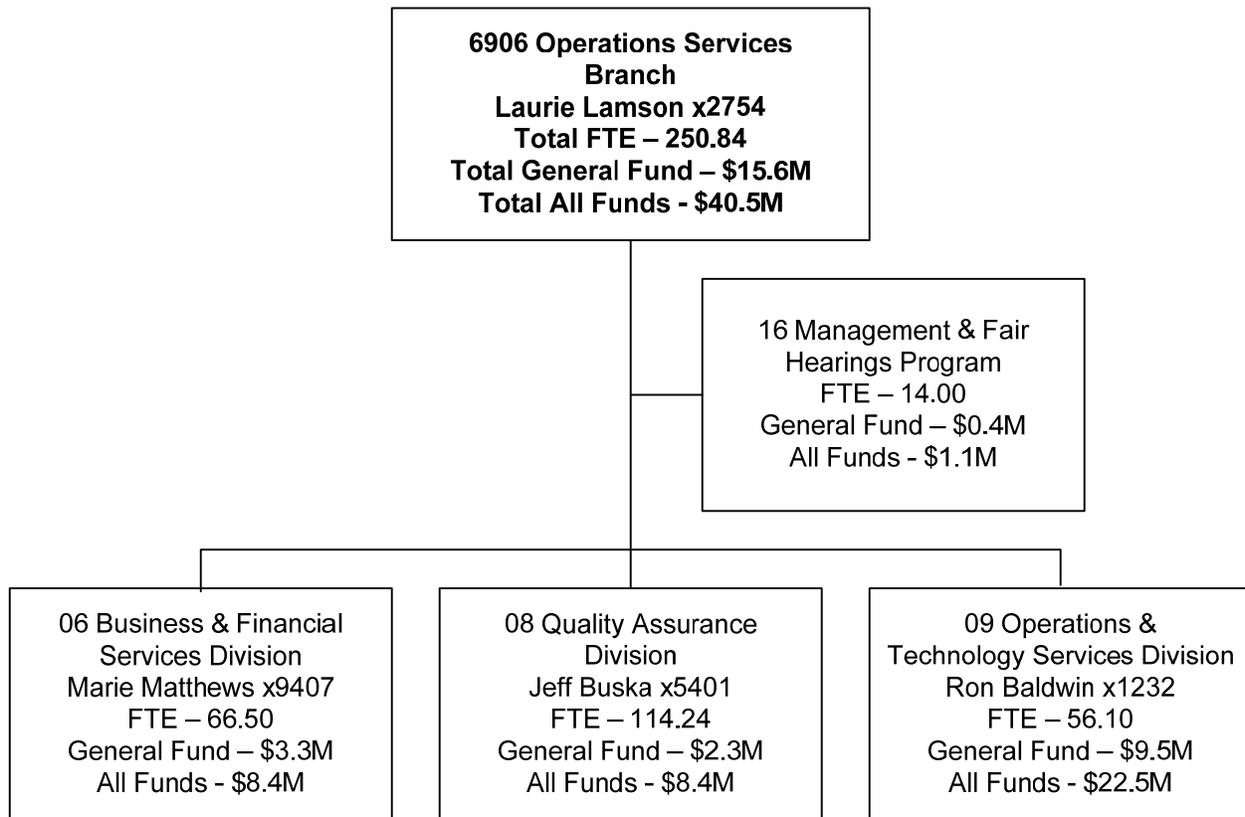


**Branch Budget Comparison**

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

Agency 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	250.84	250.84	254.34	254.34	250.84	254.34	3.50	1.40%
Personal Services	14,454,328	14,606,442	15,132,177	15,125,209	29,060,770	30,257,386	1,196,616	4.12%
Operating Expenses	25,194,211	23,561,425	25,733,516	26,149,868	48,755,636	51,883,384	3,127,748	6.42%
Equipment & Intangible Assets	110,563	352,787	110,563	110,563	463,350	221,126	(242,224)	(52.28%)
Grants	554,578	550,380	554,578	554,578	1,104,958	1,109,156	4,198	0.38%
Debt Service	148,871	272,707	148,871	148,871	421,578	297,742	(123,836)	(29.37%)
<b>Total Costs</b>	<b>\$40,462,551</b>	<b>\$39,343,741</b>	<b>\$41,679,705</b>	<b>\$42,089,089</b>	<b>\$79,806,292</b>	<b>\$83,768,794</b>	<b>\$3,962,502</b>	<b>4.97%</b>
General Fund	15,604,180	14,472,372	15,316,586	15,535,585	30,076,552	30,852,171	775,619	2.58%
State Special	1,966,753	2,068,890	2,480,179	2,483,245	4,035,643	4,963,424	927,781	22.99%
Federal Special	22,891,618	22,802,479	23,882,940	24,070,259	45,694,097	47,953,199	2,259,102	4.94%
<b>Total Funds</b>	<b>\$40,462,551</b>	<b>\$39,343,741</b>	<b>\$41,679,705</b>	<b>\$42,089,089</b>	<b>\$79,806,292</b>	<b>\$83,768,794</b>	<b>\$3,962,502</b>	<b>4.97%</b>

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



**Branch Description**

Operations Services Branch

The Operations Services Branch provides the operational backbone for the department by coordinating budget management, accounting, and operations. The divisions/offices under this branch are:

- Management and Fair Hearings Office (MFH)
- Business & Financial Services Division (BFSD)
- Quality Assurance Division (QAD)
- Technology Services Division (TSD)

### Branch Highlights

<b>Operations Branch Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ Total funding for the division increases nearly 5.0% when the 2011 and 2013 biennia are compared, primarily due to:               <ul style="list-style-type: none"> <li>● Increases in personal services in statewide present law adjustments</li> <li>● Increases in operations for Information Technology Systems support</li> <li>● A state special revenue increase to support the Medical Marijuana Registry</li> </ul> </li> <li>◆ The Governor proposes a 5% general fund reduction in the biennium of \$0.2 million in personal services and \$ \$0.4 million in operations</li> </ul>

### Branch Discussion

#### *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 branch.

The Operations Branch could be impacted by the overarching critical goals that LFD staff, the agency, and the Joint Appropriations Subcommittee for Health and Human Services will follow through budget cycle. They are:

- 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

The entire branch could be impacted at some level by these critical goals because the branch divisions serve as the central hubs for technology, business systems, and financial management for the agency and have costs and activities associated with all of the goals. Additionally, the Fair Hearings and Quality Assurance Divisions would address the issues from compliance and quality control to public concerns. The roles across the branch, level of involvement, and budget impacts would be determined as the process evolves.

It is anticipated that the branch will brief the Joint Appropriations Subcommittee for Health and Human Services (Subcommittee) on the goals and impact on its programs during the budget discussion in the 2011 session. There is additional discussion in the division.

The LFC recommended an update from the Business and Financial Services Division for presentation during the 2011 Legislative Session. The LFC requested an update on its goal to improve the department's internal control environment and business processes. There is further discussion on this goal in the division write-up.

**5% Reduction Plan**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The Governor proposes a 5% general fund reduction over the biennium of about \$0.2 million in personal services and \$0.4 million in operations.

Throughout the Operations Branch, the 5% reduction plan is discussed in two parts:

- Reductions contained in the Governor's budget
- Reductions recommended by the branch and divisions not in the Governor's budget

DPHHS viewed the target reductions assigned by the Governor on a whole agency basis, taking general fund reductions from all divisions, but state special revenue only from the Health Resources and Addictive and Mental Disorders Divisions. The Operations Branch has no state special revenue in the branch 5% Reduction Plan that is part of the Governor's budget.

The Operations Branch reductions of nearly \$600,000 general fund over the biennium are included in the Governor's budget. The branch divisions also submitted reductions of nearly \$0.8 million as part of the 5% reduction plan that were not included in the Governor's budget.

The Legislative Finance Committee has recommended that the legislature adopt all elements of the 5% reduction plan as part of its initial establishment of the budget base. The division's recommendations contain a general fund reduction, and in some cases a total funds reduction.

The following figure shows the total \$1.3 million general fund reduction by division.

Operations Branch 5% Reduction Plan Included and Not Included in the Executive Budget 2013 Biennium					
	FTE	General Fund	Branch Total	Special Revenue	Branch Total
<u>Management and Fair Hearings</u>					
<i>Included in Executive Budget</i>					
55140 Operations Reduction		\$2,532	0.2%		
<i>Not Included in Executive Budget</i>					
95161 Temporary Services		3,720	0.3%		
Travel Reduction		<u>2,720</u>	0.2%		
Subtotal Not Included in Executive Budget		\$6,440	0.5%		
Total Management and Fair Hearings		<u>\$8,972</u>	0.7%		
<u>Business and Financial Services</u>					
<i>Included in Executive Budget</i>					
55140 Operations Reduction		\$50,062	3.7%		
<i>Not Included in Executive Budget</i>					
95091 Operations Reduction		\$66,214	4.9%		
Total Business and Financial Services		<u>\$116,276</u>	8.6%		
<u>Quality Assurance Division</u>					
<i>Included in Executive Budget</i>					
55408 4% Personal Services Reduction		\$170,896	12.7%		
55140 Operations Reduction		<u>99,542</u>	7.4%		
Total Quality Assurance		<u>\$270,438</u>	20.1%		
<u>Technology Services Division</u>					
<i>Included in Executive Budget</i>					
55409 4% Personal Services / Operations R		\$78,930	5.9%		
55142 CAPS System Reduction		80,736	6.0%		
55141 Operations Reduction		35,036	2.6%		
55143 Systems Efficiencies		<u>56,924</u>	4.2%		
Subtotal Included in Executive Budget		\$251,626	18.7%		
<i>Not Included in Executive Budget</i>					
95091 IT Systems Operations Reductions		\$126,520	9.4%		
95092 Facilities Mgmt. Reductions		290,114	21.6%		
95093 Reduce Eligibility Notice Postage		90,824	6.8%		
95094 Reduce Printing Costs		134,100	10.0%		
95095 PC Fleet to 5 Year Replacement		<u>55,820</u>	4.2%		
Subtotal Not Included in Executive Budget		\$697,378	51.9%		
Total Technology Service Division		<u>\$949,004</u>	70.6%		
<u>Total Branch Reduction Plan</u>					
Included in Executive Budget		\$574,658	42.7%		
Not Included in Executive Budget		<u>770,032</u>	57.3%		
Total Branch Reduction Plan		<u>\$1,344,690</u>	100.0%		

*Concern*

The requests submitted in the Governor's budget reflect increases or decreases to general fund, state special revenue, and federal funds as well as any related funding switches. This provides the legislature a complete picture of the reduction. However, funding information is not provided for submissions that are not included in the Governor's budget. Consequentially, the legislature does not have a complete picture of the impact of the general fund reductions or an efficient means to understand the entire impact or risks of a reduction on the division, the program, or the clients served by the program. Additionally, the Operations Branch is funded by the formula-driven cost allocation process, which

means that a general fund reduction would likely have a correlating state special and/or federal fund reduction, which is not reflected in the submissions that are not in the Governor’s budget.

The legislature may wish to recommend that the divisions bring the potential state special and federal revenue reductions to the discussion of their budget during session.

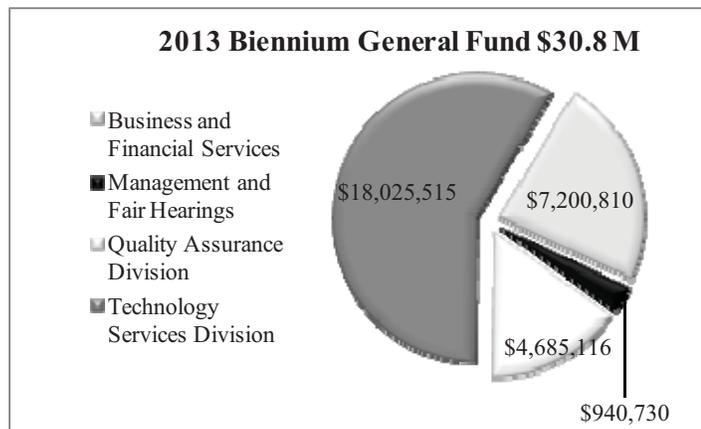
**Funding**

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2013 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
06 Business & Financial Services Division	\$ 7,200,810	\$ 1,350,629	\$ 9,643,942	\$ 18,195,381	21.72%
08 Quality Assurance Division	4,685,116	1,337,264	11,558,823	17,581,203	20.99%
09 Technology Services Division	18,025,515	2,204,317	25,394,194	45,624,026	54.46%
16 Management And Fair Hearings	940,730	71,214	1,356,240	2,368,184	2.83%
Grand Total	<u>\$ 30,852,171</u>	<u>\$ 4,963,424</u>	<u>\$ 47,953,199</u>	<u>\$ 83,768,794</u>	<u>100.00%</u>

Total funding for the branch over the biennium is \$83.8 million at 37% general fund, 6% state special revenue, and 57 % federal funds.

The branch receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions serving programs throughout department.

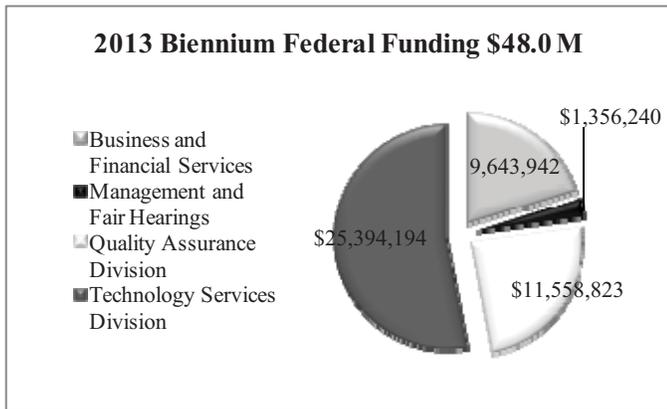
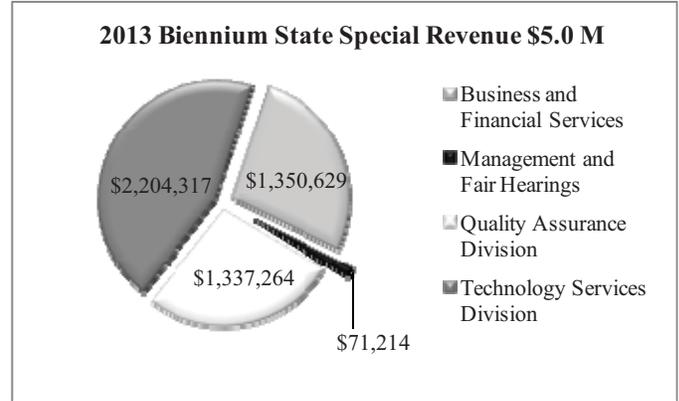


General fund and much of the state special revenue used by the branch primarily serves as match for federal funds. General fund also supports contracted system development; maintenance and enhancement for technology projects serving the entire agency including the Medicaid, TANF, and SNAP eligibility and benefit systems; and the Child and Adult Protective Services system. There is also general fund used in support of some administrative functions and services for which there is no federal support such as licensure for assisted living facilities.

As shown in the general fund chart, TSD spends the most of the branch’s \$30.8 million general fund at nearly \$18.0 million over the biennium, of which \$11.3 million is spent on system development, maintenance, and enhancement, including the contracts. BFSB spends over \$7.2 million general fund in its role as the centralized business center for the agency supporting costs associated with department-wide accounting, payroll, and purchasing services as well as the facility reimbursement function, costs for the Statewide Accounting, Budget and Human Resource System (SABHRS), and agency-wide fixed costs and audit. QAD uses \$4.7 million general fund for the biennium in its oversight, licensing, certification, and compliance functions as state match for eligible costs in Medicaid, Title IV-E (foster care) and federal discretionary child care funds, community residential facilities, and program compliance and state licensure for assisted living or other facilities that receive no federal support. MFH spends under \$1.0 million over the biennium to support the staff and functions of the Office of Fair Hearings and the agency-wide Office of Budget and Finance.

The \$4.8 million of state special revenue used across the biennium by the branch primarily supports agency-wide fixed costs and functions associated with special fund sources supporting costs such as the medical marijuana registry and Healthy Montana Kids related system development, network connections, on-line application, as well as the Kids Insurance Determination System (KIDS) and the Health Insurance Premium Payment system (HIPPS).

Federal funds through the cost allocation process serve as the driver for the amount of general fund used by the branch.



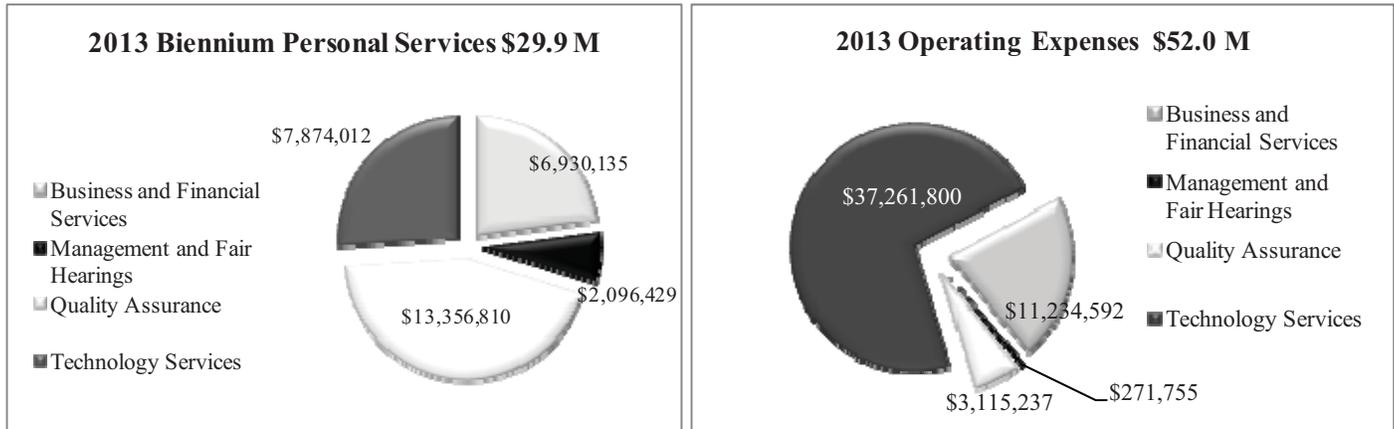
**Expenditures by Division**

Personal services costs for the branch total \$30 million for the biennium. The QAD, with 114.24 FTE, accounts for the largest share of the biennium total at \$13.0 million. TSD has 56.10 FTE with total expenditures of \$7.9 million; while BFSD has 66.50 FTE and \$6.9 million in total costs. MFH has 14.00 FTE and \$2.1 million in costs over the biennium.

TSD has fewer FTE, but greater personal services costs than BFSD. The major cause for the difference is the wage to market ratio in the TSD information technology and system areas.

Operating costs for TSD are the highest in the branch at \$37.3 million over the biennium, of which \$17.1 million supports contracted computer system development and maintenance contracts. Over \$16.6 million is for IT services charged by the Department of Administration (DOA) for server hosting, enterprise services, asset broker, and network services. The costs reflect the fact that TSD provides technology support and manages contracted services for technology projects that serve the entire agency.

BFSD has \$11.2 million in operating expenses, reflective of its function as the centralized business center for the agency. The following charts show the branch expenditures by division for personal services and operations.



**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	15,604,180	15,604,180	31,208,360	101.15%	40,462,551	40,462,551	80,925,102	96.61%
Statewide PL Adjustments	(130,285)	(226,845)	(357,130)	(1.16%)	(31,605)	(228,252)	(259,857)	(0.31%)
Other PL Adjustments	(32,396)	283,163	250,767	0.81%	1,152,828	1,809,457	2,962,285	3.54%
New Proposals	(124,913)	(124,913)	(249,826)	(0.81%)	95,931	45,333	141,264	0.17%
<b>Total Budget</b>	<b>\$15,316,586</b>	<b>\$15,535,585</b>	<b>\$30,852,171</b>		<b>\$41,679,705</b>	<b>\$42,089,089</b>	<b>\$83,768,794</b>	