

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	63.60	63.60	60.60	60.60	63.60	60.60	(3.00)	(4.72)%
Personal Services	5,080,391	5,048,093	4,991,317	4,990,010	10,128,484	9,981,327	(147,157)	(1.45)%
Operating Expenses	21,094,589	31,084,113	23,451,437	22,966,682	52,178,702	46,418,119	(5,760,583)	(11.04)%
Equipment & Intangible Assets	357,930	209,206	209,206	209,206	567,136	418,412	(148,724)	(26.22)%
Debt Service	0	91,266	91,266	91,266	91,266	182,532	91,266	100.00 %
<b>Total Costs</b>	<b>\$26,532,910</b>	<b>\$36,432,678</b>	<b>\$28,743,226</b>	<b>\$28,257,164</b>	<b>\$62,965,588</b>	<b>\$57,000,390</b>	<b>(\$5,965,198)</b>	<b>(9.47)%</b>
General Fund	10,308,657	11,878,584	11,312,259	11,732,206	22,187,241	23,044,465	857,224	3.86 %
State/Other Special Rev. Funds	1,560,864	1,349,887	1,629,621	1,386,761	2,910,751	3,016,382	105,631	3.63 %
Federal Spec. Rev. Funds	14,663,389	23,204,207	15,801,346	15,138,197	37,867,596	30,939,543	(6,928,053)	(18.30)%
<b>Total Funds</b>	<b>\$26,532,910</b>	<b>\$36,432,678</b>	<b>\$28,743,226</b>	<b>\$28,257,164</b>	<b>\$62,965,588</b>	<b>\$57,000,390</b>	<b>(\$5,965,198)</b>	<b>(9.47)%</b>

**Program Description**

The overall mission of the Technology Service Division (TSD) is to use and improve information technology to protect the health, well-being, and self-reliance of all Montanans. The Technology Services Division (TSD) is comprised of three bureaus that provide a wide range of technology platforms that support DPHHS. The three bureaus are organized in areas of project management, database functions, and network/communication systems. TSD services include programming, help desk functions, database support, web development, enterprise architecture, project and contract management, security, and network management.

Further information concerning the systems and programs mentioned in this document can be found by viewing the agency's information technology plan. This plan can be found by visiting:

<http://sitsd.mt.gov/Governance/IT-Plans/Agencies-IT-Plans>

**Program Highlights**

<b>Technology Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The legislature reduced the 2017 biennium funding for the division by \$15.3 million, or 21.2% compared to the 2015 biennium that is largely due to reductions in IT consulting and professional services</li> <li>• The legislature approved present law adjustments for personal services and operations. The personal services adjustments offset the large adjustment to operations, resulting in the decrease.</li> </ul>

## Program Narrative

The 2015 legislature provided one-time only funding for the Combined Healthcare Information and Montana Eligibility System (CHIMES). CHIMES is a Medicaid eligibility system.

### *MMIS - The Montana Medicaid Management System*

The Montana Medicaid Management System (MMIS) is an automated system for Medicaid claim management. The federal government mandates a MMIS system be used in states participating in Medicaid. In Montana, there exists a legacy system that is currently in use; however the 2009 Legislature appropriated \$65.5 million dollars to develop and build a new system. This project is federally funded at 90% with a 10% state match. Xerox was the fiscal agent selected to co-develop this program with the state of Montana. The project remains the largest information technology project in terms of cost historically for the state of Montana. Significant issues have developed over the last five years in terms of cost, schedule, and product development. Events and milestones for the project are as follows:

- The project is funded from HB 10 under an original appropriation of \$65.5 million.
- Project cost was reevaluated in 2014 and was reported to be in excess of \$84 million
- In June of 2014, performance fines levied against Xerox total \$12.8 million
- The Legislative Finance Committee formed a special sub-committee for oversight and reporting of the project in 2014 called the MMIS sub-committee
- The department of Health and Human Services filed a breach of contract notice to Xerox concerning open issues including the main work plan and substantive missed deadlines and deliverables in June of 2014
- The Legislative Finance Committee voted no confidence in the Xerox project
- The Department of Health and Human Services issued an additional letter to Xerox requiring corrective action plan be developed for project issues including staffing, schedule, missed deliverables, and quality work concerns

### *HB 10 and MMIS*

The legislature utilized HB 10 during the 2015 session to appropriate additional funding for independent validation and verification of the MMIS project. This appropriation to the Department of Public Health and Human Services consists of \$7,500 in general fund and \$67,500 in federal funds for the purpose of securing an independent audit on the progress and contractual requirements of the MMIS project. The audit must produce: (1) An opinion of the MMIS contractor's ability to meet all contractual requirements, terms, and conditions related to project progress and the May 2017 implementation date (2) A review of other states where the vendor has implemented or is in the process of implementing a medicaid management information system to understand and extrapolate experiences, impacts, costs, and delays and project the potential to the state of Montana (3) The current vendor must report, outcomes, and recommendations must be reported to the legislative finance committee no later than July, 1 2015.

Also in HB 10, the legislature authorized the Department of Public Health and Human Services to terminate the medicaid management information systems replacement project based on breach of contract or the event of nonperformance. In the event that the department elects to terminate the contract, the department is directed to take all legal action necessary to recover previously appropriated funds and any other damages caused by or related to the replacement contract.

## Funding

The following table shows program funding by source from all sources of authority.

Operations Services Branch, 09-Technology Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	23,044,465	0	0	23,044,465	40.43 %	
02381 02 Indirect Activity Prog 09	3,016,382	0	0	3,016,382	100.00 %	
02598 MCDC COST RECOVERY	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$3,016,382</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,016,382</b>	<b>5.29 %</b>	
03598 03 Indirect Activity Prog 09	30,939,543	0	0	30,939,543	100.00 %	
<b>Federal Special Total</b>	<b>\$30,939,543</b>	<b>\$0</b>	<b>\$0</b>	<b>\$30,939,543</b>	<b>54.28 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$57,000,390</b>	<b>\$0</b>	<b>\$0</b>	<b>\$57,000,390</b>		

All HB 2 categories are funded through cost allocation using a formula that recognizes the multiple funding sources and required general fund matches for costs that benefit common purposes related to work done by TSD throughout the agency.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	11,380,597	11,380,597	22,761,194	98.77 %	32,204,149	32,204,149	64,408,298	113.00 %
PL Adjustments	(68,338)	351,609	283,271	1.23 %	(3,460,923)	(3,946,985)	(7,407,908)	(13.00)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$11,312,259</b>	<b>\$11,732,206</b>	<b>\$23,044,465</b>		<b>\$28,743,226</b>	<b>\$28,257,164</b>	<b>\$57,000,390</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the adopted changes from the FY 2015 legislative appropriation. Each is discussed in the narrative that follows.

	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Personal Services Adjustment to Executive	0.00	448,354	13,805	(213,873)	248,286	0.00	323,568	(13,132)	(63,457)	246,979
DP 102 - Other Adjustment to Executive	0.00	(1,681,051)	301,338	(4,945,123)	(6,324,836)	0.00	(2,581,878)	121,511	(6,420,927)	(8,881,294)
DP 515 - State Share Health Insurance	0.00	11,983	2,001	15,468	29,452	0.00	11,983	2,001	15,468	29,452
DP 520 - Fully Fund 2015 Legislatively Authorized FTE	0.00	4,546	2,312	12,284	19,142	0.00	4,546	2,312	12,284	19,142
DP 525 - Fixed Costs	0.00	289,268	46,403	279,797	615,468	0.00	308,053	49,416	297,967	655,436
DP 527 - Inflation/Deflation	0.00	(81,082)	(14,308)	(101,415)	(196,805)	0.00	(81,039)	(14,301)	(101,361)	(196,701)
DP 531 - SITSD Adjustment	0.00	308,822	58,891	401,820	769,533	0.00	478,173	91,186	622,169	1,191,528
DP 900444 - Statewide 4% FTE Reduction - Program 9	(3.00)	0	0	0	0	(3.00)	0	0	0	0
DP 909004 - Contractual Adjustments	0.00	224,509	23,899	327,772	576,180	0.00	1,623,147	(43,311)	1,158,973	2,738,809
DP 909005 - CHIMES System Operations	0.00	329,952	0	0	329,952	0.00	329,952	0	0	329,952
DP 909010 - NCB Operations	0.00	38,111	7,578	44,516	90,205	0.00	16,987	3,377	19,841	40,205
DP 909011 - Federal Audit Security Compliance	0.00	38,250	0	344,250	382,500	0.00	7,650	0	68,850	76,500
DP 909012 - EBT Outsourcing	0.00	0	0	0	0	0.00	(89,533)	0	(107,460)	(196,993)
<b>Grand Total All Present Law Adjustments</b>	<b>(3.00)</b>	<b>(\$68,338)</b>	<b>\$441,919</b>	<b>(\$3,834,504)</b>	<b>(\$3,460,923)</b>	<b>(3.00)</b>	<b>\$351,609</b>	<b>\$199,059</b>	<b>(\$4,497,653)</b>	<b>(\$3,946,985)</b>

\*\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 101 - Personal Services Adjustment to Executive -

The legislature increased funds in each year of the biennium to fund personal services at the current usage level; this covers changes such as longevity, workers compensation rates, and various other adjustments.

DP 102 - Other Adjustment to Executive -

The legislature approved a reduction in funds in each year of the biennium to fund operations at the current usage level; operational expenses are currently lower than anticipated by the FY 2015 appropriation.

DP 515 - State Share Health Insurance -

The legislature provided appropriation authority for the state share of health insurance, as adopted by the 2013 Legislature.

DP 520 - Fully Fund 2015 Legislatively Authorized FTE -

The legislature provided appropriation authority to restore personal services funding to create a vacancy savings rate of zero.

DP 525 - Fixed Costs -

The legislature adopted proprietary rates for fixed costs charged to state agencies for services such as information technology or rent and grounds maintenance within the capitol complex. Rates for messenger services, legislative audit, grounds maintenance, records management, agency legal costs, and the statewide cost allocation plan were adopted as proposed by the executive. The legislature lowered proprietary rates for warrant writer, payroll services, SABHRS, SITSD

fees, and rent. The legislature increased insurance premiums to provide for increased costs of claims and to establish a reserve for the insurance fund.

DP 527 - Inflation/Deflation -

The legislature adopted inflation/deflation factors for budgeted expenditures such as food or electricity. The legislature concurred with the executive on the factors with the exception of gasoline, aviation gasoline, diesel fuel, and jet fuel. For these factors the legislature further deflated costs to align the budget with more current information on declining prices of oil and gas projected to continue into the 2017 biennium.

DP 531 - SITSD Adjustment -

The legislature approved an increase for fixed cost rates included in state agency budgets for information technology services provided by the State Information Technology Services Division (SITSD).

DP 900444 - Statewide 4% FTE Reduction - Program 9 -

The 2015 biennium budget included a 4% vacancy savings reduction. Language included in the boilerplate of HB 2 passed by the 2013 Legislature, indicated legislative intent that the 4% vacancy savings be made permanent as an FTE reduction for the 2017 biennium. Change package 900444 includes a reduction of 3.00 FTE each year.

DP 909004 - Contractual Adjustments -

The legislature appropriated \$3,314,989 total funds over the biennium, including general fund of \$224,509 in FY 2016 and \$1,623,147 in FY 2017 to maintain existing services for the Project Management Bureau in the Technology Services Division.

DP 909005 - CHIMES System Operations -

This present law adjustment requests \$329,952 in general fund in each year of the biennium to maintain existing services for the Project Management Bureau in the Technology Services Division. The increase restores one-time-only funding that is necessary to provide ongoing maintenance and operations support of the agency's eligibility determination systems.

DP 909010 - NCB Operations -

The legislature appropriated \$130,410 in total funds over the biennium, including general fund of \$38,112 in FY 2016 and \$16,987 in FY 2017 to maintain existing services for the Network & Communication Services bureau. Funding supports the DPHHS strategic disaster and recovery plan and to provide for mobile device management, monitoring of security threats on mobile devices, and for enhanced software licensing monitoring.

DP 909011 - Federal Audit Security Compliance -

The legislature appropriated \$459,000 in total funds over the biennium, including general fund of \$38,250 in FY 2016 and \$7,650 in FY 2017 to maintain existing services for the Agencywide Services program. The funding supports the purchase and ongoing maintenance of security software to meet the federal security IT audit compliance for data systems encryption, multi-factor authentication, and review of security incident and event management data.

DP 909012 - EBT Outsourcing -

The legislature approved a reduction of \$196,993 in total funds in FY 2017, including a general fund reduction of \$89,533 to reduce base funding for the Montana Access EBT program in the Technology Services Division. This request was made during the 2013 legislative session; however, the vendor to whom the outsourcing was awarded terminated its EBT services prior to transfer of the process, resulting in the need to maintain the current Montana Access system for an additional two years.