Agency Budget Comparison

The following table summarizes the total legislative 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	$2,944.93	$2,944.93	2,924.93	2,920.64	$2,944.93	2,920.64	(24.29)	-0.82%
Personal Services	153,766,363	162,901,514	159,374,077	158,170,125	316,667,877	317,544,202	876,325	0.28%
Operating Expenses	98,996,562	103,741,189	97,638,692	98,988,360	202,737,751	196,627,052	(6,110,699)	-3.01%
Equipment & Intangible Assets	663,318	1,293,488	670,318	670,318	1,956,806	1,340,636	(616,170)	-31.49%
Grants	63,535,583	68,164,823	63,081,731	62,087,081	131,700,406	125,168,812	(6,531,594)	-4.96%
Benefits & Claims	1,147,297,504	1,216,679,067	1,469,018,995	1,510,650,706	2,363,976,571	2,979,669,701	615,693,130	26.04%
Debt Service	351,901	516,969	351,901	351,901	868,870	703,802	(165,068)	-19.00%
Total Costs	$1,464,611,231	$1,553,297,050	$1,790,135,714	$1,830,918,491	$3,017,908,281	$3,621,054,205	$603,145,924	19.99%
General Fund	303,495,348	369,077,195	403,563,576	413,840,812	672,572,543	817,404,388	144,831,845	21.53%
State Special	118,771,216	126,929,068	145,534,892	146,892,747	245,700,284	292,427,639	46,727,355	19.02%
Federal Special	1,042,344,667	1,057,290,787	1,241,037,246	1,270,184,932	2,099,635,454	2,511,222,178	411,586,724	19.60%
Total Funds	$1,464,611,231	$1,553,297,050	$1,790,135,714	$1,830,918,491	$3,017,908,281	$3,621,054,205	$603,145,924	19.99%

Page Reference

Legislative Budget Analysis, B-1

Executive Budget Comparison

Exeuctive Budget Comparison Budget Item	Base Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg-Exec Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg-Exec Difference Fiscal 2012	Biennium Difference Fisacl 12-13
FTE	2,944.93	2,943.43	2,924.93	(18.50)	2,939.14	2,920.64	(18.50)	(18.50)
Personal Services	153,766,363	161,097,304	159,374,077	(1,723,227)	160,825,182	158,170,125	(2,655,057)	(4,378,284)
Operating Expenses	98,996,562	107,251,052	97,638,692	(9,612,360)	108,650,290	98,988,360	(9,661,930)	(19,274,290)
Equipment & Intangible Assets	663,318	670,318	670,318	0	670,318	670,318	0	0
Grants	63,535,583	68,028,868	63,081,731	(4,947,137)	67,034,569	62,087,081	(4,947,488)	(9,894,625)
Benefits & Claims	1,147,297,504	1,477,856,973	1,469,018,995	(8,837,978)	1,561,837,749	1,510,650,706	(51,187,043)	(60,025,021)
Debt Service	351,901	351,901	351,901	0	351,901	351,901	0	0
Total Costs	$1,464,611,231	$1,815,256,416	$1,790,135,714	($25,120,702)	$1,899,370,009	$1,830,918,491	($68,451,518)	($93,572,220)
General Fund	303,495,348	422,731,980	403,563,576	(19,168,404)	416,215,358	413,840,812	(2,374,546)	(21,542,950)
State Special	118,771,216	142,715,827	145,534,892	2,819,065	162,134,295	146,892,747	(15,241,548)	(12,422,483)
Federal Special	1,042,344,667	1,249,808,609	1,241,037,246	(8,771,363)	1,321,020,356	1,270,184,932	(50,835,424)	(59,606,787)
Total Funds	$1,464,611,231	$1,815,256,416	$1,790,135,714	($25,120,702)	$1,899,370,009	$1,830,918,491	($68,451,518)	($93,572,220)

The legislative appropriation for the Department of Public Health and Human Services (DPHHS) is $68.5 million total funds (including $21.5 million general fund) lower than the executive budget request. The primary reductions in general fund include:

- Shifting $14.2 million of general fund state Medicaid match for Healthy Montana Kids coverage for children in families with incomes below 100% of the federal poverty level to state special revenue (tobacco settlement funds and Healthy Montana Kids funds)
- Adopting several proposals in the 5% budget reduction plans developed in compliance with 17-7-111(3)(g), MCA that were not included in the executive budget request - $7.1 million general fund
- Shifting $1.4 million in alcohol tax revenue to offset general fund Medicaid state match and to offset community chemical dependency services cost
- Adjusting general fund appropriations for federal match rate changes and not accepting executive requests for several Medicaid cost adjustments - $3.0 million general fund

- Shifting $1.4 million in state special revenues in health and Medicaid initiatives funds to offset general fund for Medicaid state match for nursing home services

The legislature also reduced cigarette tax state special revenue by $1.7 million over the biennium for the Montana Veterans' Home in Columbia Falls. Since funding remaining in the cigarette tax fund at the end of the fiscal year is transferred to the general fund, the $1.7 million reduction in the appropriation has the effect of increasing the general fund balance.

Part of the general fund reductions were offset by an appropriation of $41.2 million total funds including $14.2 million general fund for updated Medicaid caseload estimates.

The legislature approved only 75% of the overtime, shift differential and holiday pay requested in the executive budget, reducing general fund by $1.5 million. The legislature did not approve rent increases across the agency resulting in a general fund reduction of $0.4 million for the biennium.

The legislature did not approve several executive funding requests for FTE resulting in 18.50 FTE fewer than the executive request. The changes are:

- Enhanced family planning Medicaid services – funding for 5.00 FTE requested, but not approved
- Additional staff to administer Healthy Montana Kids - 20.00 FTE requested, with funding for 10.00 approved
- Continuation of Big Sky Rx – 5.00 FTE requested, with funding for 1.50 approved

Agency Highlights

Department of Public Health and Human Services
Major Budget Highlights

- The DPHHS 2013 biennium budget request is $603.1 million ($144.8 million general fund) higher than the 2011 biennium.
- Funding for benefits (direct services to eligible persons) adds $615.7 million total funds over the biennium, primarily due to:
  - Medicaid service utilization and eligibility increases - $314.9 million, including $147.6 million general fund
  - Supplemental Nutrition Assistance Program (SNAP) - $215.0 million
  - Low Income Energy Assistance Programs (LIEAP) - $20.0 million
  - Temporary Assistance for Needy Families (TANF) benefits and employment programs - $12.7 million
- Part of the increases in Medicaid and SNAP services continue one-time funding from the 2011 biennium due to the federal stimulus legislation, which is not included in the 2011 biennium HB 2 base budget
- Operating costs decrease primarily due to:
  - Reducing eligibility for Big Sky Rx from 200% of the federal poverty level to 135% and lowering operating costs proportionally
  - Reducing support for the Montana Veterans' Home in Columbia Falls
  - Eliminating rent increases for non Department of Administration buildings
  - Adopting 5% budget reductions statutorily required to be submitted by the agency (17-7-111, MCA)
  - Eliminating funding for clinical review services contract, reallocating funding for a provider rate increase for targeted case management services
- Increased funding for FTE is primarily due to statewide and present law adjustments, approval to make some temporary FTE permanent, and offsetting reductions that result in a in a funding increase of under $1 million, but a reduction of 24.29 full time positions compared to the level funded in the 2011 biennium

Agency Discussion

Interim Monitoring

2013 Biennium Goals

The Health and Human Services Joint Appropriation Subcommittee (subcommittee) adopted the recommendations of the Legislative Finance Committee (LFC) for critical goals for the agency. At the subcommittee's request DPHHS developed measures for the goals and legislative staff provided further refinements on the performance measurements. The following figure provides the goals and performance measurements as approved by the subcommittee.

Department of Public Health and Human Services
Measures for 2013 Biennium
February 14, 2011

Reference: page B-5 of Legislative Fiscal Division Budget Analysis:
During the interim the LFC workgroup met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. Through discussion with the agency the workgroup identified the following critical goals:

- Implementation of broad based budget reductions and the effect on DPHHS operations;
  Workgroup members discussed the 4% reduction in FTE and personal service costs in relation to this goal
- Implementation of Healthy Montana Kids
- Evaluation of the impacts of the economy and recession on workload and programs
- Implementation of components of federal health insurance reform including:
  - *Integrate Medicaid eligibility determination in the health insurance exchange design*
  - *Evaluate the potential for a single system to determine Medicaid eligibility*
  - *Outline components and cost of Medicaid eligibility expansion for consideration by the 2013 Legislature*

Performance Measure (LFD Book – B-4)	*DPHHS Measure*	*Branch/Division*	
I. Implementation of broad based budget reductions and the effect on DPHHS operations; workgroup members discussed the 4% reduction in FTE and personal service costs in relation to this goal	I. DPHHS ability to meet the timeliness and accuracy measures for the Medicaid and SNAP application processes. II. Compliance with the standards for timeliness for investigations and performance as spelled out in the Program Improvement Plan (PIP) for Children and Family Services	Economic Security Branch: Human and Community Services Division (Medicaid and SNAP application process Child and Family Services Division (Program Improvement Plan)	In conjunction with # III: consider department wide reports on retention, recruitment, and training of staff The PIP reports run 2 years behind. Consider reports by Child and Family Services on the number of children entering and exiting Foster Care
II. Implementation of Healthy Montana Kids	Monthly updated numbers: I. Number of children enrolled in HMK program II. Number of children enrolled HMK program by county and city III. Number of applications received in HMK Central Office IV. Number of applications received in county offices of public assistance V. Total number Medicaid (HMK Plus Kids and Medicaid adults)	Medicaid and Health Services Branch: Health Resources Division – Healthy Montana Kids Program	Consider reporting on federal requirements as adopted by Finance Committee in FY 2010.
III. Evaluation of the impacts of the economy and recession on workload and programs	Caseload growth in SNAP, Medicaid TANF, LIEAP and Child Care. I. Actual caseload growth in each program II. Average of caseload per eligibility worker	Economic Security Branch: Human and Community Services Division	
IV. Implementation of components of federal health insurance reform	Identification and measurement: o Integrate Medicaid eligibility determination in the health insurance exchange design o Evaluate the potential for a single system to determine Medicaid eligibility o Outline components and cost of Medicaid eligibility expansion for consideration by the 2013 Legislature	Director's Office Medicaid and Health Services Branch: Health Resources Division Operations Services Branch: Technology Services Division	Provide timelines and milestones for legislative monitoring and discussion.

Major Appropriations

The majority (over 80%) of the 2013 biennium DPHHS appropriation supports direct services to individuals who meet specific financial eligibility criteria and in some cases disability criteria. The single largest appropriation supports Medicaid services - $2.0 billion over the biennium, including $468.8 million general fund.

Other major components of the DPHHS appropriation support:

- Six state facilities administered by DPHHS
- Foster care and subsidized adoption programs
- Public health programs
- Federally funded:
    - Supplemental Nutrition Assistance Program (SNAP)
    - Low income energy assistance (LIEAP) benefits
    - Weatherization and community assistance programs
    - Child and Adult Care Food Program funding
    - Women, Infants, and Children's Special Nutrition Program

About 70% of the DPHHS appropriation is supported by federal funds, with Medicaid funds being the most significant source ($1.4 billion over the biennium). General fund is about one quarter of the appropriation, with the state match requirement for Medicaid services being the primary driver of general fund appropriations ($468.8 million to support Medicaid services in the 2013 biennium legislative appropriation).

The 2013 biennium DPHHS appropriation supports 2,924.14 FTE. A significant portion of DPHHS employees are located in field offices throughout the state and state facilities managed by the agency.

Change Between 2011 and 2013 Biennia

The 2013 biennium appropriation is $603.1 million higher than the 2011 biennium appropriation. Funding for benefits and claims grows $615.7 million and is partially offset by reductions in operating costs and grants. The majority of the increase between biennia is related to:

- Medicaid enrollment and increases in service utilization - $314.9 million total funds including $147.6 million general fund
- SNAP benefits - $215.0 million federal funds
- Low income energy assistance (LIEAP) benefits - $20.0 million federal funds
- Child care and a related food program grant - $9.9 million federal funds
- Weatherization and community assistance - $6.0 million federal funds

In the 2011 biennium DPHHS received appropriations from two primary spending bills – HB 2 and HB 645. Ongoing entitlement services (i.e. SNAP and Medicaid) were partially funded in HB 645. As a result, the HB 2 base budget and appropriated budget for the 2011 biennium do not include all of the appropriations for SNAP and Medicaid that support ongoing services. The growth between the 2011 and the 2013 biennia is based on HB 2 expenditures and appropriation authority only. The total growth between the 2011 and 2013 biennium would be lower if the portion of 2011 biennium costs funded in HB 645 were included.

Funding

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

Total Agency Funding 2013 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Mangement and Disability Transitions Program	$10,667,878	$2,443,322	$37,202,486	$50,313,686	1.39%
02 Human and Community Services Division	58,513,472	4,759,230	664,219,336	727,492,038	20.09%
03 Child & Family Services Division	65,301,772	4,926,044	53,947,581	124,175,397	3.43%
04 Director's Office	3,276,797	757,423	3,844,958	7,879,178	0.22%
05 Child Support Enforcement Division	8,172,806	3,584,449	10,093,095	21,850,350	0.60%
06 Business & Financial Services Division	7,134,596	1,329,018	9,488,540	17,952,154	0.50%
07 Public Health & Safety Division	5,453,114	21,617,510	80,594,236	107,664,860	2.97%
08 Quality Assurance Division	4,742,305	1,403,150	11,655,817	17,801,272	0.49%
09 Technology Services Division	17,328,137	2,134,639	24,157,971	43,620,747	1.20%
10 Disability Services Division	149,752,746	11,214,356	260,020,650	420,987,752	11.63%
11 Health Resources Division	232,621,702	147,666,333	909,067,656	1,289,355,691	35.61%
12 Medicaid and Health Services Management Program	4,394,969	76,463	11,311,093	15,782,525	0.44%
16 Management and Fair Hearings Program	934,290	70,726	1,346,956	2,351,972	0.06%
22 Senior & Long-term Care Division	123,951,042	61,635,302	334,576,113	520,162,457	14.36%
33 Addictive & Mental Disorders Division	125,158,762	28,809,674	99,695,690	253,664,126	7.01%
Grand Total	$817,404,388	$292,427,639	$2,511,222,178	$3,621,054,205	100.00%

DPHHS is funded by general fund, state special revenue, and federal funds. General fund is used for:

- State Medicaid match
- Mental health and developmental disability state facilities
- Community aging services grants
- A portion of the community mental health services for low-income adults with a serious and disabling mental illness
- Community services for persons with developmental disabilities
- A portion of administrative costs

Major sources of state special revenue (over $2.0 million annually), the tax or fee funding source, and the programs supported are:

- Cigarette tax revenue
  - Montana veterans' services – operational costs and long-range building projects for the Montana Veterans' Home in Columbia Falls and Eastern Montana Veterans' Home in Glendive
- Tobacco tax health and Medicaid initiatives state special revenue
  - State Medicaid match
- Tobacco settlement funds and tobacco settlement trust fund interest state special revenue
  - State match for the federal Children's Health Insurance Program (CHIP) grant
  - State Medicaid match
- Hospital utilization fee and nursing home bed fee state special revenue
  - State Medicaid match to raise reimbursement rates for hospital and nursing home services
- Alcohol tax state special revenue
  - State chemical dependency institution and some program administrative costs
  - Local chemical dependency programs
  - A portion of state Medicaid match for chemical dependency services
- Insurance premium state special revenue
  - State match for Medicaid and CHIP services and administration for the Healthy Montana Kids (HMK) program

- Medicaid reserve account funded from a portion of the enhanced federal Medicaid match in FY 2010
    - One-time offset to general fund Medicaid matching costs in FY 2013

Major sources of federal funds include:

- Medicaid matching funds
- CHIP block grant
- Aging services block grant
- Chemical dependency block grant
- Social services Title XX block grant
- Mental health services block grant
- Temporary Assistance for Needy Families (TANF)
- Child Care Development Fund
- SNAP Entitlement Funds
- LIEAP and Weatherization
- Women, Infants, and Children's Special Nutrition Program

Health and Medicaid Initiatives Account

- The health and Medicaid initiatives account was established by voter initiative, which raised cigarette taxes by $1 per pack and also raised tobacco taxes. Uses for the account are established in statute and fund Medicaid Services, Healthy Montana Kids, Big Sky Rx, and the Insure Montana program (premium assistance and tax credits for small employers who provide group health coverage for their employees). The Insure Montana program is administered by the State Auditor's Office. Figure 1 shows the fund balance for the account.

Figure 1

Health and Medicaid Initiatives Fund Balance - 2013 Biennium Budget
Tobacco Tax Revenue Dedicated to Health Initiatives
Status Based on Appropriation Action and Agency FY 2011 Expenditure Estimates as of 3-7-2011

Fund Balance Revenue/Expenditures	Actual** FY 2010	Approp. FY 2011	Legislative Budget as of 3/7/11 FY 2012	FY 2013	% of Total
Beginning Fund Balance	$48,563,315	$40,494,985	$30,070,365	$23,072,479	39.3%
Revenue - Cigarette and Tobacco Tax*	37,625,801	36,780,000	36,147,000	35,564,000	60.7%
Total Revenue	86,189,116	77,274,985	66,217,365	58,636,479	100%
Interest Earnings	190,276	193,187	605,889	1,491,126	
Total Funds Available	86,379,392	77,468,173	66,823,254	60,127,604	
Expenditures					
Medicaid Services					
State Plan Services - Hospitals, Physicians, Prescription Drugs, Dental	8,521,089	7,031,298	6,801,327	6,804,702	15.3%
Nursing Home Services	5,480,318	5,480,319	5,480,318	5,480,318	12.3%
Developmental Disability Benefits	3,135,587	3,135,587	2,942,130	2,942,130	6.6%
Mental Health and Chemical Dependency	2,230,689	1,862,465	2,045,956	2,055,711	4.6%
Children's Mental Health Services	1,961,725	2,176,518	1,741,003	1,741,003	3.9%
Home-based Services	2,007,209	2,002,207	1,857,206	1,857,206	4.2%
Senior/Physically Disabled Waiver	1,837,192	1,987,212	3,358,642	3,378,892	7.6%
MHSP Medicaid Expansion - HIFA Waiver	0	591,242	1,226,487	1,843,997	4.2%
Adult Mental Health Community Srvs Waiver	483,367	692,648	1,028,489	1,035,744	2.3%
Other Programs					
Insure Montana Premium Assistance**	5,746,420	8,358,168	6,525,723	6,524,679	14.7%
Insure Montana Health Ins. Tax Credits**	4,245,779	5,572,112	4,347,287	4,349,591	9.8%
Big Sky Rx/PharmAssist	4,030,104	4,703,630	1,419,972	1,419,972	3.2%
Mental Health Services Plan	2,060,256	1,440,000	2,060,256	2,060,256	4.6%
Healthy Montana Kids/CHIP***	3,413,840	2,922,635	3,403,921	3,403,921	7.7%
Insure Montana 95% Restriction/Other Adj.****	646,249	(696,514)	(543,651)	(543,714)	-1.2%
Other Services/Administration	84,583	138,281	55,709	55,134	0.1%
Subtotal Expenditures	45,884,407	47,397,808	43,750,776	44,409,543	100.0%
Annual Change		3.3%	-7.7%	1.5%	
Ending Fund Balance	$40,494,985	$30,070,365	$23,072,479	$15,718,062	

*Revenue based on estimates adopted by Revenue and Transportation Oversight Committee on November 19, 2010.
**Total appropriated in HB 2 and HB 258 for FY 2011 is allocated 60% to premium assistance and 40% to tax credits.
***FY 2011 estimated costs taken from DPHHS January 15, 2011 budget status report. Other FY 2011 expenditure estimates as of 3-7-11.

****Insure Montana 95% Restriction/Other Adjustments account for the 95% statutory spending restriction from Insure Montana appropriations. In the base year, more is transferred to the Insure Montana appropriations than can be expended. In other years, the negative amounts account for the amount that would be reverted from the full appropriation.

The legislature made several changes to appropriations from this account including:

- Medicaid home and community based services for elderly and disabled persons – funded an additional 180 service slots each year of the biennium
- MHSP – Mental health services plan Medicaid waiver expansion – funded Medicaid mental health services and a basic physical health services package for 800 adults with a serious and disabling mental illness
- Adult mental health community based services – funded an additional 30 community services slots above the FY 2010 base spending level
- Insure Montana – sustained program enrollment funded by a one-time $3.0 million increase in the 2011 biennium, but eliminated state tax subsidies for small employers that are eligible for the federal tax subsidy and limited premium assistance to employees with household incomes below 300% of the federal poverty level

- Big Sky Rx (assistance for Medicare eligible persons to purchase Part D drug coverage) – reduced program eligibility from 200% to 135% of the federal poverty level

The health and Medicaid initiatives account is not structurally balanced over the long term since annual expenditures ($44.4 million in FY 2013) exceed annual revenues ($35.6 million in FY 2013). The projected ending fund balance in the account - $15.7 million – may be sufficient to support expenditures from the account through the end of the 2015 biennium if reversions in FY 2011 and FY 2012 are greater than projected.

Use of Tobacco Settlement Proceeds

Tobacco Settlement Revenues

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. The Montana voters approved:

- Constitutional Amendment 35 in November 2000 requiring not less than 40% of tobacco settlement money to go to a permanent tobacco trust fund
- Initiative 146 (17-6-606, MCA) to allocate 32% of the total tobacco settlement funds to tobacco prevention/cessation programs and 17% to CHIP supporting HMK and the Montana Comprehensive Health Association (MCHA), a state funded high risk insurance pool
-

Money not appropriated within two years is transferred to the tobacco trust fund. The remaining 11% of the MSA money is deposited to the general fund. Figure 2 shows revenues, estimated appropriations, and fund balances for these two uses of tobacco settlement funds.

Figure 2

Tobacco Settlement Account - Fund Balance
Master Settlement Agreement Payment Allocations to State Special Revenue Acccounts

Fund Balances, Revenues, Expenditures	FY 2010	FY 2011	FY 2012	FY 2013	% Biennial Total
32% Allocation to Tobacco Cessation/Prevention					
Beginning Fund Balance	$3,157,838	$1,263,211	$0	$2,336	
Revenues*	10,090,579	10,369,920	10,367,360	10,354,880	
Bill to Implement HB 2 Changes to 13.9%	0	0	(5,864,038)	(5,856,979)	
Revenues Available for Appropriation	10,090,579	10,369,920	4,503,322	4,497,901	
Expenditures					
Department of Revenue	295,135	311,720	302,531	303,271	6.7%
Department of Justice	121,793	117,343	124,333	124,491	2.8%
Public Health and Safety Division					
Tobacco Control & Prevention	7,595,274	7,675,649	0	0	0.0%
Chronic Disease Programs	2,574,304	2,678,291	2,621,932	2,621,540	58.2%
Home Health Visiting/MIAMI	396,379	366,440	404,545	404,666	9.0%
Tribal Programs	630,000	720,000	700,000	700,000	15.5%
Hospital Discharge	134,388	164,755	132,006	132,357	2.9%
DPHHS Cost Allocated Administration**	229,764	176,278	215,639	219,922	4.8%
Subtotal Expenditures	$11,977,037	$12,210,476	$4,500,986	$4,506,247	100.0%
Adjustments	(8,169)	0	0	0	
Percentage of Annual Increase		1.9%	-63.1%	0.1%	
Ending Fund Balance	$1,263,211	($577,345)	$2,336	($6,010)	
Spending Reductions Needed to Balance		(577,345)			
17% Allocation to CHIP/MT Comprehensive Health Association					
Beginning Fund Balance	($34,696)	($709,416)	$0	($2,999)	
Revenues*	5,360,600	5,509,020	5,507,660	5,501,030	
Bill to Implement HB 2 Changes to 35.1%	0	0	5,864,038	5,856,979	
Revenues Available for Appropriation	5,360,600	5,509,020	11,371,698	11,358,009	
Expenditures					
Healthy Montana Kids Benefits	4,555,516	5,312,942	9,644,967	9,371,234	83.7%
Healthy Montana Kids Administration	371,578	0	366,201	366,018	3.2%
MCHA	925,563	925,556	925,563	925,563	8.1%
DPHHS Cost Allocated Administration**	177,681	181,044	437,966	687,606	5.0%
Subtotal Expenditures	6,030,338	6,419,542	11,374,697	11,350,421	100.0%
Adjustments	(4,982)				
Percentage of Annual Increase		6.5%	77.2%	-0.2%	
Ending Fund Balance	($709,416)	($1,619,938)	($2,999)	$4,589	
Spending Reductions Needed to Balance		(1,619,938)			

* Revenues as adopted by the Revenue and Transportation Interim Committee on November 19, 2010.
** Nonbudgeted expenditures

The legislature eliminated the Montana Tobacco Use Prevention Program and reduced related state special revenue funds previously used to support the program. In addition, the Joint Appropriation Subcommittee on Health and Human Services requested a bill to implement HB 2 changing the distribution of tobacco settlement funds allocated to the tobacco cessation and prevention account. The bill would lower the allocation of revenue to the account from 32% to 13.9%. The bill makes a corresponding increase to the Children's Health Insurance Program (CHIP)/ Montana Comprehensive Health Association (MCHA) account, taking the percentage from 17% currently in statute to 35.1% as recommended by the subcommittee. The additional revenues directed to the CHIP/MCHA fund was used to offset costs for HMK with a corresponding reduction in general fund.

Figure 2 shows the impacts of these changes on the two state special revenue funds. As shown, the tobacco cessation/prevention fund is slightly over appropriated in FY 2013.

Tobacco Trust Fund Interest

The Montana Constitution stipulates interest earnings from the tobacco trust fund are to be distributed:

- 90% for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- 10% to the tobacco trust
-

Figure 3 shows the revenues, proposed appropriations, and fund balance for the tobacco trust fund over the 2013 biennium.

Figure 3

Tobacco Settlement Trust Fund Interest - Fund Balance

Fund Balances, Revenues, Expenditures	FY 2010	FY 2011	FY 2012	FY 2013	% of 2013 Biennium
Beginning Fund Balance	($1,806)	$16,287	$0	$335,389	
Revenues*	5,038,781	5,267,700	5,787,000	6,325,200	
Expenditures					
Public Health and Safety Division					
DPHHS Cost Allocation**	7,124	427	10,686	16,029	0.2%
Adolescent Vaccinations	400,000	400,000	400,000	400,000	7.3%
Newborn Screening	289,239	289,125	284,612	284,708	5.2%
Montana Health Professional Recruitment	75,000	75,000	75,000	75,000	1.4%
WIC Farmer's Market	9,732	30,000	9,729	9,732	0.2%
Emergency Medical Services	122,288	125,000	121,951	122,288	2.2%
HIV Treatment	84,000	84,000	84,000	84,000	1.5%
Public Health and Safety Division Subtotal	987,383	1,003,552	985,978	991,757	18.1%
Disability Services Division					
Children's Mental Health Services	233,552	233,552	233,552	233,552	4.3%
DD Part C, Title XX and MOE	600,000	600,000	600,000	600,000	11.0%
Disability Division Subtotal	833,552	833,552	833,552	833,552	15.3%
Health Resources Division					
Hospital & Clinical Services Bureau	543,647	543,647	543,647	543,647	10.0%
Acute Services Bureau	1,245,757	1,580,175	1,245,757	1,245,757	22.8%
Dental Access	495,759	495,759	495,759	495,759	9.1%
Health Resources Division Subtotal	2,285,163	2,619,581	2,285,163	2,285,163	41.9%
Senior and Long-term Care Division					
Nursing Homes	831,850	831,850	831,850	831,850	15.3%
Healthcare for Healthcare Workers	0	796,361	0	0	0.0%
Senior and Long-term Care Division Subtotal	831,850	1,628,211	831,850	831,850	15.3%
Addictive and Mental Disorders Division					
Mental Health Medicaid Benefits	27,659	27,659	27,659	27,659	0.5%
Mental Health Other Services	0	18,962	0	0	0.0%
Mental Health Community Support	0	0	429,468	429,468	7.9%
Mental Health Administration	58,065	55,028	57,941	57,923	1.1%
Addictive and Mental Disorders Division Subtotal	85,724	101,649	515,068	515,050	9.4%
Total Expenditures	5,023,672	6,186,545	5,451,611	5,457,372	100.0%
Adjustments	2,984	0	0	0	
Ending Fund Balance	$16,287	($902,558)	$335,389	$1,203,217	
Spending Reductions Needed to Balance		(902,558)			

*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus, adopted November 19, 2010 by the Revenue and Transportation Interim Committee

** Nonbudgeted expenditures

The bill allocates trust fund interest to programs within DPHHS. Most programs are funded at the FY 2010 expenditure level. A new use of interest funds included in the bill is support for mental health crisis diversion services. The remaining interest is allocated to support Medicaid benefits, public health services, services for children with serious emotional disturbances, and early intervention services for infants and toddlers.

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	213,499,708	213,499,708	426,999,416	67.15%	1,033,486,810	1,033,486,810	2,066,973,620	82.54%
Statewide PL Adjustments	71,036,793	71,063,260	142,100,053	22.35%	598,268	644,594	1,242,862	0.05%
Other PL Adjustments	42,567,294	50,789,168	93,356,462	14.68%	210,306,560	247,902,277	458,208,837	18.30%
New Proposals	(13,542,526)	(13,034,184)	(26,576,710)	(4.18%)	(11,027,224)	(11,321,709)	(22,348,933)	(0.89%)
Total Budget	**$313,561,269**	**$322,317,952**	**$635,879,221**		**$1,233,364,414**	**$1,270,711,972**	**$2,504,076,386**	

Statewide present law adjustments include a funding switch that increases general fund by $71.0 million and reduces federal funds by a like amount. This change, authorized by HB 645, reflects the discontinuation of the nearly 10% temporary increase in the federal Medicaid match rate in the federal stimulus legislation, which reduced general fund Medicaid costs in the 2011 biennium. Other present law adjustments and new proposals are discussed in detail in the program narratives that follow.

Language and Statutory Authority
The legislature included the following language in HB 2.

“Funding for the MTAP New Technologies includes $775,000 state special revenue in fiscal year 2013 for the Montana telecommunications access program contingent upon passage of federal communication commission regulations requiring states to pay for new technologies related to video relay service (VRS) and internet protocol relay (IP).”

“Funding for Making 5.00 Temporary and Modified FTE Permanent may be used only for FTE in the human and community services division.”

“Funding for Medical Marijuana Program Staffing may only be used by the medical marijuana program.”

“Funding for Medical Marijuana Program Annualization may only be used by the medical marijuana program.”

"The Quality Assurance Division is appropriated one-time-only funding for the 2013 biennium in an amount not to exceed $103,061 of the state special revenue fund share and $204,308 of the federal special revenue share from the recovery audit contract program to pay a recovery audit contractor. Payments to the contractor are contingent upon the amount of funds recovered and may not exceed 12.5 percent of the amount recovered."

“If House Bill No. 34 is passed and approved, the appropriation for Health Resources Division is reduced by $26,938 state special revenue in FY 2012 and by $25,791 state special revenue in FY 2013.”

“Funds appropriated in Health Resources Division may not be used to fund double or multiple organ transplants for adults eligible for the Medicaid program.”

“Funds in Executive Medicaid Caseload Estimates may be used only for Medicaid benefits and may be used only after funding for Medicaid benefits above the level appropriated in the Disability Services Division, Health Resources Division, Senior and Long-term Care Division and Addictive and Mental Disorders Division has been fully expended.”

"CMHB Provider Rate Increases for TCM funding may be used only to increase provider rates for child and adolescent intensive case management services provided by licensed mental health centers."

"100 Slots for Home and Community Based Waiver Services (HCBS) may be used only to fund Medicaid services in the following order of priority:

1. Plans of care for individuals moved from nursing homes into community settings under the HCBS
2. Maintaining individuals in assisted living facilities and others in the community who are at immediate risk of nursing home placement
3. Medicaid nursing home bed days in the event bed days are under funded"

"Transition to Privatization of MVH may only be used to pay reduction in force costs associated with having nursing home services provided by a private contractor at the Montana Veteran's Home."

“Funds in downsize Montana Chemical Dependency Center may be used only to pay for chemical dependency treatment in approved private treatment facilities as defined in 53-24-103, MCA.”

Fund Transfer or Implementation Legislation

The legislature requested the following legislation to implement HB 2:

- Master tobacco settlement – changing the percentage of revenues allocated to the tobacco cessation/prevention funds to 13.9% and the CHIP/MCHA fund to 35.1%
- Big Sky Rx – limit program to amounts specifically appropriated
- Healthy Montana Kids - change to make presumptive eligibility optional as opposed to a mandatory program component
- Allow a transfer from the Montana Telecommunications Access Program fund to be used for other purposes (Fund transfer legislation)
- Medicaid coverage of organ transplants for adults - prohibit Medicaid coverage of multiple organ transplants in a single medical procedure
- Appropriate general fund to the Disability Services Division and reduce general fund in the Human and Community Services Division (HCSD) allowing HCSD to include general fund in base budget development for the 2015 Biennium.

Federal Poverty Level

Financial eligibility is a component of many of the programs administered by DPHHS. The following figure shows the federal poverty level by family size and various levels of poverty for both annual and monthly incomes. It is included so that legislators will have an idea of eligibility income limits for various programs administered by the department.

2009, 2010 2011 Federal Poverty Index
Levels of Poverty by Family Size

Family	Percent of FPL 2011											
Size	30%	33%	40%	100%	133%	150%	175%	185%	200%	250%	300%	350%
1	$3,267	$3,594	$4,356	$10,890	$14,484	$16,335	$19,058	$20,147	$21,780	$27,225	$32,670	$38,115
2	$4,413	$4,854	$5,884	$14,710	$19,564	$22,065	$25,743	$27,214	$29,420	$36,775	$44,130	$51,485
3	$5,559	$6,115	$7,412	$18,530	$24,645	$27,795	$32,428	$34,281	$37,060	$46,325	$55,590	$64,855
4	$6,705	$7,376	$8,940	$22,350	$29,726	$33,525	$39,113	$41,348	$44,700	$55,875	$67,050	$78,225
5	$7,851	$8,636	$10,468	$26,170	$34,806	$39,255	$45,798	$48,415	$52,340	$65,425	$78,510	$91,595
6	$8,997	$9,897	$11,996	$29,990	$39,887	$44,985	$52,483	$55,482	$59,980	$74,975	$89,970	$104,965
7	$10,143	$11,157	$13,524	$33,810	$44,967	$50,715	$59,168	$62,549	$67,620	$84,525	$101,430	$118,335
8	$11,289	$12,418	$15,052	$37,630	$50,048	$56,445	$65,853	$69,616	$75,260	$94,075	$112,890	$131,705

Family	Monthly Earnings 2011 FPL											
Size	30%	33%	40%	100%	133%	150%	175%	185%	200%	250%	300%	350%
1	$272	$299	$363	$908	$1,207	$1,361	$1,588	$1,679	$1,815	$2,269	$2,723	$3,176
2	$368	$405	$490	$1,226	$1,630	$1,839	$2,145	$2,268	$2,452	$3,065	$3,678	$4,290
3	$463	$510	$618	$1,544	$2,054	$2,316	$2,702	$2,857	$3,088	$3,860	$4,633	$5,405
4	$559	$615	$745	$1,863	$2,477	$2,794	$3,259	$3,446	$3,725	$4,656	$5,588	$6,519
5	$654	$720	$872	$2,181	$2,901	$3,271	$3,816	$4,035	$4,362	$5,452	$6,543	$7,633
6	$750	$825	$1,000	$2,499	$3,324	$3,749	$4,374	$4,623	$4,998	$6,248	$7,498	$8,747
7	$845	$930	$1,127	$2,818	$3,747	$4,226	$4,931	$5,212	$5,635	$7,044	$8,453	$9,861
8	$941	$1,035	$1,254	$3,136	$4,171	$4,704	$5,488	$5,801	$6,272	$7,840	$9,408	$10,975

Branch Budget Comparison

The following table summarizes the total legislative 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	1,161.02	1,161.02	1,152.72	1,152.72	1,161.02	1,152.72	(8.30)	(0.71%)
Personal Services	57,157,124	59,733,384	59,484,540	59,469,031	116,890,508	118,953,571	2,063,063	1.76%
Operating Expenses	17,788,237	19,821,730	19,113,900	20,084,068	37,609,967	39,197,968	1,588,001	4.22%
Equipment & Intangible Assets	94,840	111,377	101,840	101,840	206,217	203,680	(2,537)	(1.23%)
Grants	26,380,918	28,189,262	29,341,432	28,328,549	54,570,180	57,669,981	3,099,801	5.68%
Benefits & Claims	224,134,404	238,109,035	352,553,183	354,873,236	462,243,439	707,426,419	245,182,980	53.04%
Debt Service	189,926	177,364	189,926	189,926	367,290	379,852	12,562	3.42%
Total Costs	**$325,745,449**	**$346,142,152**	**$460,784,821**	**$463,046,650**	**$671,887,601**	**$923,831,471**	**$251,943,870**	**37.50%**
General Fund	69,002,422	75,171,198	70,638,782	72,017,146	144,173,620	142,655,928	(1,517,692)	(1.05%)
State Special	6,520,447	7,487,049	7,472,219	8,240,826	14,007,496	15,713,045	1,705,549	12.18%
Federal Special	250,222,580	263,483,905	382,673,820	382,788,678	513,706,485	765,462,498	251,756,013	49.01%
Total Funds	**$325,745,449**	**$346,142,152**	**$460,784,821**	**$463,046,650**	**$671,887,601**	**$923,831,471**	**$251,943,870**	**37.50%**

Page Reference

Legislative Budget Analysis, B-36

Executive Budget Comparison

The following table compares the legislative budget in the 2013 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg – Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg – Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	1,161.02	1,152.72	1,152.72	0.00	1,152.72	1,152.72	0.00	
Personal Services	57,157,124	59,530,601	59,484,540	(46,061)	59,515,092	59,469,031	(46,061)	(92,122)
Operating Expenses	17,788,237	21,471,402	19,113,900	(2,357,502)	21,829,199	20,084,068	(1,745,131)	(4,102,633)
Equipment & Intangible Assets	94,840	101,840	101,840	0	101,840	101,840	0	0
Grants	26,380,918	29,810,957	29,341,432	(469,525)	28,798,074	28,328,549	(469,525)	(939,050)
Benefits & Claims	224,134,404	354,057,716	352,553,183	(1,504,533)	398,412,974	354,873,236	(43,539,738)	(45,044,271)
Debt Service	189,926	189,926	189,926	0	189,926	189,926	0	0
Total Costs	**$325,745,449**	**$465,162,442**	**$460,784,821**	**($4,377,621)**	**$508,847,105**	**$463,046,650**	**($45,800,455)**	**($50,178,076)**
General Fund	69,002,422	72,633,319	70,638,782	(1,994,537)	74,300,242	72,017,146	(2,283,096)	(4,277,633)
State/Other Special	6,520,447	8,280,064	7,472,219	(807,845)	8,275,571	8,240,826	(34,745)	(842,590)
Federal Special	250,222,580	384,249,059	382,673,820	(1,575,239)	426,271,292	382,788,678	(43,482,614)	(45,057,853)
Total Funds	**$325,745,449**	**$465,162,442**	**$460,784,821**	**($4,377,621)**	**$508,847,105**	**$463,046,650**	**($45,800,455)**	**($50,178,076)**

Branch Highlights

Economic Security Services Branch
Major Budget Highlights

- The legislature approved total funding increases of 37.5% when the 2011 and 2013 biennia are compared
- The largest increases to the Branch budget over the biennium are in federal funds for:
  - $215.0 million to support SNAP benefits
  - $20.0 million to support low income energy assistance (LIEAP) benefits
  - $9.9 million for child care and a related food program grant
  - $6.0 million for weatherization and community assistance
- The general fund is lower than the executive budget due to increases over the biennium addressing caseload, FMAP match, and increased benefits that are offset by:
  - A transfer of over $2.5 million general fund from Human and Community Services to the Disability Services and
  - Reductions across the branch due to approval of executive budget reductions and adoption of agency 5% budget reduction plans

Branch Discussion

Interim Monitoring

The major discussion of critical goals and performance measurements(s) is at the agency level. The legislature recommends monitoring for this Branch in the areas of: 1) the broad based budget and personal services reductions and related effects on the Branch; and 2) caseload growth in SNAP, Medicaid, TANF, LIEAP, and Child Care and the number of children entering and exiting foster care.

Changes to the Executive Budget

The major legislative general fund reductions over the biennium to the executive budget for the Branch are:

- Over $1.3 million due to the adoption of 5% budget reduction plans developed in compliance with 17-7-11 (3)(g), MCA that were not included in the executive budget request
- A transfer of $2.5 million from child care services to disability services

The major reduction in state special revenue includes:

- $775,000 of Montana Telecommunications Access Program funding that was part of a contingency request for $1.6 million over the biennium should the federal government require that the state pay for new technology services. Due to the timing of federal notification, only the FY 2013 amount could be needed.

Major changes in federal funds include reductions across the biennium of:

- $35.0 million in SNAP benefits
- $9.6 million in LIEAP benefits
- $1.2 million in TANF benefits

Funding

The following table summarizes funding for the agency, by program and source. 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 %
01 Management And Disability Transitions	$ 10,667,878	$ 2,443,322	$ 37,202,486	$ 50,313,686	5.45%
02 Human And Community Services	58,513,472	4,759,230	664,219,336	727,492,038	78.75%
03 Child & Family Services	65,301,772	4,926,044	53,947,581	124,175,397	13.44%
05 Child Support Enforcement	8,172,806	3,584,449	10,093,095	21,850,350	2.37%
Grand Total	$ 142,655,928	$ 15,713,045	$ 765,462,498	$ 923,831,471	100.00%

Funding by Division

The branch receives general fund, state special revenue, and federal funds directly through legislative appropriation or via a complicated, federally approved cost allocation formula that is generally referred to as indirect activity, and in this branch is often determined by random moment in time studies that reflect the length of time staff spends on a service. The indirect activity funding formula is derived from those funds expended on functions serving programs throughout the department.

General fund for the branch is primarily used as match for federal funds. As shown in the chart, the legislature appropriated about $142.7 million general fund over the biennium to the Economic Security Services Branch. The division's received:

- Child and Family Services – Over $65.3 million in support of benefits, grants, and programs serving foster care, subsidized adoptions, and family reunifications as well as safe, non-violent environments for children. The centralized intake function in CFSD is solely funded with general fund
- Human and Community Services – Over $58.5 million to support the match for federal funds, which includes support of the required TANF and child care maintenance of effort (MOE). General fund represents about half of the funding for offices of public assistance. It is also used as match in eligibility determination for federal public assistance programs such as SNAP and Medicaid
- Disability Transitions Program – About $10.7 million as match for benefits and grants and functions serving individuals wishing to live independently and obtain and maintain a job
- Child Support Enforcement – About $8.2 million to support efforts for collection of child support

State special revenue of $15.7 million is primarily used in the delivery of childcare and energy and weatherization services, through the prevention and stabilization fund and the universal system benefits funds, respectively. It supports some foster care costs from a wide variety of third party contributions such as parental payments, collections from child support, and supplemental security income (SSI) for eligible children. State special revenue is the sole support of the Montana Telecommunications Access Program at about $2.4 million. It is also includes retention of some CSED collections and the CSED federal incentives.

Federal funding of about $765.5 million is mostly used for benefits and grants, but is the entire support for the federally required disability determination function.

Expenditures by Division

Personal Services

The legislative budget for the branch supports personal services costs at about $119.0 million total funds over the biennium for 1,152.72 FTE located throughout the state. The appropriation per division is:

- $46.6 million for 472.32 FTE in HCSD
- $38.1 million for 369.65 FTE in CFSD
- $18.1 million for 164.75 FTE in CSED

- $16.2 million for 146.00 FTE in MDT

Operations

The legislature provided $39.2 million in total funds over the biennium for operating costs associated with eligibility services, as well as the delivery of support services and benefits to clients throughout the state. The appropriation per division is*:*

- $14.8 million in HCSD
- $11.1 million in CFSD
- $9.6 million in MDT
- $3.7 million in CSED

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	69,002,422	69,002,422	138,004,844	96.74%	325,745,449	325,745,449	651,490,898	70.52%
Statewide PL Adjustments	3,697,849	3,643,611	7,341,460	5.15%	2,246,473	2,232,871	4,479,344	0.48%
Other PL Adjustments	615,248	2,247,786	2,863,034	2.01%	133,309,126	134,610,090	267,919,216	29.00%
New Proposals	(2,676,737)	(2,876,673)	(5,553,410)	(3.89%)	(516,227)	458,240	(57,987)	(0.01%)
Total Budget	**$70,638,782**	**$72,017,146**	**$142,655,928**		**$460,784,821**	**$463,046,650**	**$923,831,471**	

Program Budget Comparison

The following table summarizes the total legislative 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	146.00	146.00	146.00	146.00	146.00	146.00	0.00	0.00%
Personal Services	7,491,367	8,119,654	8,081,193	8,077,424	15,611,021	16,158,617	547,596	3.51%
Operating Expenses	4,119,037	5,188,156	4,337,858	5,298,878	9,307,193	9,636,736	329,543	3.54%
Benefits & Claims	12,164,156	12,362,604	12,233,913	12,284,420	24,526,760	24,518,333	(8,427)	(0.03%)
Total Costs	**$23,774,560**	**$25,670,414**	**$24,652,964**	**$25,660,722**	**$49,444,974**	**$50,313,686**	**$868,712**	**1.76%**
General Fund	5,317,820	5,862,780	5,301,776	5,366,102	11,180,600	10,667,878	(512,722)	(4.59%)
State Special	865,705	1,792,847	834,188	1,609,134	2,658,552	2,443,322	(215,230)	(8.10%)
Federal Special	17,591,035	18,014,787	18,517,000	18,685,486	35,605,822	37,202,486	1,596,664	4.48%
Total Funds	**$23,774,560**	**$25,670,414**	**$24,652,964**	**$25,660,722**	**$49,444,974**	**$50,313,686**	**$868,712**	**1.76%**

Page Reference

Legislative Budget Analysis, B-43

Funding

The division is funded from a variety of sources with federal matching rates varying by function.

General fund is mostly used to match federal funds. It supports benefits, grants, and functions serving individuals wishing to live independently, obtain and maintain a job, and acquire the necessary assistive technology. The activities supported entirely by the general fund are the extended employment program, visual services medical support, and the Montana Youth Leadership Forum.

State special revenue is the sole support of the Montana Telecommunications Access Program (MTAP). Revenue is raised by a fee of 10 cents a month assessed on bills for subscriber connections and/or prepaid wireless telecommunication services per 53-19-311, MCA.

Federal funds completely support the disability determination function, the Montech assistive technology program, and supported employment.

The MTAP Fund Balance and Implementation Legislation

The MTAP fund has a projected FY 2011 ending fund balance of over $2.5 million. The legislature addressed this fund balance in two parts. The first action approved the executive's contingency request for authority to spend $775,000 in FY 2013 for the Montana Telecommunications Access Program. Funding would be used in the event the federal government mandates that the states pay for new technology services that are presently covered by the National Exchange Carrier Association (NECA). There is additional discussion in the new proposal section and contingency language in the language section following new proposals.

The second action was a recommendation that statutory changes be included in legislation to allow a transfer of $1,850,000 to the general fund for the 2013 biennium from the MTAP state special revenue fund balance. At the time of this writing, legislation to accommodate this transfer is being drafted.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	5,317,820	5,317,820	10,635,640	99.70%	23,774,560	23,774,560	47,549,120	94.51%
Statewide PL Adjustments	58,527	82,552	141,079	1.32%	450,863	444,351	895,214	1.78%
Other PL Adjustments	(3,299)	37,002	33,703	0.32%	39,901	80,202	120,103	0.24%
New Proposals	(71,272)	(71,272)	(142,544)	(1.34%)	387,640	1,361,609	1,749,249	3.48%
Total Budget	**$5,301,776**	**$5,366,102**	**$10,667,878**		**$24,652,964**	**$25,660,722**	**$50,313,686**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					805,895					798,805
Vacancy Savings					(331,887)					(331,606)
Inflation/Deflation					(10,661)					(10,363)
Fixed Costs					(12,484)					(12,485)
Total Statewide Present Law Adjustments		**$58,527**	**($31,517)**	**$423,853**	**$450,863**		**$82,552**	**($31,571)**	**$393,370**	**$444,351**
DP 1001 - Tuition Increase	0.00	39,901	0	0	39,901	0.00	80,202	0	0	80,202
DP 55140 - 17-7-140 Optimize In-Service and ILOB funding	0.00	(43,200)	0	43,200	0	0.00	(43,200)	0	43,200	0
Total Other Present Law Adjustments	**0.00**	**($3,299)**	**$0**	**$43,200**	**$39,901**	**0.00**	**$37,002**	**$0**	**$43,200**	**$80,202**
Grand Total All Present Law Adjustments	**0.00**	**$55,228**	**($31,517)**	**$467,053**	**$490,764**	**0.00**	**$119,554**	**($31,571)**	**$436,570**	**$524,553**

DP 1001 - Tuition Increase - The legislature approved a general fund increase to fund a portion of the increased tuition costs for Vocational Rehabilitation benefits. Funding supports post secondary education courses for individuals and new clients to help them returning to work.

DP 55140 - 17-7-140 Optimize In-Service and ILOB funding - The legislature approved the Governor's request to reduce the general fund base budget for DTP by $43,200 and increase federal funding by the same amount each year of the biennium. Some operations and personal services costs would be funded from eligible federal funds rather than general fund.

New Proposals

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 1103 - MTAP New Technologies										
01	0.00	0	0	0	0	0.00	0	775,000	0	775,000
DP 1104 - Disability Determination Federal Funds Adjustment										
01	0.00	0	0	392,940	392,940	0.00	0	0	591,909	591,909
DP 55401 - 4% Personal Svs GF Bud Reduction										
01	0.00	(65,972)	0	65,972	0	0.00	(65,972)	0	65,972	0
DP 95011 - 5% Plan - Operations Efficiency										
01	0.00	(5,300)	0	0	(5,300)	0.00	(5,300)	0	0	(5,300)
DP 95012 - 5% Plan - Reduce Extended Employment Benefits										
01	0.00	(12,845)	0	0	(12,845)	0.00	(12,845)	0	0	(12,845)
DP 96012 - Restore Extended Employment Benefits										
01	0.00	12,845	0	0	12,845	0.00	12,845	0	0	12,845
Total	**0.00**	**($71,272)**	**$0**	**$458,912**	**$387,640**	**0.00**	**($71,272)**	**$775,000**	**$657,881**	**$1,361,609**

DP 1103 - MTAP New Technologies - The legislature approved a contingency request of $775,000 state special revenue authority for FY 2013 for MTAP services. The legislature added contingency language allowing funding to be used in the event the federal government mandates that the states pay for new technologies that use the Internet in telecommunication programs. The programs are Internet Protocol Relay (IP), which uses a computer with an internet connection in place of a text telephone and VRS, a Video Relay Service that uses a computer and a webcam, or a video phone and a TV, in conjunction with a broadband internet connection, to make calls between a sign language user and a hearing user who knows no sign language. Language is in the following section.

DP 1104 - Disability Determination Federal Funds Adjustment - The legislature approved federal fund authority for Disability Determination Services (DDS) for client travel, zero-based personal services, and medical consultants to allow the DDS bureau to process their workload to meet Social Security Administration (SSA) required productivity levels.

DP 55401 - 4% Personal Services GF Budget Reduction - The legislature approved the Governor's request to reduce personal services by 4%. No positions were eliminated; a position that was funded only by general fund was moved into a program that allows 78.7% of the cost to come from federal funds. The reduction would carry forward permanently.

DP 95011 - 5% Plan - Operations Efficiency - The legislature approved a general fund reduction for operational efficiencies in the independent living - older blind program. Savings would be generated through shipping costs. This reduction was part of the agency's submitted 5% reduction plan.

DP 95012 - 5% Plan - Reduce Extended Employment Benefits - The legislature approved a general fund reduction to reduce services in the extended employment program. It is an amount that would serve approximately three individuals with client benefits. This reduction was part of the agency's submitted 5% reduction plan. It was later restored in NP 96012.

DP 96012 - Restore Extended Employment Benefits - The legislature provided $25,690 general fund over the biennium to restore extended employment benefits.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Funding for the MTAP New Technologies includes $775,000 state special revenue in fiscal year 2013 for the Montana telecommunications access program that is contingent upon passage of federal communication commission regulations requiring states to pay for new technologies related to video relay service (VRS) and internet protocol relay (IP)."

Program Budget Comparison

The following table summarizes the total legislative 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	467.32	467.32	472.32	472.32	467.32	472.32	5.00	1.07%
Personal Services	21,850,090	22,593,594	23,324,304	23,319,880	44,443,684	46,644,184	2,200,500	4.95%
Operating Expenses	6,390,876	7,111,145	7,377,440	7,384,763	13,502,021	14,762,203	1,260,182	9.33%
Equipment & Intangible Assets	80,600	90,587	87,600	87,600	171,187	175,200	4,013	2.34%
Grants	20,042,893	21,342,956	23,003,407	21,990,524	41,385,849	44,993,931	3,608,082	8.72%
Benefits & Claims	183,415,718	191,826,230	310,547,180	310,369,340	375,241,948	620,916,520	245,674,572	65.47%
Total Costs	**$231,780,177**	**$242,964,512**	**$364,339,931**	**$363,152,107**	**$474,744,689**	**$727,492,038**	**$252,747,349**	**53.24%**
General Fund	30,868,237	31,338,309	29,395,052	29,118,420	62,206,546	58,513,472	(3,693,074)	(5.94%)
State Special	1,408,638	1,518,021	2,380,489	2,378,741	2,926,659	4,759,230	1,832,571	62.62%
Federal Special	199,503,302	210,108,182	332,564,390	331,654,946	409,611,484	664,219,336	254,607,852	62.16%
Total Funds	**$231,780,177**	**$242,964,512**	**$364,339,931**	**$363,152,107**	**$474,744,689**	**$727,492,038**	**$252,747,349**	**53.24%**

Page Reference

Legislative Budget Analysis, B-55

Funding

The costs of this division are driven by the provision of benefits and the staff and contracted providers that deliver them throughout the state. The majority of funding for the Human and Community Service Division (HCSD), over 90%, comes from federal sources and is used for the direct provision of benefits and/or the programs supporting client recipients of the benefits.

General fund represents about half of the funding for offices of public assistance; supports required Temporary Assistance for Needy Families (TANF) and child care maintenance of effort (MOE) requirements; and is used as match for federal programs such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP) eligibility determination, and child care benefits.

State special revenue is primarily used in the delivery of childcare and energy and weatherization services, and comprises the prevention and stabilization fund and the universal systems benefits funds.

Federal funding is mostly used for benefits and grants.

Major Changes in Federal Funds from the Executive Budget

The legislature reduced federal funding over the biennium by $46.7 from the executive budget including:

- $35.0 million in SNAP benefits
- $9.6 million in LIEAP benefits
- $1.2 million in TANF benefits
- $0.9 million in the TANF Economic Security Program

While the TANF amounts differ from the executive request, the TANF block grant is not reduced. The adjustments remain in the grant fund balance for future use.

The Federal TANF Block Grant Funding and Implementation Legislation

The legislature made adjustments to the TANF Block grant and the related general fund maintenance of effort, TANF MOE.

The legislature approved TANF funding increases over the biennium of:

- Nearly $11.0 million for an estimated 1% increase per year in the TANF benefit caseload
- About $90,000 to continue the second chance homes program started in the 2009 Session
- About $2.0 million for TANF employment programs

The legislature approved a funding adjustment to the TANF block grant that funded the estimated share of indirect costs at $5,938,878 for FY 2012 and $6,110,282 for FY 2013 for reductions of about $120,000 in FY 2012 and $125,000 in FY 2013.

The legislature also appropriated federal TANF funding to the Early Childhood Services Bureau to free up general fund in a three-step appropriation. First, the legislature appropriated one-time-only federal TANF authority in the amount of $1,164,364 in FY 2012 and $1,364,300 in FY 2013 to replace general fund of an equal amount that was to be used for child care services in the 2013 biennium.

The legislature then appropriated the available general fund amount of $1,164,364 in FY 2012 and $1,364,300 in FY 2013 to the Disability Services Division.

Lastly, because the general fund base budget in child care services was reduced by the transfer of general fund to the Disability Services Division, the legislature recommended statutory changes be included in legislation to implement the general appropriations act that would allow the division to include any funds expended in FY 2012 from the one-time-only appropriation of federal TANF funds for Child Care in development of the division's present law base budget and fund the amount with general fund for the 2015 biennium. At the time of this writing, the implementation legislation was being drafted.

TANF General Fund

The legislature also approved an adjustment in the general fund budget for the federally required TANF maintenance of effort (MOE). The action increased funding for the TANF WoRC Contractors by $170,000 each year of the biennium and reduced funding in TANF general fund benefits by an equal amount. There is no change in the base amount of TANF general fund. TANF benefits could be paid with federal TANF funds.

Other Anticipated Federal Funds for Public Assistance Appropriations

Additionally, the legislature approved federal fund increases over the biennium for anticipated federal funds of:

- $215.0 million to support SNAP benefits
- $20.0 million to support low income energy assistance (LIEAP) benefits
- $9.9 million for child care and a related food program grant
- $6.0 million for weatherization and community assistance

The legislature also approved an adjustment in the LIEAP grant to move $156,463 from advertising costs to other LIEAP operating uses for each year of the biennium. The adjustment does not reduce the LIEAP appropriation.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	30,868,237	30,868,237	61,736,474	105.51%	231,780,177	231,780,177	463,560,354	63.72%
Statewide PL Adjustments	1,213,611	1,136,915	2,350,526	4.02%	1,130,931	1,129,830	2,260,761	0.31%
Other PL Adjustments	(675,459)	(675,459)	(1,350,918)	(2.31%)	131,648,695	130,461,972	262,110,667	36.03%
New Proposals	(2,011,337)	(2,211,273)	(4,222,610)	(7.22%)	(219,872)	(219,872)	(439,744)	(0.06%)
Total Budget	**$29,395,052**	**$29,118,420**	**$58,513,472**		**$364,339,931**	**$363,152,107**	**$727,492,038**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					2,122,512					2,117,859
Vacancy Savings					(958,932)					(958,703)
Inflation/Deflation					(30,533)					(27,210)
Fixed Costs					(2,116)					(2,116)
Total Statewide Present Law Adjustments		**$1,213,611**	**$63,250**	**($145,930)**	**$1,130,931**		**$1,136,915**	**$62,264**	**($69,349)**	**$1,129,830**
DP 20009 - Child Care Devel & Food Pgm Grant Incr	0.00	0	0	5,627,179	5,627,179	0.00	0	0	4,230,979	4,230,979
DP 20012 - TANF Cash Benefit Increase	0.00	0	0	5,273,890	5,273,890	0.00	0	0	5,483,367	5,483,367
DP 20013 - SNAP Benefit Increases (Biennial)	0.00	0	0	107,500,000	107,500,000	0.00	0	0	107,500,000	107,500,000
DP 20015 - TANF Second Chance Homes	0.00	0	0	44,429	44,429	0.00	0	0	44,429	44,429
DP 20017 - TANF Employment Programs	0.00	0	0	965,000	965,000	0.00	0	0	965,000	965,000
DP 20018 - Weatherization and Other IHSB Increases	0.00	0	345,000	2,583,610	2,928,610	0.00	0	345,000	2,583,610	2,928,610
DP 20019 - LIEAP Grant Increase	0.00	0	0	10,000,000	10,000,000	0.00	0	0	10,000,000	10,000,000
DP 20020 - Restore OT/Holidays Worked	0.00	17,069	6,489	48,851	72,409	0.00	17,069	6,489	48,851	72,409
DP 55141 - 17-7-140 Reduction-PAB Operation Efficiencies	0.00	(42,983)	0	(70,294)	(113,277)	0.00	(42,983)	0	(70,294)	(113,277)
DP 55142 - 17-7-140 Reduction-Child Care Operation Efficiency	0.00	(24,545)	0	0	(24,545)	0.00	(24,545)	0	0	(24,545)
DP 55143 - 17-7-140 Eliminate Child Care RR Network Contract	0.00	(75,000)	0	0	(75,000)	0.00	(75,000)	0	0	(75,000)
DP 55144 - 17-7-140 Reduction-Centralize Child Care Referrals	0.00	(150,000)	0	0	(150,000)	0.00	(150,000)	0	0	(150,000)
DP 55145 - 17-7-140 Reduction-Child Care RR Agency Re-org	0.00	(150,000)	0	0	(150,000)	0.00	(150,000)	0	0	(150,000)
DP 55146 - 17-7-140 Reduction-Dual Elig for Child Care & SNAP	0.00	(200,000)	0	0	(200,000)	0.00	(200,000)	0	0	(200,000)
DP 55147 - 17-7-140 Eliminate Child Care Consumer Ed Contract	0.00	(50,000)	0	0	(50,000)	0.00	(50,000)	0	0	(50,000)
Total Other Present Law Adjustments	**0.00**	**($675,459)**	**$351,489**	**$131,972,665**	**$131,648,695**	**0.00**	**($675,459)**	**$351,489**	**$130,785,942**	**$130,461,972**
Grand Total All Present Law Adjustments	**0.00**	**$538,152**	**$414,739**	**$131,826,735**	**$132,779,626**	**0.00**	**$461,456**	**$413,753**	**$130,716,593**	**$131,591,802**

DP 20009 - Child Care Devel & Food Pgm Grant Incr - The legislature approved additional federal authority of about $9.9 million over the biennium for: Child Care Development Fund funding that would be used for child care scholarship services and for required quality activities throughout the state; and about $1.9 million for nutritional services including the USDA Child and Adult Care Food Program (CACFP), which is an entitlement program. CACFP serves 148 child care organizations at over 220 facilities, including: child care centers, Head Start programs, Boys and Girls Clubs, and after-school programs.

DP 20012 - TANF Cash Benefit Increase - The legislature approved an increase of federal TANF benefit appropriation authority of nearly $10.8 million for the biennium to fund an estimated 1% increase per year in the TANF benefit caseload.

DP 20013 - SNAP Benefit Increases (Biennial) - The legislature approved an increase of $215.0 in federal appropriation authority as a biennial appropriation to fund the projected caseload increases for SNAP. The increase in the SNAP benefit amount is attributed largely to the economic downturn and changes at the federal level allowing expansion of eligibility and benefit amounts.

DP 20015 - TANF Second Chance Homes - The legislature approved federal TANF authority for Second Chance Homes to continue a program started in the 2009 Session. Funding is intended to assist with a home whose startup was delayed until part way through FY 2010. This funding ensures that, on a statewide basis, there are 26 beds available for TANF eligible teenage mothers who are at high risk of negative outcomes.

DP 20017 - TANF Employment Programs - The legislature approved federal appropriation authority to support TANF Employment Programs.

The legislature approved $1,930,000 in federal appropriation authority for the biennium to support TANF Employment Programs.

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: In January of 2008 the Department of Public Health and Human Services implemented the TANF AESP to provide a subsidy or stipend to an employer to compensate for training costs of an unskilled or under skilled worker. This project would now include SEP for families eligible for TANF benefits as well as those families qualifying for TANF related services. Statistics from the SEP Program indicate 444 individuals were placed in a subsidized employment placement between July 1, 2009 through September 30, 2010. Out of the 444 individuals, 183 were hired into permanent employment with the SEP employer, an additional 25 found other employment, and the remainder gained skills and experience. The average hourly wage ranged from $9.64 to $14.06.

Goals and Performance Criteria:
Goal: Promoting employment and providing the assistance necessary to help families and individuals meet basic needs and work their way out of poverty.

Performance criteria would measure progress via reports outlining the number of individuals who enter a subsidized employment placement as well as the number of individuals who obtain permanent employment following completion of the subsidized employment placement. TANF Unit personnel will monitor the TANF employment programs.

Milestones:
Significant milestones for the proposal include the following key activities:

- Define the SEP Program criteria and guidelines prior to program implementation
- Annually procure or renew project contracts via a competitive process and establish funding allotments per contract
- Provide training of contractors prior to program implementation
- Establish monthly and year-end reporting requirements.

Obstacles: One of the challenges to implementing this proposal is defining the program criteria, guidelines, and target population using lessons learned in the subsidized employment pilot. Once the program is defined, contracts must be procured and funding allocated. Tools to acquire the required performance criteria must be developed and implemented. Based on the individuality of each client and employer, specific employment plans must be developed that are unique to each individual and employer.

Risks: Without the TANF employment proposal the state could see a potential growth in the number of TANF cash assistance households based on lack of employment opportunities. As with all TANF funded projects, should TANF cash assistance costs increase, support programs could be reduced or discontinued.

DP 20018 - Weatherization and Other IHSB Increases - The legislature approved funding to provide support for six federally funded grants, including: Department of Energy (DOE) Weatherization; Community Services Block Grant (CSBG); Housing Opportunities for Persons with AIDS (HOPWA); the Emergency Food Assistance Programs (TEFAP); Food Distribution Program on Indian Reservations (FDPIR); Commodity Supplemental Food Program (CSFP); and one state special revenue fund, Universal Systems Benefit (USB) Weatherization, which comes from consumer charges on utility bills and is passed on for energy assistance and weatherization activities. Funds support programs in the Intergovernmental Human Services Bureau (IHSB).

DP 20019 - LIEAP Grant Increase - The legislature increased federal spending authority for the biennium for the LIEAP grant. Funds would be used to either supplement low-income energy assistance benefits or to weatherize homes in an effort to defray heating costs for Montana families.

DP 20020 - Restore OT/Holidays Worked - The legislature approved funding to restore zero-based authority for overtime for truck drivers to deliver food across the state; Office of Public Assistance staff to catch up on processing applications when application numbers increase beyond the amount that can be handled in a normal workday, and Child Care staff to work in the quality program across the state.

DP 55141 - 17-7-140 Reduction-PAB Operation Efficiencies - The legislature approved the Governor's request to reduce the general fund base budget for the Public Assistance Bureau and to continue the operations reduction implemented in FY 2011. Reductions are in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

DP 55142 - 17-7-140 Reduction-Child Care Operation Efficiency - The legislature approved the Governor's reduction of the general fund base budget for child care services to continue the operations reduction implemented in FY 2011. Childhood services operations reductions are in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting that were paid with federal funds. Federal funds made available in these efficiencies would be used for benefits previously paid for with general fund.

DP 55143 - 17-7-140 Eliminate Child Care RR Network Contract - The legislature approved the Governor's request to reduce the general fund base budget for child care services to continue the operations reduction implemented in FY 2011. The Early Childhood Services Bureau would realize a cost savings by discontinuing the contract to the Child Care Resource & Referral Network and assigning select functions to child care resource and referral agencies.

DP 55144 - 17-7-140 Reduction-Centralize Child Care Referrals - The legislature approved the Governor's reduction to the general fund base budget for child care referral services to continue the operations reduction implemented in FY 2011. The Early Child hood Services Bureau would establish a centralized child care referral call center using the National Association of Child Care Resource & Referral (R&R) Agencies software product (NACCRRAWare), which allows centralization of operations by connecting the public with expert operators via phone or e-mail.

DP 55145 - 17-7-140 Reduction-Child Care RR Agency Re-org - The legislature approved the Governor's request to reduce the general fund base budget for child care referral services to continue the operations reduction implemented in FY 2011. The Early Childhood Services Bureau is reorganizing the child care resource and referral services for greater administrative efficiency and reduced contract expense by reducing the number of districts by one.

DP 55146 - 17-7-140 Reduction-Dual Elig for Child Care & SNAP - The legislature approved the Governor's request to reduce the general fund base budget for child care referral services to continue the operations reduction implemented in FY 2011. The Early Childhood Services Bureau would achieve a cost savings by using SNAP eligibility information to more efficiently qualify children of SNAP participating families for child care assistance.

DP 55147 - 17-7-140 Eliminate Child Care Consumer Ed Contract - The legislature approved the Governor's request to reduce the general fund base budget for child care referral services to continue the operations reduction implemented in FY 2011. The Early Childhood Services Bureau would realize cost savings by ending the consumer education contract.

New Proposals

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 20101 - Temporary and Modified HMK FTE (RST/OTO)										
02	5.00	0	103,985	134,240	238,225	5.00	0	103,223	135,002	238,225
DP 20127 - TANF to Child Care to Reduce General Fund (OTO)										
02	0.00	(1,164,364)	0	1,164,364	0	0.00	(1,364,300)	0	1,364,300	0
DP 55402 - 4% Personal Svs GF Bud Reduction										
02	0.00	(489,127)	453,127	(64,251)	(100,251)	0.00	(489,127)	453,127	(64,251)	(100,251)
DP 95021 - 5% Plan -TANF Maintenance of Effort (MOE) Reductio										
02	0.00	(357,846)	0	0	(357,846)	0.00	(357,846)	0	0	(357,846)
Total	**5.00**	**($2,011,337)**	**$557,112**	**$1,234,353**	**($219,872)**	**5.00**	**($2,211,273)**	**$556,350**	**$1,435,051**	**($219,872)**

DP 20101 - Temporary and Modified HMK FTE (RST/OTO) - The legislature approved one-time-only, restricted funding of $207,208 state special revenue and $269,242 federal revenue over the biennium to make five full-time equivalent positions (FTE) permanent to maintain eligibility functions. Funding is a blend of federal sources such as TANF, SNAP and Medicaid, and I-155 state special revenue funds.

It was the intent of the 2011 Legislature: 1) to support the actions of the 2009 legislature that approved temporary FTE to implement the Healthy Montana Kids (HMK) Plan; and 2) to support HCSD public assistance and eligibility programs that have continued increases in applications and eligibility determinations in addition to increasing HMK enrollment activity. The legislature designated the funding as one-time-only to allow for discussion of the need for continued full time staff in the 2013 session.

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: Through August 2010, 14,250 additional children have been enrolled in HMK Plus. An average of 2.5 children per case equates to 5,700 additional cases that OPA staffs are managing. Caseloads, including HMK Plus and other public assistance programs, have risen to over 400 cases per case manager compared to the 226 cases per manager that are considered reasonable caseloads. Current staffs have increased their caseload to capacity. A minimum of five additional FTE are needed to adequately manage the new caseload. These FTE are currently working under modified positions.

Goals and Performance Criteria:
The goal is to timely and accurately processed eligibility applications for HMK Plus children to assist low income families with medical coverage. Performance criteria include federal regulation to process the completed application within 45 days unless the child has a disability and maintain at least a 97% accuracy rate.

The milestone would be to continue monthly reporting for HMK Plus children via the CHIMES Medicaid system.

Obstacles and Risks: Due to the complexity of work, the high caseload per manager, and dual entry into two eligibility systems for other public assistance programs, there could be FTE retention problems without the additional FTE.

HCSD would have to manage for the potential to have extended delays in application and renewal processing that could result in eligible children not being able to receive the medical care they need in a timely manner to avoid any penalty

related to the states accuracy rate. Should the rate fall below 97%, the federal FMAP is reduced by 1% for every percent the state is below the required 97% rate.

DP 20127 - TANF to Child Care to Reduce General Fund (OTO) - The legislature appropriated one-time-only federal TANF authority in the amount of $1,164,364 in FY 2012 and $1,364,300 in FY 2013 to replace general fund that was to be used for child care services in the 2013 biennium.

The legislature then used the reduced the general fund amount of $1,164,364 in FY 2012 and $1,364,300 in FY 2013 for the Disability Services Division.

Because the general fund base budget in child care services was reduced by this appropriation, the legislature recommended statutory changes be included in legislation to implement the general appropriations act to allow the department to include any funds expended in FY 2012 from the appropriation in the item "TANF to Child Care to Reduce General Fund" in the division's present law base budget and fund the amount with general fund for the purposes of 17-7-111, MCA. At the time of this writing, the implementation legislation was being drafted.

DP 55402 - 4% Personal Services GF Bud Reduction - The legislature approved the Governor's request for a 4% general fund reduction that would be equal to the personal services reduction requested for most agencies. The reduction includes: 1) a $72,000 reduction over the biennium in operating costs primarily related to printing, postage and supplies that would be saved due to the implementation of a records access management program (RAMP), a paperless filing system at the Offices of Public Assistance (OPA); and 2) a funding switch that reduces general fund supporting OPA eligibility staff by $906,254 over the biennium and increases state special revenue related to the Healthy Montana Kids Plus program by the same amount.

DP 95021 - 5% Plan -TANF Maintenance of Effort (MOE) Reduction - The legislature approved a general fund reduction to the state general fund match for the TANF block grant. This match is generally referred to as TANF MOE (Maintenance of Effort). It was part of the division's 5% reduction plan.

This action does not jeopardize the federally required MOE match of 75% of the TANF block grant that the state must maintain.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Funding for making 5.00 Temporary and Modified FTE Permanent may be used only for FTE in the human and community services division."

Program Budget Comparison

The following table summarizes the total legislative 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	19,051,074	19,045,678	38,628,360	38,096,752	(531,608)	(1.38%)
Operating Expenses	5,449,646	5,493,543	5,559,509	5,561,216	10,943,189	11,120,725	177,536	1.62%
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	29,772,090	32,219,476	62,474,731	61,991,566	(483,165)	(0.77%)
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**	**$60,865,850**	**$63,309,547**	**$125,514,902**	**$124,175,397**	**($1,339,505)**	**(1.07%)**
General Fund	30,727,782	34,702,045	31,857,539	33,444,233	65,429,827	65,301,772	(128,055)	(0.20%)
State Special	2,495,422	2,507,539	2,463,022	2,463,022	5,002,961	4,926,044	(76,917)	(1.54%)
Federal Special	26,199,891	28,882,223	26,545,289	27,402,292	55,082,114	53,947,581	(1,134,533)	(2.06%)
Total Funds	**$59,423,095**	**$66,091,807**	**$60,865,850**	**$63,309,547**	**$125,514,902**	**$124,175,397**	**($1,339,505)**	**(1.07%)**

Page Reference

Legislative Budget Analysis, B-87

Funding

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.

Subsidized adoption is funded with both general fund and Title IV-E federal funds. The FMAP rate for the general fund share of Title IV-E eligible benefits is 33.78% in 2012 and 34.26% in the 2013. The non-Title IV-E eligible subsidized adoption benefits are paid at 100% general fund.

Foster care 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 same FMAP rate as subsidized adoption. FY 2010 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%.

General fund also helps support family reunification efforts 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. General fund also helps support the five regional offices across the state, and operating costs of central administration.

Federal funds include foster care and adoption subsidy funds, in addition to federal funds obtained through the cost allocation process.

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.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	94.11%	59,423,095	59,423,095	118,846,190	95.71%
Statewide PL Adjustments	380,815	375,272	756,087	1.16%	361,914	357,727	719,641	0.58%
Other PL Adjustments	1,294,006	2,886,243	4,180,249	6.40%	1,620,530	4,067,916	5,688,446	4.58%
New Proposals	(545,064)	(545,064)	(1,090,128)	(1.67%)	(539,689)	(539,191)	(1,078,880)	(0.87%)
Total Budget	**$31,857,539**	**$33,444,233**	**$65,301,772**		**$60,865,850**	**$63,309,547**	**$124,175,397**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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	48,719	0	17,054	65,773	0.00	48,719	0	17,054	65,773
Total Other Present Law Adjustments	**0.00**	**$1,294,006**	**$0**	**$326,524**	**$1,620,530**	**0.00**	**$2,886,243**	**$0**	**$1,181,673**	**$4,067,916**
Grand Total All Present Law Adjustments	**0.00**	**$1,674,821**	**$0**	**$307,623**	**$1,982,444**	**0.00**	**$3,261,515**	**$0**	**$1,164,128**	**$4,425,643**

DP 30001 - Adoption Caseload Increase - The legislature approved funding in support of an anticipated caseload increase for subsidized adoption of 4.5% in FY 2012 and 8% in FY 2013. Individuals eligible for adoption subsidies are children with special needs in the foster care system whose parents' rights have been terminated by the court. There are presently about 300 children identified with a permanency goal of adoption. In FY 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 legislature approved funding for an estimated foster care caseload increase 6.0% in FY 2012 and 8.0% in FY 2013. Individuals eligible for foster care services include any child under age 18 who is removed from his or her parent, guardian, or legal custodian pursuant to federal and state requirements 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 the 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.

DP 30003 - FMAP Rate Decrease - Foster Care - The legislature provided $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 legislature approved 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 legislature approved funding 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.

New Proposals

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 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 Reduction										
03	(10.80)	(322,439)	0	(173,058)	(495,497)	(10.80)	(322,439)	0	(171,705)	(494,144)
DP 95301 - 5% Plan - Eliminate Big Brothers/Big Sisters Funds										
03	0.00	(90,006)	0	0	(90,006)	0.00	(90,006)	0	0	(90,006)
DP 95302 - 5% Plan - Reduce Sub. Adopt Medical Subsidy by 25%										
03	0.00	(15,460)	0	0	(15,460)	0.00	(15,460)	0	0	(15,460)
DP 95303 - 5% Plan - Reduce Operating Expenses by 2%										
03	0.00	(62,344)	0	(28,708)	(91,052)	0.00	(62,344)	0	(28,708)	(91,052)
DP 95304 - 5% Plan - Reduce/Eliminate Foster Care Benefits										
03	0.00	(538,995)	(58,778)	(427,417)	(1,025,190)	0.00	(538,995)	(58,778)	(427,417)	(1,025,190)
DP 95305 - 5% Plan Reduce In-Home Reunification Srvcs by 20%										
03	0.00	(265,983)	0	0	(265,983)	0.00	(265,983)	0	0	(265,983)
DP 96301 - Restore Some Big Brothers and Big Sisters Funds										
03	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 96304 - Restore Some Foster Care Benefits										
03	0.00	260,145	15,962	259,034	535,141	0.00	260,145	15,962	259,034	535,141
DP 96305 - Restore In-Home Reunification Services										
03	0.00	265,983	0	0	265,983	0.00	265,983	0	0	265,983
DP 96306 - Restore Foster Care Clothing Allowance										
03	0.00	94,035	10,416	103,867	208,318	0.00	94,035	10,416	103,867	208,318
Total	**(10.80)**	**($545,064)**	**($32,400)**	**$37,775**	**($539,689)**	**(10.80)**	**($545,064)**	**($32,400)**	**$38,273**	**($539,191)**

DP 30101 - Continue Chafee Independent Living Support - The legislature provided funds to allow the division to either continue modified FTE that were not included in the FY 2010 base budget or to switch to contracted services, or a combination of the two in order to provide independent living program services throughout the state. The services have been in the division budget for several years. 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 - The legislature approved the Governor's request for a 4% personal services reduction in general fund and a reduction of 10.8 FTE.

DP 95301 - 5% Plan - Eliminate Big Brothers/Big Sisters Funds - The legislature eliminated funding for the Big Brothers / Big Sisters programs and later restored it at a lower amount in DP 96301. This reduction was part of the agency's submitted 5% reduction plan.

DP 95302 - 5% Plan - Reduce Subsidized Adoption Medical Subsidy by 25% - The legislature reduced the base budget for Child and Family Services through a 25% reduction in the subsidized adoption medical subsidy that primarily supports orthodontia services that are not covered by Medicaid. This reduction was part of the agency's submitted 5% reduction plan.

DP 95303 - 5% Plan - Reduce Operating Expenses by 2% - The legislature reduced the division's base funding at a 2% decrease in operating expenses primarily for travel and communications expenditures. This reduction was part of the agency's submitted 5% reduction plan.

DP 95304 - 5% Plan - Reduce/Eliminate Foster Care Benefits - The legislature reduced funding in foster care benefits and services 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.) This reduction was part of the agency's submitted 5% reduction plan.

Some costs were later restored in NP 96306 and NP 96304.

DP 95305 - 5% Plan Reduce In-Home Reunification Services by 20% - The legislature reduced general fund for in-home and reunification services. This funding was restored in NP 96305. This reduction was part of the agency's submitted 5% reduction plan.

DP 96301 - Restore Some Big Brothers and Big Sisters Funds - The legislature provided $50,000 general fund each year of the biennium to support the Big Brothers and Big Sisters activities related to preventing neglect, abuse or exploitation of the youth and assisting foster care family and child reunification activities.

DP 96304 - Restore Some Foster Care Benefits - The legislature approved funding to restore urine analysis costs, diaper allowances, transportation, respite, in-home services, and case management that were removed via DP 95304. The total amount replaced each year of the biennium is $260,145 general fund; $15,962 state special revenue; $259,034 federal revenue.

DP 96305 - Restore In-Home Reunification Services - The legislature provided funding to fully restore in-home reunification services.

DP 96306 - Restore Foster Care Clothing Allowance - The legislature approved funding to fully restore the foster care clothing allowance.

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	167.25	167.25	164.75	164.75	167.25	164.75	(2.50)	(1.49%)
Personal Services	8,879,925	9,327,518	9,027,969	9,026,049	18,207,443	18,054,018	(153,425)	(0.84%)
Operating Expenses	1,828,678	2,028,886	1,839,093	1,839,211	3,857,564	3,678,304	(179,260)	(4.65%)
Debt Service	59,014	59,015	59,014	59,014	118,029	118,028	(1)	0.00%
Total Costs	**$10,767,617**	**$11,415,419**	**$10,926,076**	**$10,924,274**	**$22,183,036**	**$21,850,350**	**($332,686)**	**(1.50%)**
General Fund	2,088,583	3,268,064	4,084,415	4,088,391	5,356,647	8,172,806	2,816,159	52.57%
State Special	1,750,682	1,668,642	1,794,520	1,789,929	3,419,324	3,584,449	165,125	4.83%
Federal Special	6,928,352	6,478,713	5,047,141	5,045,954	13,407,065	10,093,095	(3,313,970)	(24.72%)
Total Funds	**$10,767,617**	**$11,415,419**	**$10,926,076**	**$10,924,274**	**$22,183,036**	**$21,850,350**	**($332,686)**	**(1.50%)**

Page Reference

Legislative Budget Analysis, B-100

Funding

All sources of revenue are spent on child support collection and distribution activities, which include obtaining financial and medical health insurance support for children by locating absent parents; identifying assets; establishing paternity; and managing the related benefit, searching, and reporting systems.

Child support activities are funded with a combination of general fund, state special revenue, and federal funds. The federal Title IV-D eligible expenditures are funded 66% with federal Title IV-D funds and the remaining expenditures are funded at 34% by a combination of general fund and state special revenues.

State special revenue consists of the retention of collections made on behalf of present and/or past TANF participants, federal incentives, genetic testing application fees, and some federally required collection fees paid by the absent parent account.

Federal incentive funds are received for meeting or exceeding the federal incentive performance measures and related benchmarks. The federal benchmarks are tied to percentages that the state achieves for functions, including implementing child support collections, assisting with changes to the support agreement, or collecting for cases whose support is in arrears; establishing paternity; and ensuring medical support or insurance coverage is provided for children.

A portion of the funds recovered on behalf of TANF cash assistance recipients is retained by the state at the state share of the federal FMAP rate (about 34% in FY 2012). There is no retained revenue from non-TANF collections, which is simply collected and sent on to the custodial parent.

In FY 2010, Child Support Enforcement Division (CSED) collected over $65.0 million on behalf of both TANF and non TANF children and their custodial parents. TANF collections averaged about $445,000 per month. The CSED share of the TANF collections for FY 2010 was about $1.4 million. Non-TANF collections averaged nearly $5.0 million per month.

Federal revenue reflects the 66% federal match for eligible CSED expenditures.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	2,088,583	2,088,583	4,177,166	51.11%	10,767,617	10,767,617	21,535,234	98.56%
Statewide PL Adjustments	2,044,896	2,048,872	4,093,768	50.09%	302,765	300,963	603,728	2.76%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(49,064)	(49,064)	(98,128)	(1.20%)	(144,306)	(144,306)	(288,612)	(1.32%)
Total Budget	**$4,084,415**	**$4,088,391**	**$8,172,806**		**$10,926,076**	**$10,924,274**	**$21,850,350**	

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					674,525					672,520
Vacancy Savings					(382,175)					(382,090)
Inflation/Deflation					10,491					10,609
Fixed Costs					(76)					(76)
Total Statewide Present Law Adjustments		**$2,044,896**	**$43,838**	**($1,785,969)**	**$302,765**		**$2,048,872**	**$39,247**	**($1,787,156)**	**$300,963**
Grand Total All Present Law Adjustments	**0.00**	**$2,044,896**	**$43,838**	**($1,785,969)**	**$302,765**	**0.00**	**$2,048,872**	**$39,247**	**($1,787,156)**	**$300,963**

New Proposals

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 55405 - 4% Personal Svs GF Bud Reduction										
05	(2.50)	(49,064)	0	(95,242)	(144,306)	(2.50)	(49,064)	0	(95,242)	(144,306)
Total	**(2.50)**	**($49,064)**	**$0**	**($95,242)**	**($144,306)**	**(2.50)**	**($49,064)**	**$0**	**($95,242)**	**($144,306)**

DP 55405 - 4% Personal Services General Fund Budget Reduction - The legislature approved the Governor's request to reduce personal services by 4%. The action reduced general fund by $98,128 over the biennium and represents a reduction of 2.50 FTE. The general fund is matched at the Title IV-D rate of 66%.

Program Budget Comparison

The following table summarizes the total legislative 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	905,044	905,650	1,853,974	1,810,694	(43,280)	(2.33%)
Debt Service	0	802	0	0	802	0	(802)	(100.00%)
Total Costs	**$4,752,661**	**$3,749,279**	**$3,940,420**	**$3,938,758**	**$8,501,940**	**$7,879,178**	**($622,762)**	**(7.32%)**
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	378,654	378,769	748,134	757,423	9,289	1.24%
Federal Special	2,320,308	1,836,471	1,922,777	1,922,181	4,156,779	3,844,958	(311,821)	(7.50%)
Total Funds	**$4,752,661**	**$3,749,279**	**$3,940,420**	**$3,938,758**	**$8,501,940**	**$7,879,178**	**($622,762)**	**(7.32%)**

Page Reference

Legislative Budget Analysis, B-106

Funding

With the exception of the Prevention Resource Center (PRC), the functions within the Director's Office are cost allocated through indirect cost recoveries to the other divisions 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 reviewed by six federal agencies and approved by Montana's federal oversight agency. General fund and federal revenues decrease between the 2013 and 2011 biennia. This is due to elimination of termination costs from the 2013 proposed biennium budget.

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.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	120.64%
Statewide PL Adjustments	(282,310)	(283,491)	(565,801)	(17.27%)	(624,173)	(626,117)	(1,250,290)	(15.87%)
Other PL Adjustments	(27,509)	(27,509)	(55,018)	(1.68%)	(66,796)	(66,817)	(133,613)	(1.70%)
New Proposals	(43,646)	(43,646)	(87,292)	(2.66%)	(121,272)	(120,969)	(242,241)	(3.07%)
Total Budget	**$1,638,989**	**$1,637,808**	**$3,276,797**		**$3,940,420**	**$3,938,758**	**$7,879,178**	

Reductions included in the statewide present law adjustments reflect the elimination of termination costs for DPHHS.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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)	(6,464)	(32,823)	(66,796)	0.00	(27,509)	(6,471)	(32,837)	(66,817)
Total Other Present Law Adjustments	**0.00**	**($27,509)**	**($6,464)**	**($32,823)**	**($66,796)**	**0.00**	**($27,509)**	**($6,471)**	**($32,837)**	**($66,817)**
Grand Total All Present Law Adjustments	**0.00**	**($309,819)**	**($61,245)**	**($319,905)**	**($690,969)**	**0.00**	**($311,000)**	**($61,130)**	**($320,804)**	**($692,934)**

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 reduction was effective in FY 2011 and therefore not reflected in the base. The legislature continued 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

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 legislature included 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.

Branch Budget Comparison

The following table summarizes the total legislative 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	24,680,810	25,159,925	48,755,636	49,840,735	1,085,099	2.23%
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%)
Total Costs	**$40,462,551**	**$39,343,741**	**$40,626,999**	**$41,099,146**	**$79,806,292**	**$81,726,145**	**$1,919,853**	**2.41%**
General Fund	15,604,180	14,472,372	14,996,605	15,142,723	30,076,552	30,139,328	62,776	0.21%
State Special	1,966,753	2,068,890	2,434,865	2,502,668	4,035,643	4,937,533	901,890	22.35%
Federal Special	22,891,618	22,802,479	23,195,529	23,453,755	45,694,097	46,649,284	955,187	2.09%
Total Funds	**$40,462,551**	**$39,343,741**	**$40,626,999**	**$41,099,146**	**$79,806,292**	**$81,726,145**	**$1,919,853**	**2.41%**

Page Reference

Legislative Budget Analysis, B-113

Executive Budget Comparison

The following table compares the legislative budget in the 2013 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg – Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg – Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	250.84	254.34	254.34	0.00	254.34	254.34	0.00	
Personal Services	14,454,328	15,132,177	15,132,177	0	15,125,209	15,125,209	0	0
Operating Expenses	25,194,211	25,873,091	24,680,810	(1,192,281)	26,286,343	25,159,925	(1,126,418)	(2,318,699)
Equipment & Intangible Assets	110,563	110,563	110,563	0	110,563	110,563	0	0
Grants	554,578	554,578	554,578	0	554,578	554,578	0	0
Debt Service	148,871	148,871	148,871	0	148,871	148,871	0	0
Total Costs	**$40,462,551**	**$41,819,280**	**$40,626,999**	**($1,192,281)**	**$42,225,564**	**$41,099,146**	**($1,126,418)**	**($2,318,699)**
General Fund	15,604,180	15,386,374	14,996,605	(389,769)	15,535,585	15,142,723	(392,862)	(782,631)
State/Other Special	1,966,753	2,480,179	2,434,865	(45,314)	2,551,483	2,502,668	(48,815)	(94,129)
Federal Special	22,891,618	23,952,727	23,195,529	(757,198)	24,138,496	23,453,755	(684,741)	(1,441,939)
Total Funds	**$40,462,551**	**$41,819,280**	**$40,626,999**	**($1,192,281)**	**$42,225,564**	**$41,099,146**	**($1,126,418)**	**($2,318,699)**

Operations Services Branch

The Operations Services Branch (Branch) provides 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

Operations Branch
Major Budget Highlights

- The legislature approved total funding increases of 2.4% when the 2011 and 2013 biennia are compared
- The largest increase to the Branch budget over the biennium is over $2.7 million total funds ($508,338 general fund) for major information technology system maintenance and enhancements including the TANF and SNAP systems
- State special revenue for the Branch increases by 22% over the 2011 biennium primarily due to increased support for the Medical Marijuana Registry Program as well as a funding shift supporting personal services for the same program

Branch Discussion

Interim Monitoring

2013 Biennium Goal

The major discussion of critical goals and performance measurement(s) is at the agency level. The legislature recommends monitoring the impact of the implementation of the components of federal health insurance reform on the Technology Services Division of the Branch.

Funding

The following table shows program funding, by source. 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	$ 7,134,596	$ 1,329,018	$ 9,488,540	$ 17,952,154	21.97%
08 Quality Assurance Division	4,742,305	1,403,150	11,655,817	17,801,272	21.78%
09 Technology Services Division	17,328,137	2,134,639	24,157,971	43,620,747	53.37%
16 Management And Fair Hearings	934,290	70,726	1,346,956	2,351,972	2.88%
Grand Total	$ 30,139,328	$ 4,937,533	$ 46,649,284	$ 81,726,145	100.00%

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 table above, the legislature appropriated about $30.1 million general fund over the biennium to the Operations Branch. The divisions received:

- Technology Services Division - Over $17.3 million, primarily to support system development, project management, system maintenance and enhancement as well as contracted system work for Information Technology systems serving the entire agency
- Business and Financial Services Division - Over $7.1 million to support its role as the centralized business center for the agency for 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 the agency-wide fixed costs and audit
- Quality Assurance Division - $4.7 million for use in its oversight, licensing, certification, and compliance functions as well 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
- Management and Fair Hearings - $934,000 to support the staff and functions of the Office of Fair Hearings and the agency-wide Office of Budget and Finance

The $4.9 million of state special revenue appropriated across the biennium 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.

$46.6 million of appropriated federal funds pass through the cost allocation process and serve as the driver for the amount of general fund used by the branch.

Expenditures by Division

Personal Services

The legislative budget for the branch supports personal services costs at about $30.0 million total funds across the biennium for:

- $13.4 million for 117.24 FTE in the QAD
- $7.9 million for 56.10 FTE in TSD
- $6.9 million for 66.50 FTE in BFSD
- $2.1 million for 14.00 FTE MFH

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.

Operations

The legislature provided $49.8 million in total funds over the biennium for operating costs to support:

- $35.3 million total funds for TSD to support the contracted computer system development and maintenance contracts and IT services charged by the Department of Administration (DOA) for server hosting, enterprise services, asset broker, and network services mentioned earlier. The costs reflect the fact that TSD provides technology support and manages contracted services for technology projects that serve the entire agency
- $11.0 million total funds for BFSD in operating expenses, reflective of its function as the centralized business center for the agency
- About $3.5 million total funds for QAD and MFH to support general operations

Contingent Language Appropriation

The legislature also approved a contingent language appropriation that allows the Quality Assurance Division to procure a contractor to identify and recover Medicaid funds as required by the federal Affordable Care Act's strategy to address waste, fraud and abuse in the health care system. The contractor would be paid on a contingent fee basis at a maximum rate of 12.5% of gross recoveries from collected Medicaid provider overpayments. The Center for Medicare and

Medicaid Services (CMS) must be reimbursed the FMAP share of net recoveries after the contingent fee to the contractor has been paid.

Language Appropriation: "The quality assurance division is appropriated one-time-only funding for the 2013 biennium in an amount not to exceed $103,061 of the state special revenue fund share and $204,308 of the federal special revenue share from the recovery audit contract program to pay a recovery audit contractor. Payments to the contractor are contingent upon the amount of funds recovered and may not exceed 12.5 percent of the amount recovered."

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	103.55%	40,462,551	40,462,551	80,925,102	99.02%
Statewide PL Adjustments	(130,285)	(226,845)	(357,130)	(1.18%)	(31,605)	(228,252)	(259,857)	(0.32%)
Other PL Adjustments	(37,149)	275,317	238,168	0.79%	1,001,589	1,647,277	2,648,866	3.24%
New Proposals	(440,141)	(509,929)	(950,070)	(3.15%)	(805,536)	(782,430)	(1,587,966)	(1.94%)
Total Budget	**$14,996,605**	**$15,142,723**	**$30,139,328**		**$40,626,999**	**$41,099,146**	**$81,726,145**	

Program Budget Comparison

The following table summarizes the total legislative 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	66.50	66.50	66.50	66.50	66.50	66.50	0.00	0.00%
Personal Services	3,097,980	3,436,408	3,466,216	3,463,919	6,534,388	6,930,135	395,747	6.06%
Operating Expenses	5,316,086	5,310,510	5,635,816	5,355,549	10,626,596	10,991,365	364,769	3.43%
Equipment & Intangible Assets	9,653	0	9,653	9,653	9,653	19,306	9,653	100.00%
Debt Service	5,674	25,235	5,674	5,674	30,909	11,348	(19,561)	(63.29%)
Total Costs	**$8,429,393**	**$8,772,153**	**$9,117,359**	**$8,834,795**	**$17,201,546**	**$17,952,154**	**$750,608**	**4.36%**
General Fund	3,330,441	3,359,068	3,634,738	3,499,858	6,689,509	7,134,596	445,087	6.65%
State Special	634,216	702,239	666,128	662,890	1,336,455	1,329,018	(7,437)	(0.56%)
Federal Special	4,464,736	4,710,846	4,816,493	4,672,047	9,175,582	9,488,540	312,958	3.41%
Total Funds	**$8,429,393**	**$8,772,153**	**$9,117,359**	**$8,834,795**	**$17,201,546**	**$17,952,154**	**$750,608**	**4.36%**

Page Reference

Legislative Budget Analysis, B-120

Funding

The program 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 benefitting or serving other programs in the department. Federal funding is over half of the budget, with general fund the bulk of the remainder.

General fund supports programs throughout BFSD via cost allocation, and is the primary support for the Facility Reimbursements Unit at $1.4 million over the biennium. Facility reimbursement staff collects private funds, insurance, Medicaid, and Medicare funds that reimburse the general fund. Collections in FY 2010 were over $29.4 million – an increase from $20.0 million in FY 2006 and $26.7 million in FY 2008.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	3,330,441	3,330,441	6,660,882	93.36%	8,429,393	8,429,393	16,858,786	93.91%
Statewide PL Adjustments	335,104	200,224	535,328	7.50%	764,406	482,251	1,246,657	6.94%
Other PL Adjustments	2,300	2,300	4,600	0.06%	6,951	6,542	13,493	0.08%
New Proposals	(33,107)	(33,107)	(66,214)	(0.93%)	(83,391)	(83,391)	(166,782)	(0.93%)
Total Budget	**$3,634,738**	**$3,499,858**	**$7,134,596**		**$9,117,359**	**$8,834,795**	**$17,952,154**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					512,665					510,269
Vacancy Savings					(144,429)					(144,330)
Inflation/Deflation					499					1,143
Fixed Costs					395,671					115,169
Total Statewide Present Law Adjustments		**$335,104**	**$32,034**	**$397,268**	**$764,406**		**$200,224**	**$28,951**	**$253,076**	**$482,251**
DP 6003 - Internal Controls Contract Annualization	0.00	27,331	10,606	32,063	70,000	0.00	27,331	10,606	32,063	70,000
DP 55140 - 17-7-140 Reduction - Operations Reduction	0.00	(25,031)	(4,619)	(33,399)	(63,049)	0.00	(25,031)	(4,774)	(33,653)	(63,458)
Total Other Present Law Adjustments	**0.00**	**$2,300**	**$5,987**	**($1,336)**	**$6,951**	**0.00**	**$2,300**	**$5,832**	**($1,590)**	**$6,542**
Grand Total All Present Law Adjustments	**0.00**	**$337,404**	**$38,021**	**$395,932**	**$771,357**	**0.00**	**$202,524**	**$34,783**	**$251,486**	**$488,793**

DP 6003 - Internal Controls Contract Annualization - The legislature provided funds for contracted services in the Business and Financial Services Division to support additional assistance in enhancing the department's internal control structure.

DP 55140 - 17-7-140 Reduction - Operations Reduction - The legislature approved the Governor's request to continue the reduction of funding for operations costs that was implemented in FY 2011. The reduction occurs in travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

New Proposals

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 95162 - 5% Plan - Operations Reduction										
06	0.00	(33,107)	(6,109)	(44,175)	(83,391)	0.00	(33,107)	(6,109)	(44,175)	(83,391)
Total	**0.00**	**($33,107)**	**($6,109)**	**($44,175)**	**($83,391)**	**0.00**	**($33,107)**	**($6,109)**	**($44,175)**	**($83,391)**

DP 95162 - 5% Plan - Operations Reduction - The legislature approved a reduction for general supplies, printing and copy costs, travel, training and education, and temporary services. This reduction was part of the agency's submitted 5% reduction plan.

Program Budget Comparison

The following table summarizes the total legislative 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	114.24	114.24	117.74	117.74	114.24	117.74	3.50	3.06%
Personal Services	6,224,216	6,416,360	6,679,453	6,677,357	12,640,576	13,356,810	716,234	5.67%
Operating Expenses	1,637,079	1,811,847	1,693,993	1,641,313	3,448,926	3,335,306	(113,620)	(3.29%)
Equipment & Intangible Assets	0	7,500	0	0	7,500	0	(7,500)	(100.00%)
Grants	554,578	550,380	554,578	554,578	1,104,958	1,109,156	4,198	0.38%
Total Costs	**$8,415,873**	**$8,786,087**	**$8,928,024**	**$8,873,248**	**$17,201,960**	**$17,801,272**	**$599,312**	**3.48%**
General Fund	2,318,099	2,571,000	2,406,706	2,335,599	4,889,099	4,742,305	(146,794)	(3.00%)
State Special	424,193	251,015	667,893	735,257	675,208	1,403,150	727,942	107.81%
Federal Special	5,673,581	5,964,072	5,853,425	5,802,392	11,637,653	11,655,817	18,164	0.16%
Total Funds	**$8,415,873**	**$8,786,087**	**$8,928,024**	**$8,873,248**	**$17,201,960**	**$17,801,272**	**$599,312**	**3.48%**

Page Reference

Legislative Budget Analysis, B-125

Funding

The Quality Assurance Division is funded primarily with federal funds at 65.5%. General fund supports 26.6% of program costs with the remaining 7.9% of budgeted expenditures supported by state special revenues.

The only funding category with a significant increase over the base year funding is state special revenue for medical marijuana registry fees, which is projected to increase by over $400,000 each year due to statewide present law adjustments and three decision packages discussed in the present law and new proposal sections of this write up.

General fund supports some administrative functions, the 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 the full cost of radiological equipment testing, certificate of need determinations, and state licensure for assisted living or other facilities that receive no federal support as required in MCA, Title 55, Part 5.

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, medical marijuana registry fees, and indirect cost recovery funds. Alcohol taxes fund staff and operational costs for chemical dependency program licensure. Lien and estate funds pay for services to pursue recoveries for the costs of Medicaid, mainly for nursing home services. Medical marijuana registry fees cover the cost of administering the registry. Recovery Audit Contract funds support the audit process addressing fraud, waste or abuse in Medicaid.

There are 11 separate federal funding sources in the Quality Assurance Division budget. Some of the federal sources support more than one function. For instance, Medicaid funds support: 1) third party recovery; 2) the surveillance, utilization, and review unit (SURS); 3) the nurse aide registry for nursing homes; and 4) the Department of Justice fraud surveillance contract. Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities to provide foster care. Mammography funds pay for contracted inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	2,318,099	2,318,099	4,636,198	97.76%	8,415,873	8,415,873	16,831,746	94.55%
Statewide PL Adjustments	154,038	152,719	306,757	6.47%	263,252	262,174	525,426	2.95%
Other PL Adjustments	(49,771)	(49,771)	(99,542)	(2.10%)	(26,072)	(26,072)	(52,144)	(0.29%)
New Proposals	(15,660)	(85,448)	(101,108)	(2.13%)	274,971	221,273	496,244	2.79%
Total Budget	**$2,406,706**	**$2,335,599**	**$4,742,305**		**$8,928,024**	**$8,873,248**	**$17,801,272**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					550,524					548,960
Vacancy Savings					(270,990)					(270,924)
Inflation/Deflation					(17,539)					(17,137)
Fixed Costs					1,257					1,275
Total Statewide Present Law Adjustments		**$154,038**	**$30,535**	**$78,679**	**$263,252**		**$152,719**	**$30,402**	**$79,053**	**$262,174**
DP 55140 - 17-7-140 Operational Reductions	0.00	(49,771)	0	(5,921)	(55,692)	0.00	(49,771)	0	(5,921)	(55,692)
DP 80005 - Medical Marijuana Program Annualization (Restrict)	0.00	0	29,620	0	29,620	0.00	0	29,620	0	29,620
Total Other Present Law Adjustments	**0.00**	**($49,771)**	**$29,620**	**($5,921)**	**($26,072)**	**0.00**	**($49,771)**	**$29,620**	**($5,921)**	**($26,072)**
Grand Total All Present Law Adjustments	**0.00**	**$104,267**	**$60,155**	**$72,758**	**$237,180**	**0.00**	**$102,948**	**$60,022**	**$73,132**	**$236,102**

DP 55140 - 17-7-140 Operational Reductions - The legislature approved the Governor's request for a $99,542 general fund reduction over the biennium to continue the operations reduction implemented by the Governor in 2011 biennium general fund budgets in accordance with 17-7-140, MCA. Reductions are made in the areas of travel, reallocation of office space, and reassignment of leased vehicles.

DP 80005 - Medical Marijuana Program Annualization (Restricted) - The legislature approved restricted state special revenue authority over the biennium for the Medical Marijuana program to support expenses related to projected increases in participation and in the production and issuance of registry identification cards. The legislature restricted use of the funds to the Medical Marijuana program and the state special revenue from medical marijuana registry fees as impacted by any potential Medical Marijuana bills implemented during the 2011 session.

New Proposals

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 55408 - 4% Personal Srvcs GF Reduction										
08	0.00	(85,448)	103,044	(12,701)	4,895	0.00	(85,448)	102,662	(12,558)	4,656
DP 80001 - Nurse Aide Registry Database										
08	0.00	0	0	50,000	50,000	0.00	0	0	0	0
DP 80002 - Medical Marijuana Program Staffing (Restricted)										
08	3.50	0	80,501	0	80,501	3.50	0	80,142	0	80,142
DP 80010 - Recovery Audit Contract										
08	0.00	69,788	0	69,787	139,575	0.00	0	68,238	68,237	136,475
Total	**3.50**	**($15,660)**	**$183,545**	**$107,086**	**$274,971**	**3.50**	**($85,448)**	**$251,042**	**$55,679**	**$221,273**

DP 55408 - 4% Personal Services GF Reduction - The legislature approved the Governor's request to reduce personal services funded with general fund and some state and federal funds by 4% and replace the funding with state special revenue. The funding adjustment reassigns three positions from a QAD unit that are paid through a combination of general fund, state special revenue and federal funds to units that are paid 100% with state special revenue or federal funds.

DP 80001 - Nurse Aide Registry Database - The legislature approved federal funding in FY 2012 for an electronic database to track the federal requirement for a Nurse's Aide Registry. The database is funded entirely with federal Title 18 (Medicare) funds.

DP 80002 - Medical Marijuana Program Staffing (Restricted) - The legislature approved restricted state special revenue over the biennium to address costs necessary to cover 3.50 permanent FTE in the 2013 biennium to address the increase in Medical Marijuana applications. The legislature restricted the funding for use only by the Medical Marijuana program as impacted by any potential Medical Marijuana bills implemented during the 2011 session.

DP 80010 - Recovery Audit Contract - The legislature addressed the recovery audit contract in two parts. It approved $276,050 total funds over the biennium, including $69,788 in general fund, to administer the Recovery Audit Contract program required as part of the Affordable Care Act's larger strategy to address waste, fraud, and abuse in the health care system. The approved funding includes $135,200 in operational services for the establishment and management of the program, including 1.00 modified FTE to manage the program.

The legislature also approved a language appropriation that allows the division to procure a contractor as required by law to identify and recover Medicaid funds. The contractor is paid on a contingent fee basis at a maximum rate of 12.5% of gross recoveries from collected Medicaid provider overpayments. The Center for Medicare and Medicaid Services (CMS) must be reimbursed the FMAP share of net recoveries after the contingent fee to the contractor has been paid.

The language appropriation is discussed in the following language section.

Language and Statutory Authority

The legislature included the following language in HB 2.
"Funding in Medical Marijuana Program Annualization may only be used by the medical marijuana program.

Funding in Medical Marijuana Program Staffing may only be used by the medical marijuana program."

Language Appropriation: "The quality assurance division is appropriated one-time-only funding for the 2013 biennium in an amount not to exceed $103,061 of the state special revenue fund share and $204,308 of the federal special revenue share from the recovery audit contract program to pay a recovery audit contractor. Payments to the contractor are contingent upon the amount of funds recovered and may not exceed 12.5 percent of the amount recovered."

Program Budget Comparison

The following table summarizes the total legislative 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	56.10	56.10	56.10	56.10	56.10	56.10	0.00	0.00%
Personal Services	4,196,624	3,810,134	3,937,809	3,936,203	8,006,758	7,874,012	(132,746)	(1.66%)
Operating Expenses	18,102,989	16,336,072	17,223,286	18,035,235	34,439,061	35,258,521	819,460	2.38%
Equipment & Intangible Assets	100,910	345,287	100,910	100,910	446,197	201,820	(244,377)	(54.77%)
Grants	0	0	0	0	0	0	0	n/a
Debt Service	143,197	244,617	143,197	143,197	387,814	286,394	(101,420)	(26.15%)
Total Costs	**$22,543,720**	**$20,736,110**	**$21,405,202**	**$22,215,545**	**$43,279,830**	**$43,620,747**	**$340,917**	**0.79%**
General Fund	9,529,407	8,129,976	8,487,823	8,840,314	17,659,383	17,328,137	(331,246)	(1.88%)
State Special	877,354	1,091,868	1,065,451	1,069,188	1,969,222	2,134,639	165,417	8.40%
Federal Special	12,136,959	11,514,266	11,851,928	12,306,043	23,651,225	24,157,971	506,746	2.14%
Total Funds	**$22,543,720**	**$20,736,110**	**$21,405,202**	**$22,215,545**	**$43,279,830**	**$43,620,747**	**$340,917**	**0.79%**

Page Reference

Legislative Budget Analysis, B-132

Funding

The division is funded with general fund, state special revenue, and federal funds derived through a cost allocation formula that is applied to funding sources throughout DPHHS that relate to work done by TSD, often referred to as indirect activities. The formula also takes any federally required match percentages into account as well as any percentages assigned by the legislature. Federal funds account for over half of the total biennium budget, with general fund the bulk of the remainder.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	9,529,407	9,529,407	19,058,814	109.99%	22,543,720	22,543,720	45,087,440	103.36%
Statewide PL Adjustments	(665,018)	(624,993)	(1,290,011)	(7.44%)	(1,171,483)	(1,084,043)	(2,255,526)	(5.17%)
Other PL Adjustments	11,588	324,054	335,642	1.94%	1,021,976	1,668,073	2,690,049	6.17%
New Proposals	(388,154)	(388,154)	(776,308)	(4.48%)	(989,011)	(912,205)	(1,901,216)	(4.36%)
Total Budget	**$8,487,823**	**$8,840,314**	**$17,328,137**		**$21,405,202**	**$22,215,545**	**$43,620,747**	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the legislature. “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					(94,740)					(96,410)
Vacancy Savings					(164,075)					(164,011)
Inflation/Deflation					6,806					6,847
Fixed Costs					(919,474)					(830,469)
Total Statewide Present Law Adjustments		**($665,018)**	**$53,876**	**($560,341)**	**($1,171,483)**		**($624,993)**	**$60,381**	**($519,431)**	**($1,084,043)**
DP 55141 - 17-7-140 Reduction - Operations Reduction	0.00	(17,518)	(2,179)	(24,800)	(44,497)	0.00	(17,518)	(2,107)	(24,563)	(44,188)
DP 55142 - 17-7-140 Reductions - Systems Reductions M&E	0.00	(40,368)	0	(26,389)	(66,757)	0.00	(40,368)	0	(26,389)	(66,757)
DP 55143 - 17-7-140 Reductions - Systems Reductions IVR Ports	0.00	(28,462)	(986)	(36,297)	(65,745)	0.00	(28,462)	(986)	(36,297)	(65,745)
DP 90004 - Systems M&E Contract Increases	0.00	97,936	167,676	933,363	1,198,975	0.00	99,686	167,676	935,113	1,202,475
DP 90007 - TANF/SNAP Systems M&E	0.00	0	0	0	0	0.00	310,716	0	331,572	642,288
Total Other Present Law Adjustments	**0.00**	**$11,588**	**$164,511**	**$845,877**	**$1,021,976**	**0.00**	**$324,054**	**$164,583**	**$1,179,436**	**$1,668,073**
Grand Total All Present Law Adjustments	**0.00**	**($653,430)**	**$218,387**	**$285,536**	**($149,507)**	**0.00**	**($300,939)**	**$224,964**	**$660,005**	**$584,030**

DP 55141 - 17-7-140 Reduction - Operations Reduction - The legislature approved the Governor's request to continue the operational efficiencies reduction implemented by the Governor in the 2011 biennium in accordance with 17-7-140, MCA. Operations reductions are in travel, conferences, supplies, newspaper ads, cell phone use, postage, and contracting.

DP 55142 - 17-7-140 Reductions - Systems Reductions M&E - The legislature approved the Governor's request to continue the maintenance and enhancement (M&E) reduction implemented by the Governor in the 2011 biennium in accordance with 17-7-140, MCA. The reduction is in M&E contracts for FY 2012 and FY 2013. The initial reduction was made by reducing services in the level of effort in the contracts affecting agency data systems such as the Child and Adult Protective Services system, the Systems for the Enforcement and Recovery of Child Support, and Montana Access.

DP 55143 - 17-7-140 Reductions - Systems Reductions IVR Ports - The legislature approved the Governor's request to continue the FY 2011 reduction implemented by the Governor in accordance with 17-7-140, MCA. The reduction is in costs the number of IT ports (phone lines) available on the Montana Access Interactive Voice Response (IVR) 1-800 system to aid clients in balance and benefit inquiry needs related to the Montana Access debit card.

DP 90004 - Systems M&E Contract Increases - The legislature added funds to support contractual cost increases for M&E of large data systems including Child and Adult Protective Services and the System for the Enforcement and Recovery of Child Support contracts.

The division currently holds three contracts for legacy systems M&E. All three of these contracts either have reached or will reach their expiration dates by the end of FY 2011. Maintenance and enhancements for the systems covered by these contracts is requested to enact federal regulatory and programmatic changes and enhancements and to provide general maintenance to correct system errors or make system enhancements that assist with improved processing or makes the system work more efficiently.

It is anticipated that the cost for the provision of level of effort (LOE) to provide programming services to affect M&E changes in the systems covered by these contracts will increase under new contracts.

DP 90007 - TANF/SNAP Systems M&E - The legislature provided general fund and federal funds in FY 2013 only to support contractual costs for M&E of the TANF and SNAP eligibility determination and benefits payment systems.

New Proposals

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 55409 - 4% Personal Svs GF Reduction										
09	0.00	(39,465)	(4,908)	(55,871)	(100,244)	0.00	(39,465)	(4,748)	(55,335)	(99,548)
DP 95191 - 5% Plan IT Systems Reduction										
09	0.00	(63,260)	0	0	(63,260)	0.00	(63,260)	0	0	(63,260)
DP 95192 - 5% Plan IT Contract Reduction										
09	0.00	(145,057)	(25,382)	(514,696)	(685,135)	0.00	(145,057)	(28,382)	(435,586)	(609,025)
DP 95193 - 5% Plan Postage Reduction										
09	0.00	(45,412)	0	0	(45,412)	0.00	(45,412)	0	0	(45,412)
DP 95194 - 5% Plan Reduction in Printing										
09	0.00	(67,050)	0	0	(67,050)	0.00	(67,050)	0	0	(67,050)
DP 95195 - 5% Plan Computer Replacement										
09	0.00	(27,910)	0	0	(27,910)	0.00	(27,910)	0	0	(27,910)
Total	**0.00**	**($388,154)**	**($30,290)**	**($570,567)**	**($989,011)**	**0.00**	**($388,154)**	**($33,130)**	**($490,921)**	**($912,205)**

DP 55409 - 4% Personal Services GF Reduction - The legislature approved the Governor's request to reduce general fund in TSD through a reduction in operations equal to the 4% personal service reduction applied to most agencies. There would be no impact on FTE.

DP 95191 - 5% Plan IT Systems Reduction - The legislature approved a reduction in IT system operations in the areas of processes, reports, and software licenses. This reduction was part of the agency's submitted 5% reduction plan.

DP 95192 - 5% Plan IT Contract Reduction - The legislature approved a reduction in the level of effort provided through facilities management contracts for some legacy systems. It is a total savings reduction of $1.3 million, including a reduction of $50,764 state special revenue and $1.0 million in federal funds over the biennium. This reduction was part of the agency's submitted 5% reduction plan.

DP 95193 - 5% Plan Postage Reduction - The legislature approved a reduction in operations over the biennium that would be achieved in eligibility notice postage by sending notices via e-mail. This reduction was part of the agency's submitted 5% reduction plan.

DP 95194 - 5% Plan Reduction in Printing - The legislature approved general fund reduction in printing costs over the biennium that would be achieved by providing notices and publications via e-mail or via electronic format. This reduction was part of the agency's submitted 5% reduction plan.

DP 95195 - 5% Plan Computer Replacement -The legislature approved a reduction that would be achieved by going to a five year replacement cycle for computers. This reduction was part of the agency's submitted 5% reduction plan.

Program Budget Comparison

The following table summarizes the total legislative 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	127,715	127,828	241,053	255,543	14,490	6.01%
Debt Service	0	2,855	0	0	2,855	0	(2,855)	(100.00%)
Total Costs	**$1,073,565**	**$1,049,391**	**$1,176,414**	**$1,175,558**	**$2,122,956**	**$2,351,972**	**$229,016**	**10.79%**
General Fund	426,233	412,328	467,338	466,952	838,561	934,290	95,729	11.42%
State Special	30,990	23,768	35,393	35,333	54,758	70,726	15,968	29.16%
Federal Special	616,342	613,295	673,683	673,273	1,229,637	1,346,956	117,319	9.54%
Total Funds	**$1,073,565**	**$1,049,391**	**$1,176,414**	**$1,175,558**	**$2,122,956**	**$2,351,972**	**$229,016**	**10.79%**

Page Reference

Legislative Budget Analysis, B-142

Funding

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. Federal funding comprises over half of the budget, with general fund comprising the bulk of the remainder.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	91.24%	1,073,565	1,073,565	2,147,130	91.29%
Statewide PL Adjustments	45,591	45,205	90,796	9.72%	112,220	111,366	223,586	9.51%
Other PL Adjustments	(1,266)	(1,266)	(2,532)	(0.27%)	(1,266)	(1,266)	(2,532)	(0.11%)
New Proposals	(3,220)	(3,220)	(6,440)	(0.69%)	(8,105)	(8,107)	(16,212)	(0.69%)
Total Budget	**$467,338**	**$466,952**	**$934,290**		**$1,176,414**	**$1,175,558**	**$2,351,972**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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)
Total Statewide Present Law Adjustments		**$45,591**	**$4,647**	**$61,982**	**$112,220**		**$45,205**	**$4,587**	**$61,574**	**$111,366**
DP 55140 - 17-7-140 Operations Reduction	0.00	(1,266)	0	0	(1,266)	0.00	(1,266)	0	0	(1,266)
Total Other Present Law Adjustments	**0.00**	**($1,266)**	**$0**	**$0**	**($1,266)**	**0.00**	**($1,266)**	**$0**	**$0**	**($1,266)**
Grand Total All Present Law Adjustments	**0.00**	**$44,325**	**$4,647**	**$61,982**	**$110,954**	**0.00**	**$43,939**	**$4,587**	**$61,574**	**$110,100**

DP 55140 - 17-7-140 Operations Reduction - The legislature approved the Governor's request for a general fund base budget reduction to continue the operations reduction implemented in FY 2011 in travel, conferences, supplies, newspaper ads, cell phone use, postage and contracting.

New Proposals

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 95161 - 5% Plan Reduction in Temporary Services and Travel										
16	0.00	(3,220)	(244)	(4,641)	(8,105)	0.00	(3,220)	(244)	(4,643)	(8,107)
Total	**0.00**	**($3,220)**	**($244)**	**($4,641)**	**($8,105)**	**0.00**	**($3,220)**	**($244)**	**($4,643)**	**($8,107)**

DP 95161 - 5% Plan Reduction in Temporary Services and Travel - The legislature approved reduction in temporary services and travel primarily associated with the Fair Hearings Unit. This reduction was part of the agency's submitted 5% reduction plan.

Program Budget Comparison

The following table summarizes the total legislative 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	193.50	193.50	196.00	196.00	193.50	196.00	2.50	1.29%
Personal Services	10,896,808	11,020,057	11,650,803	11,648,813	21,916,865	23,299,616	1,382,751	6.31%
Operating Expenses	12,741,886	13,876,003	10,530,054	10,534,967	26,617,889	21,065,021	(5,552,868)	(20.86%)
Equipment & Intangible Assets	277,242	483,976	277,242	277,242	761,218	554,484	(206,734)	(27.16%)
Grants	22,355,513	24,629,804	17,974,541	17,976,263	46,985,317	35,950,804	(11,034,513)	(23.49%)
Benefits & Claims	13,892,311	17,483,979	13,399,060	13,395,875	31,376,290	26,794,935	(4,581,355)	(14.60%)
Debt Service	0	7,350	0	0	7,350	0	(7,350)	(100.00%)
Total Costs	**$60,163,760**	**$67,501,169**	**$53,831,700**	**$53,833,160**	**$127,664,929**	**$107,664,860**	**($20,000,069)**	**(15.67%)**
General Fund	3,396,584	3,492,167	2,727,931	2,725,183	6,888,751	5,453,114	(1,435,637)	(20.84%)
State Special	18,024,188	18,776,019	10,806,920	10,810,590	36,800,207	21,617,510	(15,182,697)	(41.26%)
Federal Special	38,742,988	45,232,983	40,296,849	40,297,387	83,975,971	80,594,236	(3,381,735)	(4.03%)
Total Funds	**$60,163,760**	**$67,501,169**	**$53,831,700**	**$53,833,160**	**$127,664,929**	**$107,664,860**	**($20,000,069)**	**(15.67%)**

Page Reference

Legislative Budget Analysis, B-147

Executive Budget Comparison

The 2013 biennium legislative appropriation to the Public Health and Safety Division (PHSD) is $17.1 million ($1.3 million general fund) lower than the executive budget request. Significant legislative changes that reduced the appropriations include:

- Eliminating $0.9 million in general fund from the base funding of the Family and Community Health Bureau used to support increased contraceptive costs
- Eliminating the Montana Tobacco Use Prevention Program and reducing related state special revenue funds previously used to support the program. In addition, the Joint Appropriation Subcommittee on Health and Human Services requested a bill to implement HB 2 changing the distribution of tobacco settlement funds allocated to the tobacco cessation and prevention account. The bill would lower the allocation of revenue to the account from 32% to 13.9%. The bill makes a corresponding increase to the Children's Health Insurance Program (CHIP)/ Montana Comprehensive Health Association (MCHA) account, taking the percentage from 17% currently in statute to 35.1% as recommended by the subcommittee
- Bypassing a requested increase for federal Women, Infants, and Children's Special Nutrition Program (WIC) Infrastructure Grant to promote the sale of Montana-grown fruits and vegetables at farmer's markets across the state and to update and make consistent outreach and educational materials through a "rebranding" effort. The action does not impact benefits provided to recipients of the program

Funding

PHSD is funded by a combination of general fund, state special revenue, and federal funds. General fund supports about 5% of the budget. State special revenues supports about 20% of the budget and federal special revenues make up about 75%.

General fund supports division administration, vital statistics, public health planning, cancer control, emergency medical services, Montana Initiative for the Abatement of Mortality in Infants (MIAMI) program, women and men's health, food and consumer safety, public health laboratory, AIDS prevention, state laboratories, and communicable disease control.

Sources of state special revenue funding include tobacco settlement funds for tobacco use prevention and cessation including public home health visiting and chronic disease programs, and tobacco settlement trust interest supporting adolescent vaccinations, newborn screening and follow up, health professional recruitment, emergency medical services, and HIV treatment.

Additional sources of state special revenues include public health laboratory fees; food and lodging licenses; insurance policy fees supporting the genetics program; reimbursements for children's special health services; and fees for birth, death, or other certificates handled through vital statistics.

There are almost 50 federal funding sources supporting the division, including 2 federal block grants and more than 40 categorical grants that each have explicit programmatic and expenditure requirements. The largest federal grant funds the WIC program, which accounts for almost $29 million of the 2013 biennial budget. Federal funds supporting the emergency preparedness activities are the next significant federal funds source, accounting for about 15% of the 2013 biennium federal special revenue.

Two federal block grants account for almost 8% of the PHSD 2013 biennium budget for federal appropriation authority. They are the Maternal Child Health block grant and the Preventive Health block grant. These block grants support a variety of PHSD functions and are both allocated in consultation with division advisory councils.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	3,396,584	3,396,584	6,793,168	124.57%	60,163,760	60,163,760	120,327,520	111.76%
Statewide PL Adjustments	81,730	79,333	161,063	2.95%	508,798	512,404	1,021,202	0.95%
Other PL Adjustments	(172,543)	(172,543)	(345,086)	(6.33%)	652,457	652,457	1,304,914	1.21%
New Proposals	(577,840)	(578,191)	(1,156,031)	(21.20%)	(7,493,315)	(7,495,461)	(14,988,776)	(13.92%)
Total Budget	**$2,727,931**	**$2,725,183**	**$5,453,114**		**$53,831,700**	**$53,833,160**	**$107,664,860**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					1,023,942					1,022,555
Vacancy Savings					(476,834)					(476,774)
Inflation/Deflation					(7,623)					(6,021)
Fixed Costs					(30,687)					(27,356)
Total Statewide Present Law Adjustments		**$81,730**	**$179,801**	**$247,267**	**$508,798**		**$79,333**	**$186,676**	**$246,395**	**$512,404**
DP 55140 - 17-7-140 Reductions - Optimizing Fed Funding BRFSS	0.00	(3,212)	0	0	(3,212)	0.00	(3,212)	0	0	(3,212)
DP 55141 - 17-7-140 Reduction - Optimizing Fed Poison Cont	0.00	(39,384)	0	0	(39,384)	0.00	(39,384)	0	0	(39,384)
DP 55142 - 17-7-140 Reductions Operations Efficiencies	0.00	(4,947)	0	0	(4,947)	0.00	(4,947)	0	0	(4,947)
DP 70004 - Increased authority for State Laboratory	0.00	(125,000)	125,000	0	0	0.00	(125,000)	125,000	0	0
DP 70010 - Tribal Tobacco Prevention Contracts	0.00	0	700,000	0	700,000	0.00	0	700,000	0	700,000
Total Other Present Law Adjustments	**0.00**	**($172,543)**	**$825,000**	**$0**	**$652,457**	**0.00**	**($172,543)**	**$825,000**	**$0**	**$652,457**
Grand Total All Present Law Adjustments	**0.00**	**($90,813)**	**$1,004,801**	**$247,267**	**$1,161,255**	**0.00**	**($93,210)**	**$1,011,676**	**$246,395**	**$1,164,861**

DP 55140 - 17-7-140 Reductions - Optimizing Fed Funding BRFSS - 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. The legislature reduced general fund support for the Behavioral Risk Factor Surveillance System (BRFSS) by $3,212 per year of the biennium, continuing the reduction in the 2013 biennium.

DP 55141 - 17-7-140 Reduction - Optimizing Fed Poison Cont - 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.

DP 55142 - 17-7-140 Reductions 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. The legislature continues the original reduction in the 2013 biennium by reducing funding for professional contracts.

DP 70004 - Increased authority for State Laboratory - The legislature added state special revenue to meet projected increases in DPHHS laboratory supplies and other operating expenses. The expenses for laboratory supplies and other operating expenses are expected to increase an estimated 4% or $125,000 each year. This estimate is based on maintaining current level test volumes. Increased expenses would be covered by laboratory fees.

DP 70010 - Tribal Tobacco Prevention Contracts - The legislature approved $0.7 million in tobacco cessation and prevention funds to support tribal programs to reduce tobacco use.

New Proposals

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 55407 - 4% Personal Svs GF Bud Reduction										
07	(1.00)	(65,245)	0	0	(65,245)	(1.00)	(65,245)	0	0	(65,245)
DP 70105 - Health Professions Loan Repayment Program										
07	0.00	0	0	71,453	71,453	0.00	0	0	71,453	71,453
DP 70106 - Asthma Control Program										
07	2.50	0	0	348,942	348,942	2.50	0	0	350,000	350,000
DP 70107 - Colorectal Cancer Screening										
07	1.00	0	0	846,199	846,199	1.00	0	0	846,551	846,551
DP 70109 - Diabetes Prevention										
07	0.00	0	0	40,000	40,000	0.00	0	0	40,000	40,000
DP 70110 - Eliminate Funding for Contraceptives										
07	0.00	(451,517)	0	0	(451,517)	0.00	(451,868)	0	0	(451,868)
DP 75071 - Eliminate Montana Tobacco Use Prevention Program										
07	0.00	0	(8,222,069)	0	(8,222,069)	0.00	0	(8,225,274)	0	(8,225,274)
DP 95071 - 5% Plan - Reduce general fund for data monitoring										
07	0.00	(22,293)	0	0	(22,293)	0.00	(22,293)	0	0	(22,293)
DP 95072 - 5% Plan - Reduce support for Family Planning										
07	0.00	(38,785)	0	0	(38,785)	0.00	(38,785)	0	0	(38,785)
Total	**2.50**	**($577,840)**	**($8,222,069)**	**$1,306,594**	**($7,493,315)**	**2.50**	**($578,191)**	**($8,225,274)**	**$1,308,004**	**($7,495,461)**

DP 55407 - 4% Personal Svs GF Bud Reduction - The legislature included 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 reduction includes 1.00 FTE for a health program representative.

DP 70105 - Health Professions Loan Repayment Program - The legislature added $71,453 each year of the biennium in federal funds to support the loan repayment program for health professionals who practice in designated shortage areas, accept Medicaid and Medicare, and offer sliding scale payments. The funds would be used to pay for student loans up to $15,000 per year for two years.

DP 70106 - Asthma Control Program - The legislature provided funding for 2.50 FTE and approximately $350,000 each year of the biennium in federal funds to address asthma from a public health perspective. DPHHS received a cooperative agreement award from the Centers for Disease Control (CDC) to support primary care practices to improve the quality of asthma care, to provide public education regarding tobacco use/cessation related to asthma, and for a school grant program.

DP 70107 - Colorectal Cancer Screening - The legislature added 1.00 FTE and $1.7 million of federal funds over the biennium to support a colorectal cancer screening program. DPHHS received a cooperative agreement from the CDC to implement the colorectal cancer screening program for under-insured and uninsured Montanans aged 50 to 64 years. This program is designed to provide public awareness regarding screening and to implement policy and systems approaches to increase screening among the broader Montana population.

DP 70109 - Diabetes Prevention - The legislature provided $40,000 each year of the biennium in federal funding to support diabetes prevention. DPHHS received a cooperative agreement from the CDC to support the delivery of the department's cardiovascular disease and diabetes prevention program. This program brings lifestyle intervention to remote rural communities through tele-health videoconferencing. These funds are also being used to support training for health professionals from tribal health departments and Indian health service units regarding implementing the diabetes prevention program lifestyle curriculum.

DP 70110 - Eliminate Funding for Contraceptives - The legislature eliminated $0.9 million in general fund from the base funding of the Family and Community Health Bureau. Funding provided support for increased contraceptive costs for low-income families served by Title X clinics around Montana.

DP 75071 - Eliminate Montana Tobacco Use Prevention Program - The legislature eliminated the Montana Tobacco Use Prevention Program, reducing state special revenue appropriations from tobacco settlement funds each year of the biennium. For each year of the biennium, the reductions include $2.76 million in operating costs, $4.96 million in grants, and $0.5 million in benefits to individuals trying to quit smoking.

DP 95071 - 5% Plan - Reduce general fund for data monitoring - The legislature reduced general fund support for data monitoring by $22,293 each year of the biennium. Data monitoring for public health home visits and the MIAMI program is reduced. The agency included this reduction in the statutorily required 5% reduction plan.

DP 95072 - 5% Plan - Reduce support for Family Planning - The legislature reduced general fund support for the cost of contraception provided through contracts with family planning organizations by $38,785 each year of the biennium. The agency included this reduction in the statutorily required 5% reduction plan.

Branch Budget Comparison

The following table summarizes the total legislative 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	1,298.32	1,298.32	1,281.62	1,277.33	1,298.32	1,277.33	(20.99)	(1.62%)
Personal Services	67,485,627	74,666,943	70,071,181	68,893,964	142,152,570	138,965,145	(3,187,425)	(2.24%)
Operating Expenses	42,292,043	45,608,242	42,408,884	42,303,750	87,900,285	84,712,634	(3,187,651)	(3.63%)
Equipment & Intangible Assets	180,673	345,348	180,673	180,673	526,021	361,346	(164,675)	(31.31%)
Grants	14,244,574	14,795,377	15,211,180	15,227,691	29,039,951	30,438,871	1,398,920	4.82%
Benefits & Claims	909,270,789	961,086,053	1,103,066,752	1,142,381,595	1,870,356,842	2,245,448,347	375,091,505	20.05%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	13,104	58,746	13,104	13,104	71,850	26,208	(45,642)	(63.52%)
Total Costs	**$1,033,486,810**	**$1,096,560,709**	**$1,230,951,774**	**$1,269,000,777**	**$2,130,047,519**	**$2,499,952,551**	**$369,905,032**	**17.37%**
General Fund	213,499,708	274,336,885	313,561,269	322,317,952	487,836,593	635,879,221	148,042,628	30.35%
State Special	91,819,929	98,288,875	124,442,234	124,959,894	190,108,804	249,402,128	59,293,324	31.19%
Federal Special	728,167,173	723,934,949	792,948,271	821,722,931	1,452,102,122	1,614,671,202	162,569,080	11.20%
Total Funds	**$1,033,486,810**	**$1,096,560,709**	**$1,230,951,774**	**$1,269,000,777**	**$2,130,047,519**	**$2,499,952,551**	**$369,905,032**	**17.37%**

Page Reference

Legislative Budget Analysis, B-178

Executive Budget Comparison

The following table compares the legislative budget in the 2013 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg – Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg – Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	1,298.32	1,300.12	1,281.62	(18.50)	1,295.83	1,277.33	(18.50)	
Personal Services	67,485,627	71,748,347	70,071,181	(1,677,166)	71,502,960	68,893,964	(2,608,996)	(4,286,162)
Operating Expenses	42,292,043	45,539,783	42,408,884	(3,130,899)	46,162,412	42,303,750	(3,858,662)	(6,989,561)
Equipment & Intangible Assets	180,673	180,673	180,673	0	180,673	180,673	0	0
Grants	14,244,574	14,524,770	15,211,180	686,410	14,541,281	15,227,691	686,410	1,372,820
Benefits & Claims	909,270,789	1,109,906,946	1,103,066,752	(6,840,194)	1,149,532,464	1,142,381,595	(7,150,869)	(13,991,063)
Transfers	0	0	0	0	0	0	0	0
Debt Service	13,104	13,104	13,104	0	13,104	13,104	0	0
Total Costs	**$1,033,486,810**	**$1,241,913,623**	**$1,230,951,774**	**($10,961,849)**	**$1,281,932,894**	**$1,269,000,777**	**($12,932,117)**	**($23,893,966)**
General Fund	213,499,708	329,707,772	313,561,269	(16,146,503)	321,378,594	322,317,952	939,358	(15,207,145)
State/Other Special	91,819,929	113,151,477	124,442,234	11,290,757	132,496,137	124,959,894	(7,536,243)	3,754,514
Federal Special	728,167,173	799,054,374	792,948,271	(6,106,103)	828,058,163	821,722,931	(6,335,232)	(12,441,335)
Total Funds	**$1,033,486,810**	**$1,241,913,623**	**$1,230,951,774**	**($10,961,849)**	**$1,281,932,894**	**$1,269,000,777**	**($12,932,117)**	**($23,893,966)**

The legislative appropriation for the Medicaid and Health Services branch is about $23.9 million total funds (including $15.2 million general fund) lower than the executive budget request. The primary differences in general fund include decreases due to:

- Shifting $14.2 million of general fund state Medicaid match for Healthy Montana Kids to state special revenue (tobacco settlement funds and Healthy Montana Kids funds)
- Adopting several proposals in the 5% budget reduction plans developed in compliance with 17-7-111(3)(g), MCA that were not included in the executive budget request - $7.1 million general fund
- Shifting $1.4 million in alcohol tax revenue to offset general fund Medicaid state match and to offset community

chemical dependency services cost
- Adjusting general fund appropriations for federal match rate changes and not accepting executive requests for several Medicaid cost adjustments - $3.0 million general fund
- Shifting $1.4 million in state special revenues in health and Medicaid initiatives funds to offset general fund for Medicaid state match for nursing home services

The legislature also reduced cigarette tax state special revenue for the Montana Veterans' Home in Columbia Falls by $1.7 million over the biennium. This action raises the general fund balance by $1.7 million since funds in excess of $2.0 million remaining in the cigarette tax fund at the end of the fiscal year are transferred to the general fund.

Part of the general fund reductions were offset by an appropriation of $41.2 million total funds including $14.2 million general fund for updated Medicaid caseload estimates.

The legislative state special revenue appropriation is $3.0 million higher than the executive budget primarily due to increased enrollment and service utilization costs for Healthy Montana Kids.

The legislature did not approve the executive request to implement enhanced family planning Medicaid services and approved 10.00 of the 15.00 FTE requested to administer Healthy Montana Kids, and funded only 1.50 of the 5.00 FTE for administration of Big Sky Rx, resulting in the legislative appropriation supporting 18.50 fewer FTE than requested by the executive.

Branch Highlights

Medicaid and Health Services Branch
Major Budget Highlights

- The Medicaid and Health Services Branch 2013 biennium request is $369.9 million higher than the 2011 biennium budget, with about a third of the increase funded from the general fund
- The majority of the growth, $375.1 million, is in benefits and claims for services to individuals who meet specific eligibility criteria:
  - Medicaid services rise $314.9 million, including $17.0 million for the new mental health expansion (HIFA waiver)
- Reductions in personal services and operating appropriations offset part of the increase in services to individuals
- General fund growth between the biennial budgets is $148.0 million with the majority of the change due to increases in the state Medicaid match rate:
  - The temporary federal rate increase will expire at the end of FY 2011
  - There is an increase in the regular state match rate during the 2013 biennium
- Personal services funding declines $3.2 million and a net of 20.99 FTE
- Part of the personal services reduction is offset by the addition of 5.00 FTE for Healthy Montana Kids
- The income assistance level for Big Sky Rx premium assistance for Medicare Part D drug was reduced from 200% to 135% of the federal poverty level
- The number of FTE to administer Big Sky Rx was reduced from 5.00 to 1.50
- State special revenues from the cigarette tax supporting the Montana Veterans' Home in Columbia Falls were reduced by $1.7 million over the biennium and funding provided to transition the state operated facility to a private contract

Branch Discussion

DPHHS reorganized its structure over the last two years, instituting three branches that generally manage a group of divisions. This is the first time that branch division budgets have been included in the budget and were added at the request of DPHHS.

The Medicaid and Health Services branch 2013 biennium appropriations total $2.5 billion, which is nearly 70% of the total agency appropriation. The 2013 biennium request grows $369.9 million over the 2011 biennium budget. The benefits and claims appropriation supports services to individuals who meet specific eligibility criteria and grows $375.1 million between biennia. Reductions in personal services and operating costs offset increases in grant and benefits and claims appropriations.

About two thirds of the branch budget is supported by federal funds, with Medicaid funds being the most significant source ($1.4 billion over the biennium). General fund is more than a quarter of the appropriation, with the state match requirement for Medicaid services being the primary driver of general fund cost for this branch ($468.8 million to support Medicaid services in the 2013 biennium appropriation).

Medicaid programs are the single most significant cost driver for this branch budget. Medicaid service costs account for $314.8 million of the difference between the 2011 and 2013 biennium budgets. Specific changes to Medicaid services are discussed in each division and the agency narrative includes a discussion of Medicaid eligibility and service utilization changes.

The 2013 biennium branch budget supports 1,280.83 FTE or about 40% of the department total. Most of the FTE are employed by the six state facilities . FTE changes in the 2013 biennium are discussed in the division budget narratives.

Interim Monitoring

2013 Biennium Goal

The major discussion of critical goals and performance measurement(s) is included in the agency overview. The legislature recommends monitoring the Healthy Montana Kids in the Health Resources Division.

Funding

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

Total Agency Funding
2013 Biennium Budget

Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
10 Disability Services Division	$ 149,752,746	$ 11,214,356	$ 260,020,650	$ 420,987,752	16.84%
11 Health Resources Division	232,621,702	147,666,333	909,067,656	1,289,355,691	51.58%
12 Medicaid And Health Services Managem	4,394,969	76,463	11,311,093	15,782,525	0.63%
22 Senior & Long-Term Care	123,951,042	61,635,302	334,576,113	520,162,457	20.81%
33 Addictive & Mental Disorders	125,158,762	28,809,674	99,695,690	253,664,126	10.15%
Grand Total	$ 635,879,221	$ 249,402,128	$ 1,614,671,202	$ 2,499,952,551	100.00%

The Health Resources Division accounts for more than 50% of the branch appropriation followed by Senior and Long-term Care with about one fifth of the appropriation. The remaining divisions – Disability Services and Addictive and Mental Disorders Divisions – together comprise slightly more than one quarter of the 2013 biennium appropriation.

The Medicaid and Health Services Branch is funded by general fund, state special revenue, and federal funds. General fund is used for:

- State Medicaid match
- State mental health and developmental disability state institutions
- Community aging services grants
- A portion of the community mental health services for low-income adults with a serious and disabling mental illness

- Community services for persons with developmental disabilities
- A portion of administrative costs

Major sources of state special revenue (over $2.0 million annually), the tax or fee funding source, and the programs supported are:

- Cigarette tax revenue
  - Montana veterans' services – operational costs and long-range building projects for the Montana Veterans' Home in Columbia Falls and Eastern Montana Veterans' Home in Glendive
- Tobacco tax health and Medicaid initiatives state special revenue
  - State Medicaid match
- Tobacco settlement funds and tobacco settlement trust fund interest state special revenue
  - State match for the federal Children's Health Insurance Program (CHIP) grant
  - State Medicaid match
  - Mental health crisis diversion
  - Early intervention services for infants and toddlers
- Hospital utilization fee and nursing home bed fee state special revenue
  - State Medicaid match to raise reimbursement rates for hospital and nursing home services
- Alcohol tax state special revenue
  - State chemical dependency institution and some program administrative costs
  - Local chemical dependency programs
  - A portion of state Medicaid match for chemical dependency services
- Insurance premium state special revenue
  - State match for Medicaid and CHIP services and administration for the Healthy Montana Kids program
- Medicaid reserve account funded from a portion of the enhanced federal Medicaid match in FY 2010
  - One-time offset to general fund Medicaid matching costs in FY 2013

Major sources of federal funds include:

- Medicaid matching funds
- CHIP block grant
- Aging services block grant
- Chemical dependency block grant
- Social services Title XX block grant
- Federal per diem reimbursements for veterans' care
- Mental health services block grant

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	213,499,708	213,499,708	426,999,416	67.15%	1,033,486,810	1,033,486,810	2,066,973,620	82.68%
Statewide PL Adjustments	71,036,793	71,063,260	142,100,053	22.35%	598,268	644,594	1,242,862	0.05%
Other PL Adjustments	42,567,294	50,789,168	93,356,462	14.68%	206,473,948	244,771,110	451,245,058	18.05%
New Proposals	(13,542,526)	(13,034,184)	(26,576,710)	(4.18%)	(9,607,252)	(9,901,737)	(19,508,989)	(0.78%)
Total Budget	**$313,561,269**	**$322,317,952**	**$635,879,221**		**$1,230,951,774**	**$1,269,000,777**	**$2,499,952,551**	

Statewide present law adjustments include a funding switch that increases general fund by $71.0 million and reduces federal funds by a like amount. This change, authorized by HB 645, reflects the discontinuation of the nearly 10% temporary increase in the federal Medicaid match rate in the federal stimulus legislation, which reduced general fund Medicaid costs in the 2011 biennium. Other present law adjustments and new proposals are discussed in detail in the

program narratives that follow.

Program Budget Comparison

The following table summarizes the total legislative 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	367.92	367.92	359.21	354.92	367.92	354.92	(13.00)	(3.53%)
Personal Services	17,811,546	19,391,879	18,630,866	18,373,395	37,203,425	37,004,261	(199,164)	(0.54%)
Operating Expenses	6,256,198	6,444,185	4,391,900	4,387,201	12,700,383	8,779,101	(3,921,282)	(30.88%)
Equipment & Intangible Assets	0	57,356	0	0	57,356	0	(57,356)	(100.00%)
Grants	400,941	645,569	400,941	400,941	1,046,510	801,882	(244,628)	(23.38%)
Benefits & Claims	164,418,427	167,678,196	185,812,895	188,589,613	332,096,623	374,402,508	42,305,885	12.74%
Total Costs	**$188,887,112**	**$194,217,185**	**$209,236,602**	**$211,751,150**	**$383,104,297**	**$420,987,752**	**$37,883,455**	**9.89%**
General Fund	53,214,370	65,989,671	74,151,241	75,601,505	119,204,041	149,752,746	30,548,705	25.63%
State Special	5,607,178	5,541,925	5,607,178	5,607,178	11,149,103	11,214,356	65,253	0.59%
Federal Special	130,065,564	122,685,589	129,478,183	130,542,467	252,751,153	260,020,650	7,269,497	2.88%
Total Funds	**$188,887,112**	**$194,217,185**	**$209,236,602**	**$211,751,150**	**$383,104,297**	**$420,987,752**	**$37,883,455**	**9.89%**

Page Reference

Legislative Budget Analysis, B-186

Funding

The majority of the funding supporting Disability Services Division (DSD) comes from federal sources and is used for the provision of benefits and client services. General fund provides over a third of the support for the division. General fund is primarily used to support the Montana Developmental Center (MDC) and as match to draw down Medicaid and other federal matching funds. The matching ratio for federal programs administered by the division varies. However, the most common ratios are as follows:

- Medicaid services are funded at the federal medical assistance participation rate (FMAP), which for the 2013 biennium is generally 34% state funds and 66% federal funds (for more information see the agency overview section of this narrative)
- Medicaid administrative costs are funded at 50/50 ratio of state and federal funds
- Psychiatric Residential Treatment Facilities (PRTF) waiver state administrative costs are 100% federal funds
- MDC is funded entirely with general fund. Medicaid reimbursements for services provided at MDC are first used to repay bond debt and the remaining balance is deposited in the general fund

General fund supporting the division changes due to:

- Funding switches between federal revenue and general fund due to changes in FMAP and the elimination of federal support provided in the American Recovery and Reinvestment Act totaling over $32.2 million over the 2013 biennium
- Increases to support changes in the costs associated with three Medicaid waivers providing support for developmentally disabled children and adults and caseload costs changes for Medicaid services provided to children with serious emotional disturbances (SED). The changes increased general fund by about $14.0 million and will be used to draw down federal support of approximately $27.2 million over the biennium
- Converting funding for about 250 developmentally disabled individuals who had received services that were primarily financed with general fund to the Medicaid comprehensive waiver program at a savings of $4.0 million general fund over the biennium
- Reconfiguring services at the Montana Developmental Center to address changes in the population including severity and duality of mentally ill developmentally disabled individuals being served. The legislature increased community services to allow DSD to reduce bed capacity at MDC by 12 individuals. This change reduced general fund supporting MDC by about $0.3 million over the biennium. For further information on this change refer to the Legislative Budget Analysis, page B-202

Two federal sources are used to fund services to children with diagnosis of SED - Medicaid and the Children's Health Insurance Program (CHIP). Medicaid, CHIP and state matching funds to support services provided to mentally ill children are in the two divisions within DPHHS:

- Children's Mental Health Program budget in DSD has the majority of Medicaid costs for children with SED
- Health Resources Division has the majority of federal CHIP funding and state matching funds for services provided to SED children and the costs for Medicaid drugs and for individually licensed mental health professionals serving SED children

State special revenue funds include health and Medicaid initiative funding and tobacco settlement interest funds. The funds support Medicaid services for seriously emotionally disturbed children, developmentally disabled children and adults, and early intervention services for babies and toddlers with disabilities. These funding sources are discussed in detail in the agency summary.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	53,214,370	53,214,370	106,428,740	71.07%	188,887,112	188,887,112	377,774,224	89.74%
Statewide PL Adjustments	15,133,374	15,146,956	30,280,330	20.22%	427,148	441,204	868,352	0.21%
Other PL Adjustments	7,571,462	8,831,666	16,403,128	10.95%	18,917,043	20,407,217	39,324,260	9.34%
New Proposals	(1,767,965)	(1,591,487)	(3,359,452)	(2.24%)	1,005,299	2,015,617	3,020,916	0.72%
Total Budget	**$74,151,241**	**$75,601,505**	**$149,752,746**		**$209,236,602**	**$211,751,150**	**$420,987,752**	

An adjustment was made to the funding for this division to reflect the end of the increased federal FMAP provided through the federal stimulus package in the 2011 biennium. The 2009 Legislature had anticipated and sanctioned this funding switch in HB 645, which implemented the federal stimulus in Montana. Federal funds totaling $15.1 million in the FY 2010 base expenditures have been replaced with general fund each year of the 2013 biennium in the legislative budget.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					1,226,895					1,235,746
Vacancy Savings					(761,534)					(761,889)
Inflation/Deflation					(58,736)					(51,064)
Fixed Costs					20,523					18,411
Total Statewide Present Law Adjustments		**$15,133,374**	**$0**	**($14,706,226)**	**$427,148**		**$15,146,956**	**$0**	**($14,705,752)**	**$441,204**
DP 10001 - FMAP Adj - DD & CMH	0.00	688,470	0	(688,470)	0	0.00	1,346,538	0	(1,346,538)	0
DP 10002 - Med Ben - CMH Caseload	0.00	2,982,619	0	5,839,089	8,821,708	0.00	3,367,926	0	6,462,564	9,830,490
DP 10003 - Med Ben - DD Caseload	0.00	2,564,364	0	5,027,002	7,591,366	0.00	2,764,300	0	5,304,292	8,068,592
DP 10006 - Restore OT/Holidays Worked	0.00	695,724	0	0	695,724	0.00	699,890	0	0	699,890
DP 10008 - Med Ben - Annualization of Service Expansion	0.00	679,973	0	1,332,973	2,012,946	0.00	689,636	0	1,323,310	2,012,946
DP 10009 - FMAP Adj - DD Operating Costs	0.00	165,013	0	(165,013)	0	0.00	168,077	0	(168,077)	0
DP 10010 - Reduction to DSD Base	0.00	(924,237)	0	0	(924,237)	0.00	(924,237)	0	0	(924,237)
DP 10011 - Re-establish Comprehensive Waiver Base	0.00	818,120	0	0	818,120	0.00	818,120	0	0	818,120
DP 55140 - 17-7-140 reductions - Operations Efficiency	0.00	(98,584)	0	0	(98,584)	0.00	(98,584)	0	0	(98,584)
Total Other Present Law Adjustments	**0.00**	**$7,571,462**	**$0**	**$11,345,581**	**$18,917,043**	**0.00**	**$8,831,666**	**$0**	**$11,575,551**	**$20,407,217**
Grand Total All Present Law Adjustments	**0.00**	**$22,704,836**	**$0**	**($3,360,645)**	**$19,344,191**	**0.00**	**$23,978,622**	**$0**	**($3,130,201)**	**$20,848,421**

DP 10001 - FMAP Adj - DD & CMH - The legislature supported an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 as they apply to the Children's Mental Health Services Program (CMHB) and Developmental Disabilities Program (DDP) benefit expenditures.

The projected calculated of the FMAP rate for FY 2012 is 33.78% and 34.26% for FY 2013 for DDP and 33.81% and 34.26% in FY 2012 and FY 2013, respectively, for CMHB as compared to the adjusted base FMAP of 33.30%.

DP 10002 - Med Ben - CMH Caseload - The legislature provided general fund and federal Medicaid funds to support projected caseload increases for children receiving mental health services. The funding is about $6.4 million general fund and $18.7 million total funds over the 2013 biennium.

DP 10003 - Med Ben - DD Caseload - The legislature approved this request for general fund and federal Medicaid funds to support ongoing Medicaid caseload and service utilization projections for individuals receiving DDP services, including comprehensive waiver, community services waiver, and autism waiver services.

DP 10006 - Restore OT/Holidays Worked - The legislature approved an additional $1.4 million general fund over the biennium to restore zero-based personal services funding. The funding maintains Montana Developmental Center staffing requirements at this 24-hour day, 7-days-a-week facility at 75% of the requested funds. The components of the

funding include overtime, differential pay to meet required union contracts when an employee performs duties outside of and above his/her regular job classification (non-union employees also receive higher pay under agreed upon conditions on a temporary basis when assigned), holidays and holidays worked, and adjustments to standard payroll benefits.

DP 10008 - Med Ben - Annualization of Service Expansion - The legislature approved a request for general fund and federal Medicaid funds to support FY 2011 Medicaid caseload levels for individuals receiving DDP services, including comprehensive waiver and autism waiver services. These individuals entered waiver services during the 2011 biennium; however, their annual cost plans were not part of the base budget due to timing.

DP 10009 - FMAP Adj - DD Operating Costs - The legislature approved providing an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 as they apply to administrative operating costs. The decrease in federal funds is equal to the increase in general funds.

The projected FMAP rate for FY 2012 is 33.78% and 34.26% for FY 2013, as compared to the adjusted base FMAP of 33.30%.

DP 10010 - Reduction to DSD Base - In FY 2010, the DSD funding for personal support plans was below the service needs in the comprehensive services waiver. Ongoing costs that required additional funding included residential, group home, and day treatment services. Funds were available in MDC and were transferred into DSD to support the needed services. The legislature approved this proposal to remove general fund from the base and bring the program back to the level established by the 2009 Legislature.

DP 10011 - Re-establish Comprehensive Waiver Base - The legislature provided additional general fund to provide support for comprehensive services waivers at almost the FY 2010 expenditure level.

DP 55140 - 17-7-140 reductions - Operations Efficiency - 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. The legislature continued the reduction in the 2013 biennium including reduced support for medications and canned goods at MDC and supplies and cell phone costs in DDP.

New Proposals

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 10103 - Med Ben - Restore Autism Group Home										
10	0.00	202,680	0	397,320	600,000	0.00	205,560	0	394,440	600,000
DP 10104 - Med Ben - MDC Transition to Waiver										
10	0.00	125,019	0	245,078	370,097	0.00	430,691	0	826,435	1,257,126
DP 10110 - Increase Funding for Targeted Case Management										
10	0.00	0	0	(443,765)	(443,765)	0.00	0	0	(461,205)	(461,205)
DP 55107 - Med Ben - DD Refinancing										
10	0.00	(2,017,138)	0	2,017,138	0	0.00	(2,017,138)	0	2,017,138	0
DP 55410 - 4% GF - MDC Reconfiguration										
10	(8.71)	(78,526)	0	557,493	478,967	(13.00)	(210,600)	0	830,296	619,696
Total	**(8.71)**	**($1,767,965)**	**$0**	**$2,773,264**	**$1,005,299**	**(13.00)**	**($1,591,487)**	**$0**	**$3,607,104**	**$2,015,617**

DP 10103 - Med Ben - Restore Autism Group Home - The legislature provided $1.2 million total funds, including $0.4 million general fund, over the 2013 biennium to restore OTO funding from the 2009 Legislative Session for a group home for people with autism. This group home is at capacity. Four people remain in treatment. Additional information on this decision package can be found in the Legislative Budget Analysis, pg. B-217.

DP 10104 - Med Ben - MDC Transition to Waiver - The legislature approved $0.6 million general fund and $1.1 million in federal funds over the 2013 biennium to support services in the community for individuals residing at MDC, whose commitments have expired and who are referred for community placement. This request provides the community services for the individuals moved out of MDC. The funding would support individual cost plans for additional residents above those discussed in DP 55410 below.

DP 10110 - Increase Funding for Targeted Case Management - The legislature eliminated funding for the clinical review services contract for the Children's Mental Health Bureau and provided a restricted appropriation for a provider rate increase for targeted case management services provided by licensed mental health centers.

DP 55107 - Med Ben - DD Refinancing - The legislature approved a decrease of $4.0 million general fund and an increase of $4.0 million federal Medicaid funds over the biennium to support the transition of individuals served in the DD benefit program to the comprehensive waiver services program by providing for federal Medicaid participation. The request transfers approximately $3 million per year of state-only funded cost plans to cost plans funded with federal Medicaid participation at the FMAP rate. Additional information on this decision package can be found in the Legislative Budget Analysis, pg. B-218.

DP 55410 - 4% GF - MDC Reconfiguration - The legislature approved this decision package as part of the department's 4% general fund personal services reduction. This reconfigures the operations of MDC and moves 12 residents of MDC into community-based services. Additional information on this decision package can be found in the Legislative Budget Analysis, pg. B-219.

Language and Statutory Authority

The legislature included the following language in HB 2.

"CMHB Provider Rate Increases for TCM funding may be used only to increase provider rates for child and adolescent intensive case management services provided by licensed mental health centers."

Program Budget Comparison

The following table summarizes the total legislative 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	76.00	76.00	77.50	77.50	76.00	77.50	1.50	1.97%
Personal Services	3,859,994	3,857,284	4,316,856	4,323,981	7,717,278	8,640,837	923,559	11.97%
Operating Expenses	8,446,921	11,461,343	9,307,106	9,341,169	19,908,264	18,648,275	(1,259,989)	(6.33%)
Equipment & Intangible Assets	2,950	5,535	2,950	2,950	8,485	5,900	(2,585)	(30.47%)
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	475,835,262	512,789,028	614,793,581	647,267,098	988,624,290	1,262,060,679	273,436,389	27.66%
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	**$488,145,127**	**$528,113,190**	**$628,420,493**	**$660,935,198**	**$1,016,258,317**	**$1,289,355,691**	**$273,097,374**	**26.87%**
General Fund	64,901,357	92,710,304	113,665,711	118,955,991	157,611,661	232,621,702	75,010,041	47.59%
State Special	47,033,799	48,827,716	73,345,634	74,320,699	95,861,515	147,666,333	51,804,818	54.04%
Federal Special	376,209,971	386,575,170	441,409,148	467,658,508	762,785,141	909,067,656	146,282,515	19.18%
Total Funds	**$488,145,127**	**$528,113,190**	**$628,420,493**	**$660,935,198**	**$1,016,258,317**	**$1,289,355,691**	**$273,097,374**	**26.87%**

Page Reference

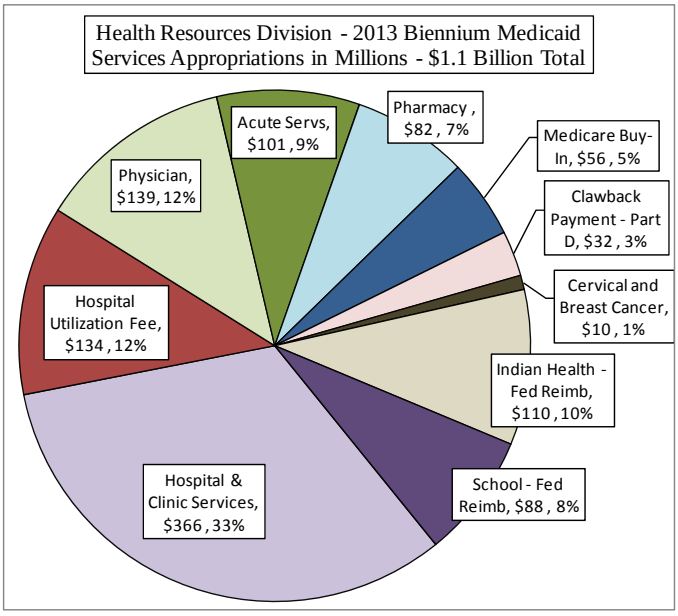
Legislative Budget Analysis, B-220

Funding

The Health Resources Division (HRD) 2013 biennium appropriation is $1.3 billion – more than a third of the total DPHHS appropriation. Medicaid services are the lion's share of the appropriation with $1.1 billion. HRD administers Medicaid state plan services or those that most closely resemble services provided by private insurance such as hospital, physician, drugs, and therapy services. It also administers the Healthy Montana Kids and Big Sky Rx programs.

HRD appropriation grows about $273.1 million between the 2011 and 2013 biennia. The major changes are:

- Medicaid cost growth included in the December 15 executive budget - $166.6 million total funds ($60.3 million general fund)
- Additional Medicaid costs above the executive budget level based on February updated estimates - $41.9 million total funds ($14.2 million general fund)
- Healthy Montana Kids enrollment and service growth for children in families with incomes above 100% of the federal poverty level - $66.5 million total funds
- Big Sky Rx program reduction - $5.2 million including reducing funding for FTE by 3.50 FTE



The figure shows the biennial Medicaid appropriations for this division. Hospital services, including funds for the hospital utilization fee, account for 45% of the appropriation. The Medicare buy-in funds co-insurance payments for persons eligible for both Medicaid and Medicare. The clawback payment is 100% general fund and covers the state share of savings due to implementation of Medicare drug coverage for persons eligible for both Medicaid and Medicare. Indian Health Services and schools are reimbursed for Medicaid services with 100% federal Medicaid funding.

General fund growth between the 2011 and 2013 biennium is driven by Medicaid cost increases for:

- Higher number of persons eligible and growth in service utilization
- Discontinuation of the temporary 10% increase in the federal Medicaid match rate authorized by the federal American Recovery and Reinvestment Act of 2009
- An increase in the regular state Medicaid matching rate apart from elimination of the temporary federal change

General fund increases for state Medicaid costs are partially offset by reallocating state special revenue from:

- Healthy Montana Kids based on assumptions that enrollment growth for children in families with incomes above 100% of the federal poverty level will be lower than projected in the executive budget and due to removal of funding for presumptive eligibility
- Tobacco settlement funds for tobacco prevention activities to cover general fund costs for Healthy Montana Kids for children in families with incomes below 100% of the federal poverty level

State special revenue and federal funding increases are due to higher enrollment and service utilization for Medicaid and Healthy Montana Kids.

HRD is funded from a combination of general fund, state special revenue, and federal funds. General fund is used to pay a portion of the state match for Medicaid services and Medicaid program administration.

Sources of state special revenue and what each supports are:

- Cigarette and tobacco tax health and Medicaid initiatives pays state match for Medicaid services, a portion of the state match for Healthy Montana Kids and the Big Sky Rx program (assistance to low-income persons to pay premiums for Medicare Part D prescription drug coverage)
- Insurance premium taxes pay a portion of the state match for Medicaid and the Children's Health Insurance Program (CHIP) federal grant funds
- Tobacco settlement funds and interest income from the tobacco settlement trust pay state match for Medicaid and the CHIP grant

The 2013 biennium state special revenue funds that support HRD services are discussed in the agency overview since the accounts support several DPHHS functions and the Insure Montana program (premium assistance and tax credits for small employers that provide group health insurance) administered by the State Auditor's Office.

There are two federal funding sources – state Medicaid matching funds and the federal CHIP grant. This division administers entitlement Medicaid services, meaning that persons who are deemed eligible for services must receive medically necessary services. The CHIP grant is a fixed federal grant that must be matched. The state has two years to spend a federal CHIP grant that it receives.

The 2013 biennium appropriation supports a net increase of 1.50 FTE compared to the 2011 biennium. The legislature removed funding for 3.50 FTE, leaving 1.50 FTE to manage a scaled down Big Sky Rx program, and permanently funded 5.00 FTE for Healthy Montana Kids that were funded on a temporary basis during the 2011 biennium.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	64,901,357	64,901,357	129,802,714	55.80%	488,145,127	488,145,127	976,290,254	75.72%
Statewide PL Adjustments	29,770,889	29,771,076	59,541,965	25.60%	461,640	460,159	921,799	0.07%
Other PL Adjustments	26,347,478	31,363,838	57,711,316	24.81%	148,053,023	180,487,355	328,540,378	25.48%
New Proposals	(7,354,013)	(7,080,280)	(14,434,293)	(6.21%)	(8,239,297)	(8,157,443)	(16,396,740)	(1.27%)
Total Budget	**$113,665,711**	**$118,955,991**	**$232,621,702**		**$628,420,493**	**$660,935,198**	**$1,289,355,691**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					633,422					630,416
Vacancy Savings					(179,736)					(179,615)
Inflation/Deflation					(5,068)					(4,947)
Fixed Costs					13,022					14,305
Total Statewide Present Law Adjustments		**$29,770,889**	**$586,112**	**($29,895,361)**	**$461,640**		**$29,771,076**	**$679,649**	**($29,990,566)**	**$460,159**
DP 11001 - Med Ben - Physical Health Caseload	0.00	19,615,370	3,844,431	58,460,352	81,920,153	0.00	22,094,799	3,637,800	71,669,148	97,401,747
DP 11002 - Med Ben - Medicare Buy-In Caseload	0.00	928,553	0	1,817,834	2,746,387	0.00	1,187,584	0	2,278,803	3,466,387
DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload	0.00	38,584	0	75,537	114,121	0.00	90,056	0	172,807	262,863
DP 11004 - Med Ben - Breast & Cerv Cancer Caseload	0.00	23,310	0	75,461	98,771	0.00	35,661	0	113,236	148,897
DP 11005 - FMAP Adj - HRD Medicaid	0.00	2,183,201	0	(2,183,201)	0	0.00	3,611,773	0	(3,611,773)	0
DP 11008 - Med Ben - Clawback Caseload	0.00	2,033,190	0	0	2,033,190	0.00	3,115,190	0	0	3,115,190
DP 11009 - Med Ben - IHS Caseload	0.00	0	0	16,249,579	16,249,579	0.00	0	0	28,436,763	28,436,763
DP 11010 - FMAP Adj - Clawback	0.00	4,198,641	0	0	4,198,641	0.00	4,198,641	0	0	4,198,641
DP 11011 - Hospital Cost Rpt Audit Contract Increases	0.00	125,000	0	125,000	250,000	0.00	125,000	0	125,000	250,000
DP 11013 - Med Ben - Executive Medicaid Caseload Est (RST)	0.00	7,270,118	0	14,232,744	21,502,862	0.00	6,973,623	0	13,381,377	20,355,000
DP 11016 - EFMAP Adj - HMK	0.00	0	325,277	(325,277)	0	0.00	0	418,849	(418,849)	0
DP 11017 - HMK - CHIP - Caseload	0.00	0	2,073,581	6,712,778	8,786,359	0.00	0	2,326,135	7,386,327	9,712,462
DP 11020 - Med Ben - HMK Expansion Caseload	0.00	0	4,930,597	15,961,766	20,892,363	0.00	0	5,662,541	17,980,637	23,643,178
DP 11021 - Med Ben - Reduce HMK Expansion Caseload	0.00	0	(904,410)	(2,928,202)	(3,832,612)	0.00	0	(749,094)	(2,382,073)	(3,131,167)
DP 11023 - Med Ben Hold Harmless Account - OTO	0.00	(8,492,261)	8,492,261	0	0	0.00	(8,492,261)	8,492,261	0	0
DP 11112 - Hospital Utilization Fee Authority	0.00	0	4,152,211	(7,143,525)	(2,991,314)	0.00	0	4,277,342	(7,783,769)	(3,506,427)
DP 11113 - Administrative Claiming - MAC & MAM	0.00	0	0	145,000	145,000	0.00	0	0	145,000	145,000
DP 11122 - Reduction to HRD Base	0.00	(307,268)	0	0	(307,268)	0.00	(307,268)	0	0	(307,268)
DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm	0.00	(1,268,960)	0	(2,484,249)	(3,753,209)	0.00	(1,268,960)	0	(2,434,951)	(3,703,911)
Total Other Present Law Adjustments	**0.00**	**$26,347,478**	**$22,913,948**	**$98,791,597**	**$148,053,023**	**0.00**	**$31,363,838**	**$24,065,834**	**$125,057,683**	**$180,487,355**
Grand Total All Present Law Adjustments	**0.00**	**$56,118,367**	**$23,500,060**	**$68,896,236**	**$148,514,663**	**0.00**	**$61,134,914**	**$24,745,483**	**$95,067,117**	**$180,947,514**

Statewide Present Law Funding Shift - HRD statewide present law adjustments include a funding shift that increases general fund by $29.0 million and reduces federal Medicaid matching funds by a like amount. This base adjustment was authorized in HB 645 to take into account the general fund increase that is necessary in the 2013 biennium due to discontinuation of the 10% temporary increase in the federal Medicaid matching rate during FY 2010. All Medicaid services and foster care services include this adjustment.

DP 11001 - Med Ben - Physical Health Caseload - The legislature adopted the executive budget request for $179.3 million in total funds, including $41.7 million general fund, $7.5 million Healthy Montana Kids insurance premium state special revenue, and $130.1 million in federal funds for projected changes in the number of eligible persons, service utilization, and patient acuity levels. Examples of caseload services are: inpatient and outpatient hospital, dental, pharmacy, and physicians. Healthy Montana Kids state special revenue supports part of the state Medicaid matching costs for children in families with incomes below 100% of the federal poverty level.

The legislature also funded part of the executive request for additional Medicaid funding based on updated caseload estimates in February 2011. That appropriation ($41.9 million total funds, including $14.2 million general fund) is included in PL 11013.

DP 11002 - Med Ben - Medicare Buy-In Caseload - The legislature approved the executive request to add $6.2 million, including $2.1 million general fund, for expected increases in premiums for Medicare Part A (inpatient care) and Part B (outpatient services). The state Medicaid program purchases Medicare coverage for persons eligible for both programs. Medicare then covers the cost of most services for the individual. Medicaid is only liable for the costs of non-Medicare covered services and for some co-insurance and deductibles related to services utilized. Base expenditures were $24.5 million.

The legislature also funded part of the executive request for additional Medicaid funding based for the Medicare buy-in based on updated caseload estimates in February 2011. That appropriation ($41.9 million total funds, including $14.2 million general fund) is included in PL 11013.

DP 11003 - Med Ben - For Wrkrs w/Disab. Caseload - The legislature approved the executive budget request to add $376,984 total funds, including $124,640 general fund to continue implementation of a Medicaid buy-in program for workers with disabilities. Montana's eligibility standards cover people with incomes up to 250% of the federal poverty level. This program allows workers with disabilities, whose resources or income exceeds the limits for eligibility under existing coverage groups, to qualify for Medicaid and pay premiums as a condition of program eligibility. The program allows people with disabilities to receive medical benefits that support continued employment.

DP 11004 - Med Ben - Breast & Cerv Cancer Caseload - The legislature approved $247,668 for the biennium including $58,971 general fund and $188,697 in federal funds for the breast and cervical cancer treatment program. Base expenditures were $4.9 million. The Medicaid program provides health care coverage for those individuals screened through the Montana Breast and Cervical Health (MBCH) program, who are diagnosed with breast and/or cervical cancer or pre-cancer. The individual must also be under 65 years of age, uninsured, and have a family gross income at or below 200% of the federal poverty level. Individuals eligible under this program are covered for health care services under the basic Medicaid program for the duration of treatment - the same coverage that is provided under the FAIM (Families Achieving Independence in Montana) program.

DP 11005 - FMAP Adj - HRD Medicaid - The legislature approved the executive request to add $5.8 million in general fund offset by an equal reduction in federal funds. This funding change accounts for the increase in the state Medicaid match rate for base budget expenditures. The state match rises from about 32% to about 34%.

DP 11008 - Med Ben - Clawback Caseload - The legislature added $5.1 million general fund over the biennium to pay costs required by the Medicare Modernization Act (MMA), which implemented prescription drug coverage for Medicare eligible persons. Previous to this expansion Medicaid programs covered prescription drug costs for some low-income Medicare eligible persons. States are required to reimburse a portion of state Medicaid savings due to the MMA to the federal government through a phased down contribution known as clawback. The annual clawback payment is adjusted each year based on the number of persons eligible for both Medicare and Medicaid and a federally determined adjustment for the cost of prescription drugs. Base budget expenditures were $9.2 million.

DP 11009 - Med Ben - IHS Caseload - The legislature appropriated $44.7 million in federal funds for the projected caseload and federal rate increases as well as a major modification to the method of payment for services for the Medicaid Indian Health Services program. The establishment of rates for Indian Health Services will now be based on an encounter (per visit) rate more comparable to a fee-for-service methodology rather than an all-inclusive rate, which covers multiple services received in one day with one billed claim. This request is 100% pass through of federal funds. Base budget expenditures were $32.5 million.

The legislature also funded part of the executive request for additional IHS Medicaid funding based on updated caseload estimates in February 2011. That appropriation ($41.9 million total funds, including $14.2 million general fund) is included in PL 11013.

DP 11010 - FMAP Adj - Clawback - The legislature appropriated $8.4 million general fund for increased state Medicaid matching funds for the clawback payment. The American Recovery and Reinvestment Act of 2009 temporarily increased the federal Medicaid match rate by nearly 10% in FY 2010, reducing the clawback payment. The added general fund will pay the increased state Medicaid match. Base expenditures were $9.2 million.

DP 11011 - Hospital Cost Rpt Audit Contract Increases - The legislature appropriated $500,000 over the biennium for hospital cost report audits, half from the general fund and half in federal funds. The audits are required by federal law and are critical for calculating items related to disproportionate share payments. Base expenditures for hospital cost reports audits were $355,200.

Disproportionate share audits were initiated in 2010, but not all annual audits were completed. The appropriation reflects additional resources necessary to complete the requirements for annual audits on an ongoing basis.

DP 11013 - Med Ben - Executive Medicaid Caseload Est (RST) - The legislature appropriated $41.9 million, including $14.2 million general fund, for increased Medicaid caseload costs that were above the level included in the December 15, 2010 executive budget request. DPHHS presented revised Medicaid caseload estimates in February 2011 that anticipated cost increases of $80.3 million (including $22.4 million general fund) more in the 2013 biennium and the Governor's budget office recommended funding the increased cost.

About $25.6 million total funds ($8.7 million) of the February Medicaid update was due to recently published changes to the Medicare reimbursement system used by DPHHS to develop Medicaid reimbursement rates for physician services. If state statute (53-6-125, MCA) is changed to allow DPHHS to modify the variables it uses to calculate Medicaid physician rates then the general fund amount appropriated by the legislature is sufficient to fund the increased state cost.

DP 11016 - EFMAP Adj - HMK - The legislature approved $744,126 in insurance premium tax state special revenue and reduced federal funds by a like amount to fund the increase in the state match rate for the federal CHIP grant. This funding change funds the change needed to continue base budget services at the correct state/federal match rates. The state match will increase gradually from 22.70% in FY 2010 to 23.95% in FY 2013.

DP 11017 - HMK - CHIP - Caseload - The legislature appropriated $18.5 million in total funds for the CHIP component of the Healthy Montana Kids (HMK) program. The increase reflects the executive assumptions for growth in the number of children eligible for services, service utilization, and patient acuity levels. This portion of HMK cost increases is for children in families with incomes between 134%-250% of the federal poverty level (comparable to the former CHIP program).

The legislature reduced the executive request for this component of HMK by removing $14.7 million funds for presumptive eligibility, which was initiated in January 2011. Presumptive eligibility allows medical providers to assist families in completing eligibility for HMK and if it appears that the family income is within eligibility limits to presume the children are eligible for HMK for up to 60 days. Families must complete the full eligibility review process through DPHHS to maintain continued enrollment in HMK. This legislative change requires an amendment to 53-4-1105, MCA, which requires that presumptive eligibility be a component of the HMK program.

DP 11020 - Med Ben - HMK Expansion Caseload - The legislature appropriated $44.5 million in total funds for HMK services for children in families with incomes between 101%-133% of the federal poverty level. The legislative anticipated lower enrollment increases in this component of the HMK program and lowered the appropriation by $3.6 million compared to the executive request.

DP 11021 - Med Ben - Reduce HMK Expansion Caseload - The legislature funded a lower enrollment level for the Healthy Montana Kids program, offsetting increases included in DP 11020 by $3.8 million in FY 2012 and by $3.1 million in FY 2013.

DP 11023 - Med Ben Hold Harmless Account - OTO - The legislature appropriated $16.9 million in state special revenue and reduced general fund by the same amount. The state special revenue is from the Medicaid reserve account established in section 34 of HB 645. States were allowed to set aside savings of a small portion of the enhanced federal Medicaid match rate (the hold harmless component). Funds in the account must be used by the department for Medicaid benefits after June 30, 2011. The legislature allocated this funding change equally between fiscal years, while the executive budget request included the entire funding switch in FY 2013 only.

DP 11112 - Hospital Utilization Fee Authority - The legislature appropriated $8.4 million state special revenue and reduced federal funds by $15.0 million for a net reduction of $6.5 million over the biennium. The source of state special revenue is hospital utilization fee ($50 per day). The increase in state special revenue is due to anticipated increases in the number of inpatient hospital days in the 2013 biennium.. The reduction in federal Medicaid funds is due to a change in federal Medicaid match, which returns to the normal rate (about 66% in the 2013 biennium). The federal match rate was about 10% higher in FY 2010 due to a temporary increase authorized by the American Recovery and Reinvestment Act of 2009.

DP 11113 - Administrative Claiming - MAC & MAM - This appropriation $290,000 of federal funds over the biennium provides funding for the administrative match claiming with the seven tribal governments and schools. This funding provides federal reimbursement of eligible Medicaid outreach and administrative services performed by both the school districts and tribal nations.

DP 11122 - Reduction to HRD Base - The legislature reduced general fund by $307,268 each year of the biennium. Hospital services increased beyond the budgeted benefit appropriation. Funds were transferred from the Montana State Hospital budget to fund the Medicaid hospital cost overrun. This change removes $307,268 in general fund and brings the program back to the level established by the 2009 Legislature.

DP 55140 - 17-7-140 Reduction -Pharm Savings w/SMAC Prgm - This proposal continues the savings from the State Maximum Allowable Cost (SMAC) program to pay the lowest cost for drugs marketed or sold by three or more manufacturers or labelers and specific brand name prescription drugs. The program was included in the 17-7-140 spending reductions implemented in the 2011 biennium. It reduces general fund by $1,268,960 each year.

New Proposals

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 11012 - Shift Tobacco Settlement Funds to HMK											
11	0.00	(5,089,451)	5,089,451	0	0		0.00	(4,815,718)	4,815,718	0	0
DP 11119 - Med Ben - Restore Adult Transplants											
11	0.00	0	253,575	496,425	750,000		0.00	0	256,950	493,050	750,000
DP 11121 - Make Temporary HMK FTE Permanent											
11	5.00	0	52,000	168,339	220,339		5.00	0	52,000	165,119	217,119
DP 55411 - 4% Personal Services Budget Reduction											
11	0.00	(24,772)	0	(24,772)	(49,544)		0.00	(24,772)	0	(24,772)	(49,544)
DP 55420 - 17-7-140 Operation Efficiencies											
11	0.00	(49,907)	0	(49,907)	(99,814)		0.00	(49,907)	0	(49,907)	(99,814)
DP 95111 - Eliminate Big Sky Rx Program											
11	(5.00)	0	(4,003,223)	0	(4,003,223)		(5.00)	0	(4,003,223)	0	(4,003,223)
DP 95112 - 9% Reduction Physician and Anesthesia RBRVS											
11	0.00	(1,667,829)	0	(3,265,117)	(4,932,946)		0.00	(1,667,829)	0	(3,200,323)	(4,868,152)
DP 95113 - Eliminate Hosp. Adj. - Ped Mental Health & Newborn											
11	0.00	(635,000)	0	(1,243,143)	(1,878,143)		0.00	(635,000)	0	(1,218,473)	(1,853,473)
DP 95114 - Dental Reduction - Limit on Crown Services											
11	0.00	(318,068)	0	(622,683)	(940,751)		0.00	(318,068)	0	(610,327)	(928,395)
DP 95115 - Reduction - Dual Eligible Hospital Crossover Cov.											
11	0.00	(203,986)	0	(399,344)	(603,330)		0.00	(203,986)	0	(391,420)	(595,406)
DP 96111 - Reinstate Big Sky Rx at 135% of Federal Poverty											
11	1.50	0	1,419,972	0	1,419,972		1.50	0	1,419,972	0	1,419,972
DP 96113 - Restore 5% - Hosp. Adj. - Ped. Mental Health											
11	0.00	635,000	0	1,243,143	1,878,143		0.00	635,000	0	1,218,473	1,853,473
Total	**1.50**	**($7,354,013)**	**$2,811,775**	**($3,697,059)**	**($8,239,297)**		**1.50**	**($7,080,280)**	**$2,541,417**	**($3,618,580)**	**($8,157,443)**

DP 11012 - Shift Tobacco Settlement Funds to HMK - The legislature offset $9.9 million in general fund state Medicaid match with tobacco settlement revenue. This action partially offsets the projected cost of funding higher HMK enrollment for children in families with incomes of 0% to 100% of the federal poverty level. The executive budget included $183.2 million in general fund in state Medicaid matching funds in the 2013 biennium for this component of HMK. The legislature shifted the freed up general fund to DP 11013 to pay higher Medicaid caseload costs projected by DPHHS that were not part of the December 15, 2010 executive budget request.

DP 11119 - Med Ben - Restore Adult Transplants - The legislature approved the executive request to continue Medicaid funding for a non-experimental organ or tissue transplants for adults. The 2009 Legislature approved one-time funding and this request would make coverage of those procedures permanent. The appropriation of $1.5 million total funds for the biennium includes $0.5 million in health and Medicaid initiatives tobacco tax state special revenue for state matching funds.

The legislature added language to HB 2 to prevent Medicaid services appropriations from being used for multiple organ transplants performed in a single procedure for adults. This restriction will require an amendment to statutes governing the Medicaid program.

DP 11121 - Make Temporary HMK FTE Permanent - The legislature approved 5.00 FTE of 15.00 new FTE requested for HMK administration, limiting the state matching funds appropriated to $52,000 per year plus the additional federal matching. This action continues funding for FTE funded from one-time funds in the 2009 biennium.

The 2009 Legislature approved 24.00 FTE to implement the Healthy Montana Kids Plan (HMK) with 12 funded on a one-time basis. Legislative action for the 2013 biennium continues 10 of the 12 FTE, with 5.00 FTE allocated to the Human and Community Services Division and 5.00 to HRD.

DP 55411 - 4% Personal Services Budget Reduction - The legislature adopted the Governor's 4% reduction in general fund personal services budgets, which lowered general fund by $24,772 per year and represents a 2% contract reduction.

This amount was calculated based on the anticipated general fund budgeted for personal services and will reduce operating expenses in the consultant and professional services category.

DP 55420 - 17-7-140 Operation Efficiencies - This reduction lowers general fund spending by $49,907 for each year of the biennium . This amount annualizes and makes permanent the 17-7-140, MCA, 5% budget reduction put in place in the 2011 biennium. HRD will eliminate the Oregon Health and Science Contract, which reviews evidence-based benefits and design coverage. Loss of this contract reduces the capacity to develop evidence-based coverage and reimbursement policy for the Health Resources Division.

DP 95111 - Eliminate Big Sky Rx Program - The legislature eliminated funding for the Big Sky Rx program, reducing health and Medicaid initiative tobacco tax state special revenue by $8.0 million over the biennium. Big Sky Rx provides assistance for Medicare beneficiaries with incomes up to 200% of the federal poverty level to pay premiums for Medicare Part D drug coverage. Part of the funding was restored in DP 96111.

DP 95112 - 9% Reduction Physician and Anesthesia RBRVS - The legislature reduced Medicaid appropriations by $6.5 million. This action will lower Medicaid reimbursement for physicians to the Medicare rate. This proposal was submitted as part of the 5% budget reduction plan required by 17-7-111(3)(g), MCA. An amendment to 53-6-125, MCA, which establishes the methodology that DPHHS must use to determine Medicaid reimbursement for physicians, is required to implement this reduction.

DP 95113 - Eliminate Hosp. Adj. - Ped Mental Health & Newborn - The legislature reduced Medicaid appropriations by $2.5 million. The reduction will lower Medicaid reimbursement for certain inpatient hospital mental health services for children by up to 30% in the 2013 biennium. This item was included in the 5% budget reduction plan required by 17-7-111(3)(g), MCA. The legislature reversed its action in DP 96113.

DP 95114 - Dental Reduction - Limit on Crown Services - The legislature reduced Medicaid services appropriations for dental services by $1.2 million. DPHHS limited Medicaid reimbursement for crowns to two per adult per year. DPHHS estimated that 607 crowns were provided to 256 adults over the 2 per year limit. This item was included in the 5% budget reduction plan required by 17-7-111(3)(g), MCA.

DP 95115 - Reduction - Dual Eligible Hospital Crossover Coverage - The legislature reduced Medicaid services appropriations for hospital reimbursement by $0.8 million. Medicaid reimbursement for inpatient hospital services currently includes payment for the full deductible and coinsurance for persons who are eligible for both Medicare and Medicaid (dual eligibles). This change will limit total Medicaid reimbursement for inpatient services for dual eligibles to the Medicaid rate. This item was included in the 5% budget reduction plan required by 17-7-111(3)(g), MCA.

DP 96111 - Reinstate Big Sky Rx at 135% of Federal Poverty - The legislature partially restored funding for Big Sky Rx, including funding for 1.50 FTE, $536,845 in total personal services and operating costs, and $2,839,945 in benefit costs over the biennium. The legislature established a funding level to provide premium assistance payments for Medicare eligible persons with incomes at 135% of the poverty level. The program supported persons with incomes up to 200% of the federal poverty level in the 2011 biennium, including 5.00 FTE for program administration.

DP 96113 - Restore 5% - Hosp. Adj. - Ped. Mental Health - The legislature restored $2.5 million in funding to offset the reduction it originally adopted in DP 95113. With this change there would not be a reduction in Medicaid reimbursement levels for certain inpatient mental health services for children due to legislative appropriation action.

Language and Statutory Authority

The legislature included the following language in HB 2.

"If House Bill No. 34 is passed and approved, the appropriation for Health Resources Division is reduced by $26,938 state special revenue in FY 2012 and $25,791 state special revenue in FY 2013."

"Funds in Executive Medicaid Caseload Estimates may be used only for Medicaid benefits or for Medicaid operational costs to manage and control Medicaid expenditures and may be used only after funding for Medicaid benefits above the level appropriated in the Disability Services Division, Health Resources Division, Senior and Long-term Care Division and Addictive and Mental Disorders Division has been fully expended."

Program Budget Comparison

The following table summarizes the total legislative 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	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	444,575	432,582	462,194	461,263	877,157	923,457	46,300	5.28%
Operating Expenses	7,490,576	6,751,683	7,429,513	7,429,555	14,242,259	14,859,068	616,809	4.33%
Total Costs	**$7,935,151**	**$7,184,265**	**$7,891,707**	**$7,890,818**	**$15,119,416**	**$15,782,525**	**$663,109**	**4.39%**
General Fund	2,195,280	1,933,491	2,198,977	2,195,992	4,128,771	4,394,969	266,198	6.45%
State Special	38,345	25,079	36,708	39,755	63,424	76,463	13,039	20.56%
Federal Special	5,701,526	5,225,695	5,656,022	5,655,071	10,927,221	11,311,093	383,872	3.51%
Total Funds	**$7,935,151**	**$7,184,265**	**$7,891,707**	**$7,890,818**	**$15,119,416**	**$15,782,525**	**$663,109**	**4.39%**

Page Reference

Legislative Budget Analysis, B-250

Funding

General fund supports about a third of the Medicaid and Health Service Management Program in the 2013 biennium budget. State special revenue funds derived from departmental indirect cost allocations support less than 1% of the 2013 biennium budget. Federal special revenue funds support the remainder of the budget and are also derived through indirect cost allocations.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	2,195,280	2,195,280	4,390,560	99.90%	7,935,151	7,935,151	15,870,302	100.56%
Statewide PL Adjustments	33,697	30,712	64,409	1.47%	16,556	15,667	32,223	0.20%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(30,000)	(30,000)	(60,000)	(1.37%)	(60,000)	(60,000)	(120,000)	(0.76%)
Total Budget	**$2,198,977**	**$2,195,992**	**$4,394,969**		**$7,891,707**	**$7,890,818**	**$15,782,525**	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the legislature. “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					36,877					35,907
Vacancy Savings					(19,258)					(19,219)
Inflation/Deflation					(15)					(15)
Fixed Costs					(1,048)					(1,006)
Total Statewide Present Law Adjustments		**$33,697**	**($1,637)**	**($15,504)**	**$16,556**		**$30,712**	**$1,410**	**($16,455)**	**$15,667**
Grand Total All Present Law Adjustments	**0.00**	**$33,697**	**($1,637)**	**($15,504)**	**$16,556**	**0.00**	**$30,712**	**$1,410**	**($16,455)**	**$15,667**

New Proposals

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 95121 - 5% Plan - Eliminate Claim Jumper Publication										
12	0.00	(30,000)	0	(30,000)	(60,000)	0.00	(30,000)	0	(30,000)	(60,000)
Total	**0.00**	**($30,000)**	**$0**	**($30,000)**	**($60,000)**	**0.00**	**($30,000)**	**$0**	**($30,000)**	**($60,000)**

DP 95121 - 5% Plan - Eliminate Claim Jumper Publication - The legislature eliminated general fund support for the Claim Jumper publication. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

Program Budget Comparison

The following table summarizes the total legislative 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	221.05	221.05	220.05	220.05	221.05	220.05	(1.00)	(0.45%)
Personal Services	10,810,841	11,718,957	11,420,346	10,477,268	22,529,798	21,897,614	(632,184)	(2.81%)
Operating Expenses	7,046,860	7,230,221	7,988,319	7,527,185	14,277,081	15,515,504	1,238,423	8.67%
Equipment & Intangible Assets	132,303	230,716	132,303	132,303	363,019	264,606	(98,413)	(27.11%)
Grants	8,697,634	8,881,397	8,977,830	8,994,341	17,579,031	17,972,171	393,140	2.24%
Benefits & Claims	210,905,351	216,749,712	231,221,777	233,267,817	427,655,063	464,489,594	36,834,531	8.61%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	11,484	15,793	11,484	11,484	27,277	22,968	(4,309)	(15.80%)
Total Costs	**$237,604,473**	**$244,826,796**	**$259,752,059**	**$260,410,398**	**$482,431,269**	**$520,162,457**	**$37,731,188**	**7.82%**
General Fund	34,998,185	47,880,277	61,200,962	62,750,080	82,878,462	123,951,042	41,072,580	49.56%
State Special	28,230,568	31,455,641	31,444,452	30,190,850	59,686,209	61,635,302	1,949,093	3.27%
Federal Special	174,375,720	165,490,878	167,106,645	167,469,468	339,866,598	334,576,113	(5,290,485)	(1.56%)
Total Funds	**$237,604,473**	**$244,826,796**	**$259,752,059**	**$260,410,398**	**$482,431,269**	**$520,162,457**	**$37,731,188**	**7.82%**

Page Reference

Legislative Budget Analysis, B-254

Funding

SLTC is funded by general fund and a number of state and federal special revenues. General fund increases over the 2013 biennium due to:

- Elimination of increased federal funding support for the Medicaid program provided in the economic stimulus package
- Increases to the state match rate needed to draw down federal Medicaid funds
- Growth in Medicaid costs

Most state revenue sources are used as a match for Medicaid services. Nursing home utilization fee revenue is the most significant source of state special revenue, providing about a third of the support for the division. Some of the fee revenue is deposited into the general fund, but the majority of the fee is deposited into the state special revenue account appropriated to the SLTC division.

Other significant sources of state Medicaid matching funds include:

- Health and Medicaid initiative tobacco tax revenue supporting nursing homes and home and community based waiver services to the elderly and physically disabled
- County intergovernmental transfer revenues (IGT) used as Medicaid nursing home state match
- Cigarette tax revenues supporting the Montana veterans' homes
- Private reimbursements including insurance, Medicaid, and Medicare paid for veterans residing at the Montana Veterans' Home in Columbia Falls

Additional information on the health and Medicaid initiative state special revenue account is discussed in the agency overview as it supports Medicaid and health initiatives throughout the agency as well as health insurance in the Insure Montana Program administered by the State Auditor's Office.

County IGTs are used as state match to draw down additional federal funds to augment payments to nursing homes for Medicaid eligible services. Montana has one of the few federally approved intergovernmental transfer programs in the western region. Rate increases to nursing homes are considered one time and not continuing.

State special revenues increase as a percentage of total funding from the FY 2010 base funding level mainly due to increased support from the health and Medicaid initiative account for:

- 180 slots in the home and community based waiver for elderly and physically disabled individuals requiring nursing home level of care. 100 slots are to provide services for individuals transitioning out of nursing homes and the remainder are provided to reinstate funding designated as one-time-only in the previous biennium
- Additional support for nursing home services of about $2.9 million over the biennium. The increased state special revenue offsets an equal amount of general fund

The increases are partially offset by reductions in cigarette tax revenues supporting the Montana Veterans' Home (MVH) in Columbia Falls.

Cigarette Tax Revenue

By statute, 8.3% of cigarette taxes collected are deposited into a state special revenue account for support of veterans' nursing home costs at state operated veterans' homes. Statute requires that amounts in excess of $2.0 million in the veterans' portion of the cigarette tax fund be transferred to the state's general fund at the end of the fiscal year.

Services supported by the cigarette tax include:

- Operational costs of the two Montana veterans' homes
- Long-range building projects for the veterans' homes
- Indirect costs of DPHHS

Cigarette tax transfers to the general fund increase over the biennium due to:

- No identified long-range building projects proposed for either the Montana Veterans' Home in Columbia Falls or the Eastern Montanan Veterans' Home in Glendive, reducing the support needed
- Reductions to fund operations at the Montana Veterans' Home at the average of similar sized private facilities operating at either a 4 or 5 star quality rating determined by the Centers for Medicare and Medicaid. The reductions of $3.1 million are partially offset by an increase of about $1.4 million to support termination costs associated with moving the business model of MVH to a contract with a private entity overseen by the state
- Funding providing 75% of the executive request for holiday, overtime, differential pay, and aggregate positions at MVH

Federal funds decrease significantly as a percentage of total funding between the FY 2010 base budget and the 2013 biennium budget. The majority of the reduction is due to the elimination of increased federal support for Medicaid services provided in the federal stimulus package. This reduction reduces federal payments for Medicaid benefits provided through the federal medical assistance percentage (FMAP) calculation by about 10% between the biennia.

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	34,998,185	34,998,185	69,996,370	56.47%	237,604,473	237,604,473	475,208,946	91.36%
Statewide PL Adjustments	22,743,139	22,740,519	45,483,658	36.69%	109,883	119,924	229,807	0.04%
Other PL Adjustments	5,920,215	7,261,203	13,181,418	10.63%	22,633,691	24,682,974	47,316,665	9.10%
New Proposals	(2,460,577)	(2,249,827)	(4,710,404)	(3.80%)	(595,988)	(1,996,973)	(2,592,961)	(0.50%)
Total Budget	**$61,200,962**	**$62,750,080**	**$123,951,042**		**$259,752,059**	**$260,410,398**	**$520,162,457**	

An adjustment was made to the federal funding for this division to reflect the end of the increased federal FMAP provided through the federal stimulus package in the 2011 biennium. The 2009 Legislature had anticipated and sanctioned this funding switch in HB 645, which implemented the federal stimulus in Montana. Federal funds totaling $22.2 million in the FY 2010 base expenditures have been replaced with general fund each year of the 2013 biennium.

For additional detail see the agency overview section of this narrative.

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					600,003					597,716
Vacancy Savings					(456,424)					(456,338)
Inflation/Deflation					(33,404)					(21,531)
Fixed Costs					(292)					77
Total Statewide Present Law Adjustments		**$22,743,139**	**($375,655)**	**($22,257,601)**	**$109,883**		**$22,740,519**	**($375,955)**	**($22,244,640)**	**$119,924**
DP 22101 - Med Ben - Nurse Home Caseld	0.00	1,575,221	0	8,360,368	9,935,589	0.00	1,155,352	0	7,585,433	8,740,785
DP 22102 - Nur Home FMAP Adj	0.00	1,641,322	0	(1,641,322)	0	0.00	2,284,394	0	(2,284,394)	0
DP 22104 - Med Ben - Home Based Caseload	0.00	1,616,076	0	3,163,799	4,779,875	0.00	2,393,959	0	4,593,662	6,987,621
DP 22105 - Home Based FMAP Adj	0.00	426,988	0	(426,988)	0	0.00	598,106	0	(598,106)	0
DP 22107 - HCHCW Funding Annualization	0.00	365,779	0	716,087	1,081,866	0.00	370,647	0	711,219	1,081,866
DP 22108 - HCHCW FMAP Adj	0.00	41,032	0	(41,032)	0	0.00	57,476	0	(57,476)	0
DP 22109 - Med Ben - Waiver Annualization	0.00	482,551	0	944,693	1,427,244	0.00	488,974	0	938,270	1,427,244
DP 22110 - Waiver FMAP Adj	0.00	(203,853)	0	203,853	0	0.00	(62,804)	0	62,804	0
DP 22112 - Nursing Facility IGT Spending Authority	0.00	0	1,181,911	2,313,833	3,495,744	0.00	0	1,545,067	2,964,761	4,509,828
DP 22113 - MVH Restore OT/Holidays Worked	0.00	0	381,225	0	381,225	0.00	0	381,225	0	381,225
DP 22114 - MVH - Medical & Pharmacy Inflation	0.00	0	336,312	0	336,312	0.00	0	342,058	0	342,058
DP 22115 - Increase Fed Authority for VA Per Diem MVH	0.00	0	(444,031)	444,031	0	0.00	0	(444,031)	444,031	0
DP 22116 - Increase Fed Authority for VA Per Diem EMVH	0.00	0	0	954,881	954,881	0.00	0	0	954,881	954,881
DP 22117 - Aging Grant Funding	0.00	0	0	280,196	280,196	0.00	0	0	296,707	296,707
DP 22118 - State Supplement Growth	0.00	9,081	0	0	9,081	0.00	9,081	0	0	9,081
DP 55140 - 17-7-140 Reductions- SLTC Operations Efficiencies	0.00	(33,982)	0	(14,340)	(48,322)	0.00	(33,982)	0	(14,340)	(48,322)
Total Other Present Law Adjustments	**0.00**	**$5,920,215**	**$1,455,417**	**$15,258,059**	**$22,633,691**	**0.00**	**$7,261,203**	**$1,824,319**	**$15,597,452**	**$24,682,974**
Grand Total All Present Law Adjustments	**0.00**	**$28,663,354**	**$1,079,762**	**($6,999,542)**	**$22,743,574**	**0.00**	**$30,001,722**	**$1,448,364**	**($6,647,188)**	**$24,802,898**

DP 22101 - Med Ben - Nurse Home Caseld - The legislature provided $2.7 million in general fund and $15.9 million in federal funds for caseload adjustments in Medicaid nursing home services. The adjustment includes a 1.1% decline in the first year of the biennium and a .85% decline in the second year of the biennium. The reason funding increases is that a portion of the services provided in FY 2010 were supported by one-time-only funding. As services were reduced in other areas the legislature approved support for the FY 2010 service costs in this area.

DP 22102 - Nur Home FMAP Adj - The legislature provided support for an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 for

Medicaid-funded nursing facility services. The match rate will increase to 33.81% in FY 2012 and 34.26% in FY 2013 from the FY 2010 rate of 32.52%. The decrease in federal funds is equal to the increase in general fund.

P 22104 - Med Ben - Home Based Caseload - The legislature provided $4.0 million in general fund and $7.8 million in federal funds for caseload adjustments in Medicaid-funded personal assistance, home health and hospice services.

DP 22105 - Home Based FMAP Adj - The legislature provided support for an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 for Medicaid-funded personal assistance, home health and hospice services. The match rate will increase to 33.81% in FY 2012 and 34.26% in FY 2013 from the FY 2010 rate of 32.52%.

DP 22107 - HCHCW Funding Annualization - The legislature approved $0.7 million in general fund to draw down $1.4 million in federal funds to annualize the costs associated with the Health Care for Health Care Workers program. This adjustment continues the coverage of this insurance program at the current level.

DP 22108 - HCHCW FMAP Adj - The legislature provided support for an increase in general fund and a decrease in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 for the Medicaid-funded Health Care for Health Care Workers program. The match rate will increase to 33.81% in FY 2012 and 34.26% in FY 2013 from the FY 2010 rate of 32.52%.

DP 22109 - Med Ben - Waiver Annualization - The legislature annualized the cost of nursing home transition placements into community based service settings by approving $0.9 million in general fund to draw down $1.9 million in federal funds. Approximately 38 individuals transitioned at different times during the year from the nursing facility to home and community based waiver placements, resulting in less than a full year of expenditures being recognized in the FY 2010 base year.

DP 22110 - Waiver FMAP Adj - The legislature supported a decrease in general fund and an increase in federal Medicaid funds over the biennium due to a projected change in FMAP rates for FY 2012 and FY 2013 for Medicaid-funded home and community based waiver services. The match rate will increase to 33.81% in FY 2012 and 34.26% in FY 2013 from the FY 2010 rate of 32.52%.

DP 22112 - Nursing Facility IGT Spending Authority - The legislature granted authority for $2.7 million in state special revenue funds matched with $5.3 million in federal Medicaid funds to reflect the anticipated increase in Nursing Facility Intergovernmental Payments (IGT) between the FY 2010 base and the 2013 biennium. The increased ability to leverage matching funds between the Medicaid rate and the Medicare upper payment limit (UPL) is anticipated at approximately $8.0 million in total funds over the biennium with the state match provided by county governments.

DP 22113 - MVH Restore OT/Holidays Worked - The legislature provided support for about 75% of the personal services costs that were removed from the FY 2010 base budget for the Montana Veterans' Home (MVH). This includes overtime, differential, holidays worked, and doctor on-call pay related to operating a facility with 24 hour staffing.

The funding includes support of aggregate positions, which are used to provide coverage for staff on sick leave, vacation leave, and in nurse aide training classes.

DP 22114 - MVH - Medical & Pharmacy Inflation - The legislature included $678,370 in state special revenue from the cigarette tax over the biennium to fund inflationary increases in operations, medical, and pharmacy costs for MVH.

DP 22115 - Increase Fed Authority for VA Per Diem MVH - The legislature increased federal authority due to an increase in federal veteran’s administration per diem rates that will be reimbursed for the domiciliary and nursing facility days of care at MVH in the 2013 biennium. The funding is shifted from cigarette taxes to federal funds.

DP 22116 - Increase Fed Authority for VA Per Diem EMVH - The legislature provided $1.9 million of increased federal authority for veteran's administration per diem paid for nursing facility days of care at EMVH.

DP 22117 - Aging Grant Funding - The legislature provided additional federal authority for anticipated increases in federal aging grants for community aging services such as ombudsman, Title III nutrition programs, and SHIP. Federal funds will augment contracts with Area Agencies on Aging.

DP 22118 - State Supplement Growth - The legislature provided an increase in general fund for growth of approximately 10 people in the State Supplement Program. These increases are expected to come from children in foster homes and a small number of individuals moving into DD group homes. These payments are made to SSI eligible individuals who reside in designated residential care facilities, such as community homes for persons with developmental disabilities, adult foster homes, or assisted living facilities.

DP 55140 - 17-7-140 Reductions- SLTC 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. The legislature continued the original reduction in the 2013 biennium. SLTC plans to reduce expenditures for consulting and professional services, supplies, rent, cell phones, and postage.

New Proposals

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 22121 - Fund MVH at Average of Private Facilities/Privatiz										
22	0.00	0	(847,545)	0	(847,545)	0.00	0	(2,268,000)	0	(2,268,000)
DP 22122 - Transition to Privatization of MVH										
22	0.00	0	691,400	0	691,400	0.00	0	691,401	0	691,401
DP 22123 - Transitioning 100 Individuals from Nursing Homes										
22	0.00	0	845,250	1,654,750	2,500,000	0.00	0	856,500	1,643,500	2,500,000
DP 22124 - Provide Support to Continue 80 HCBW Slots										
22	0.00	0	676,200	1,323,800	2,000,000	0.00	0	685,200	1,314,800	2,000,000
DP 22125 - Traumatic Brain Injury Services										
22	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
DP 22126 - Increase Medicaid Health Initiative to FY 2010 Fnd										
22	0.00	(1,443,052)	1,443,052	0	0	0.00	(1,443,052)	1,443,052	0	0
DP 55422 - 4% Personal Svs GF Bud Reduction										
22	(1.00)	(92,641)	0	5,771	(86,870)	(1.00)	(92,641)	0	6,226	(86,415)
DP 55423 - PACE Elimination										
22	0.00	(314,459)	0	(640,983)	(955,442)	0.00	(314,459)	0	(640,983)	(955,442)
DP 95221 - 5% Plan - 3.0 % Rdctn in Medicaid Nursing Faciliti										
22	0.00	(1,261,111)	0	(2,468,883)	(3,729,994)	0.00	(1,261,111)	0	(2,419,890)	(3,681,001)
DP 95222 - 5% Plan - 2.22% Rdctn in Medicaid HCBWS										
22	0.00	(238,052)	0	(466,036)	(704,088)	0.00	(238,052)	0	(456,787)	(694,839)
DP 95223 - 5% Plan - Rdctn in Medicaid Personal Assistance										
22	0.00	(251,358)	0	(492,085)	(743,443)	0.00	(251,358)	0	(482,320)	(733,678)
DP 96221 - Restore 5% - $1.56 per Medicaid bed day/nursing hm										
22	0.00	1,090,096	(674,235)	814,133	1,229,994	0.00	1,300,846	(896,235)	776,390	1,181,001
Total	**(1.00)**	**($2,460,577)**	**$2,134,122**	**($269,533)**	**($595,988)**	**(1.00)**	**($2,249,827)**	**$511,918**	**($259,064)**	**($1,996,973)**

DP 22121 - Fund MVH at Average of Private Facilities/Privatiz - The legislature reduced state special revenues from the cigarette tax by $847,545 in FY 2012 and $2,268,000 in FY 2013. The reduction funds the facility at the average of private facilities with comparable bed capacity and ratings for quality as determined by the Centers for Medicare and Medicaid. The reductions in FY 2012 were offset by $1.4 million in funding to support health insurance and pension costs as the legislature recognized differences between state benefit requirements and those provided by private facilities.

DP 22122 - Transition to Privatization of MVH - The legislature provided a restricted biennial appropriation for reduction in force costs associated with transitioning to having the nursing home services provided by a private contractor at the Montana Veterans' Home. This appropriation is contingent on the department receiving a successful bidder for the operation of the facility in FY 2013.

DP 22123 - Transitioning 100 Individuals from Nursing Homes - The legislature provided funds to support slots for 100 individuals to be moved from nursing homes into community services under the Medicaid home and community based waiver services. Services are supported by $1.7 million in state special revenues and $3.3 million in federal funds over the 2013 biennium.

DP 22124 - Provide Support to Continue 80 HCBW Slots - The legislature provided funding to continue 80 home and community based waiver slots that were funded on a one-time only basis in the 2011 biennium. The costs of the services are supported by $1.4 million in state special revenues used to draw down $3.6 million in federal funds in the 2013 biennium.

DP 22125 - Traumatic Brain Injury Services - The legislature provided $50,000 in general fund each year of the biennium for traumatic brain injury support services to Montanans and their families.

DP 22126 - Increase Medicaid Health Initiative to FY 2010 Fnd - The legislature established state special revenue funding for the Medicaid and health initiative account at the FY 2010 funding levels. State special revenues were increased by $2.88 million over the 2013 biennium with a corresponding reduction in general fund.

DP 55422 - 4% Personal Svs GF Bud Reduction - The legislature reduced personal services funded with general fund by 4%. The legislature approved the executive’s request to reduce general fund supporting 1.00 FTE and make reductions of about $66,000 in operating costs and $20,000 in benefits over the biennium.

DP 55423 - PACE Elimination - The legislature approved the Governor’s proposal to eliminate the Program of All-inclusive Care for the Elderly (PACE) from the base budget of Medicaid community services waiver. The reduction removes the base budget expenditure amount of about $0.6 million and a related $1.3 million in matching federal funds over the biennium. PACE is a managed care service for the frail community-dwelling elderly, most of whom are dually eligible for Medicare and Medicaid benefits, and all of whom are assessed as being eligible for nursing home placement according to the standards established by the state.

DP 95221 - 5% Plan - 3.0 % Rdctn in Medicaid Nursing Faciliti - The legislature reduced nursing home facility funding through a combination of a $1.56 a day provider rate reduction in the Medicaid day rate for nursing homes and by increasing the number of individuals transitioned out of the nursing home and into community services to 100 in the 2013 biennium. $1.26 million in general fund and $2.50 million in federal funds were reduced from the FY 2010 base budget as a result. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

DP 95222 - 5% Plan - 2.22% Rdctn in Medicaid HCBWS - The legislature reduced general fund support for the Medicaid Home and Community Based Waiver Services by about $0.5 million in general fund and $0.9 million in federal funds over the biennium. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

DP 95223 - 5% Plan - Rdctn in Medicaid Personal Assistance - The legislature reduced general fund support for Medicaid personal assistance services by 2.2% annually or about $0.5 million in general fund and $1.0 million in federal funds over the biennium. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

DP 96221 - Restore 5% - $1.56 per Medicaid bed day/nursing hm - The legislature partially restored funding for nursing homes that were included in the statutorily required 5% reduction plan provided by the executive. The restored funding

offsets the $1.56 per Medicaid bed day reduction included for Medicaid reimbursements to providers. The legislature also reduced state special revenue funds and increased general fund supporting nursing homes to balance the nursing home utilization fee account. Both actions increased general fund support for nursing homes by $2.4 million over the biennium.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Transition to Privatization of MVH may only be used to pay reduction in force costs associated with having nursing home services provided by a private contractor at the Montana Veteran's Home."

"100 Slots for Home and Community Based Waiver Services (HCBS) may be used only to fund Medicaid services in the following order of priority:

1. Plans of care for individuals moved from nursing homes into community settings under the HCBS
2. Maintaining individuals in assisted living facilities and others in the community who are at immediate risk of nursing home placement
3. Medicaid nursing home bed days in the event bed days are under funded"

The executive recommends the following language for the division:

“County Nursing Home Intergovernmental Transfer (IGT) (DP 22112) may be used as one-time only payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home IGT may be expended only after the Office of Budget and Program Planning has certified that the department has collected from these participating counties the amount necessary to make one-time only payments to nursing homes and to fund the base budget in the nursing facility program and the community services program at the level of $829,969.”

Program Budget Comparison

The following table summarizes the total legislative 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	628.35	628.35	619.86	619.86	628.35	619.86	(8.49)	(1.35%)
Personal Services	34,558,671	39,266,241	35,240,919	35,258,057	73,824,912	70,498,976	(3,325,936)	(4.51%)
Operating Expenses	13,051,488	13,720,810	13,292,046	13,618,640	26,772,298	26,910,686	138,388	0.52%
Equipment & Intangible Assets	45,420	51,741	45,420	45,420	97,161	90,840	(6,321)	(6.51%)
Grants	5,145,999	5,268,411	5,832,409	5,832,409	10,414,410	11,664,818	1,250,408	12.01%
Benefits & Claims	58,111,749	63,869,117	71,238,499	73,257,067	121,980,866	144,495,566	22,514,700	18.46%
Debt Service	1,620	42,953	1,620	1,620	44,573	3,240	(41,333)	(92.73%)
Total Costs	**$110,914,947**	**$122,219,273**	**$125,650,913**	**$128,013,213**	**$233,134,220**	**$253,664,126**	**$20,529,906**	**8.81%**
General Fund	58,190,516	65,823,142	62,344,378	62,814,384	124,013,658	125,158,762	1,145,104	0.92%
State Special	10,910,039	12,438,514	14,008,262	14,801,412	23,348,553	28,809,674	5,461,121	23.39%
Federal Special	41,814,392	43,957,617	49,298,273	50,397,417	85,772,009	99,695,690	13,923,681	16.23%
Total Funds	**$110,914,947**	**$122,219,273**	**$125,650,913**	**$128,013,213**	**$233,134,220**	**$253,664,126**	**$20,529,906**	**8.81%**

Page Reference

Legislative Budget Analysis, B-292

Funding

The Addictive and Mental Disorders Division (AMDD) 2013 biennium appropriation is $20.5 million higher than the 2011 biennium including $1.1 million general fund. The primary component of this increase is a Medicaid waiver to provide services to 800 individuals currently served by the state funded Mental Health Services Plan, which has been discussed with the last two legislatures. The new waiver adds $17.0 million over the biennium.

The net general fund change of $1.1 million is due to budgeting overtime, shift differential, and holiday pay and medical inflation for the two state mental health facilities at a lower rate than budgeted in the 2011 biennium and shifting $1.4 million of general fund costs for chemical dependency services to alcohol state special revenue.

The AMDD is funded from general fund, state special revenue, and federal funds. General fund provides just under 50% of the funding in FY 2013 and supports:

- The two state mental health institutions
- Most of the state match for adult mental health Medicaid services
- A portion of the cost for the state funded Mental Health Services Plan (MHSP) for low-income adults with a serious and disabling mental illness
- Community methamphetamine treatment facilities
- A portion of administrative costs

AMDD is also funded from two major state special revenue sources that account for about 11% of total funding in the FY 2013 appropriation. The major sources of state special revenue, source of funding, and functions supported are:

- Health and Medicaid initiatives tobacco tax state special revenue pays a portion of state match for adult mental health Medicaid services, the cost of the MHSP program for prescription drug services, and the state match for the newly approved Medicaid waiver to expand basic Medicaid physical health services to 800 individuals formerly served in MHSP
- Alcohol taxes fund community chemical dependency services, a portion of the cost for the Montana Chemical Dependency Center (MCDC), state matching funds for Medicaid chemical dependency services, and a portion of division administrative costs
- County funds for the support of community mental health centers are transferred to AMDD to pay a portion of the mental health state Medicaid match

- Tobacco settlement trust fund interest supports a portion of mental health state Medicaid match

Federal funds and the functions supported by those funds are:

- Medicaid matching funds for mental health and chemical dependency services and a portion of division administration costs
- Federal block grant funds for community and state institution chemical dependency services, development of community chemical dependency prevention programs, and a portion of division administrative costs
- Federal block grant funds for community mental health services, including mental health services for homeless persons

Budget Summary by Category

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

Budget Summary by Category	General Fund				Total Funds			
Budget Item	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	58,190,516	58,190,516	116,381,032	92.99%	110,914,947	110,914,947	221,829,894	87.45%
Statewide PL Adjustments	3,355,694	3,373,997	6,729,691	5.38%	(416,959)	(392,360)	(809,319)	(0.32%)
Other PL Adjustments	2,728,139	3,332,461	6,060,600	4.84%	16,870,191	19,193,564	36,063,755	14.22%
New Proposals	(1,929,971)	(2,082,590)	(4,012,561)	(3.21%)	(1,717,266)	(1,702,938)	(3,420,204)	(1.35%)
Total Budget	**$62,344,378**	**$62,814,384**	**$125,158,762**		**$125,650,913**	**$128,013,213**	**$253,664,126**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the legislature. "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					1,191,824					1,205,120
Vacancy Savings					(1,430,030)					(1,430,548)
Inflation/Deflation					(178,736)					(152,443)
Fixed Costs					(17)					(14,489)
Total Statewide Present Law Adjustments		**$3,355,694**	**$142,320**	**($3,914,973)**	**($416,959)**		**$3,373,997**	**$148,331**	**($3,914,688)**	**($392,360)**
DP 33001 - Med Ben- HCBS Waiver Annualization	0.00	0	545,122	1,067,188	1,612,310	0.00	0	552,377	1,059,933	1,612,310
DP 33002 - Restore OT/Holidays Worked MSH	0.00	1,214,984	0	0	1,214,984	0.00	1,210,048	0	0	1,210,048
DP 33003 - MSH - Medical and Pharmacy Inflation	0.00	367,979	0	0	367,979	0.00	556,531	0	0	556,531
DP 33004 - Restore OT/Holidays Worked NCC	0.00	287,180	0	0	287,180	0.00	296,476	0	0	296,476
DP 33005 - MMHNCC-Medical & Pharmacy Inflation	0.00	220,347	0	0	220,347	0.00	346,568	0	0	346,568
DP 33006 - Med Ben - Mental Health Caseload Adj.	0.00	2,188,392	0	4,284,225	6,472,617	0.00	2,330,406	0	4,471,714	6,802,120
DP 33007 - FMAP Adj - Mental Health	0.00	(526,524)	249,529	276,995	0	0.00	(383,349)	259,284	124,065	0
DP 33013 - Med Ben--HIFA Waiver	0.00	0	1,226,487	6,434,471	7,660,958	0.00	0	1,843,997	7,491,698	9,335,695
DP 33014 - Reallocate Suicide Prevention Funding	0.00	0	0	0	0	0.00	0	0	0	0
DP 55140 - AMDD Operations Efficiencies 17-7-140	0.00	(57,407)	0	0	(57,407)	0.00	(57,407)	0	0	(57,407)
DP 55801 - Reduction to MHSP Base	0.00	(966,812)	0	58,035	(908,777)	0.00	(966,812)	0	58,035	(908,777)
Total Other Present Law Adjustments	**0.00**	**$2,728,139**	**$2,021,138**	**$12,120,914**	**$16,870,191**	**0.00**	**$3,332,461**	**$2,655,658**	**$13,205,445**	**$19,193,564**
Grand Total All Present Law Adjustments	**0.00**	**$6,083,833**	**$2,163,458**	**$8,205,941**	**$16,453,232**	**0.00**	**$6,706,458**	**$2,803,989**	**$9,290,757**	**$18,801,204**

General Fund Change in Statewide Present Law Budget – Enhanced Federal Medicaid Match Rate

The statewide present law adjustments include a $7.7 million general fund increase offset by a reduction in federal Medicaid matching funds. This funding switch accounts for FY 2010 general fund savings due to the enhanced federal match rate (FMAP) included in the American Recovery and Reinvestment Act of 2009 (ARRA). The 2009 Legislature authorized an automatic adjustment to the adjusted base budget to restore general fund in the amount of increased federal Medicaid matching funds received in FY 2010. This funding change was authorized for all Medicaid services and foster care services funding as well.

DP 33001 - Med Ben- HCBS Waiver Annualization - The legislature approved $3.2 million total funds, including $1.1 million in health and Medicaid initiatives tobacco tax state special revenue, to fund 155 slots for the AMDD home and community-based (HCBS) waiver. The program is currently operating with 125 slots, with an additional 30 slots planned in FY 2011. FY 2010 expenditures were $2,167,690. This program provides community services to adults with a severe and disabling mental illness who meet nursing home level of care criteria. The average cost per service slot is $24,387 per year.

DP 33002 - Restore OT/Holidays Worked MSH - The legislature appropriated $2.4 million for overtime, shift differential, holidays worked, and aggregate FTE at the Montana State Hospital (MSH). These costs, which are removed from the base budget, are related to staffing a facility that must be open 24 hours a day, 7 days a week. Base expenditures were $1.6 million. The appropriation represents a 25% reduction from the executive budget request.

DP 33003 - MSH - Medical and Pharmacy Inflation - The legislature appropriated $0.9 million general fund for inflationary increases for pharmacy, outside medical, laundry, and food services expenses at the Montana State Hospital.

The hospital provides prescription drugs for residents during their stay at the facility, and incurs costs for medical services outside the facility such as lab, hospital, x-rays, dental, and optometry. Base expenditures for these items were $2.7 million.

DP 33004 - Restore OT/Holidays Worked NCC - The legislature appropriated about $0.5 million general fund for overtime, shift differential, holidays worked, and aggregate FTE at the Montana Mental Health Nursing Care Center (MMHNCC or NCC). These costs, which are removed from the base budget, are related to staffing a facility that must be open 24 hours a day, 7 days a week. Base expenditures were $0.4 million. The appropriation represents a 25% reduction from the executive budget request.

DP 33005 - MMHNCC-Medical & Pharmacy Inflation - The legislature appropriated $0.6 million general fund over the biennium for a 5% inflationary increase for pharmacy contracted services and a 10% inflationary increase for drug costs, outside medical, and dental costs for MMHNCC residents who do not have other forms of insurance. Base expenditures for these items were $1.1 million.

DP 33006 - Med Ben - Mental Health Caseload Adj. - The legislature added $13.3 million total funds ($4.5 million general fund) over the biennium for projected Medicaid mental health services cost increases. Base expenditures were $35.3 million.

DP 33007 - FMAP Adj - Mental Health - The legislature reduced general fund ($0.8 million over the biennium) and increased state special revenue ($0.5 million over the biennium) and federal Medicaid funds ($0.4 million) due to a projected change in the Federal Medical Assistance Participation (FMAP) rates for FY 2012 and FY 2013.

The state Medicaid match rate is expected to increase over the 2013 biennium. The adjustment in the AMDD budget lowered general fund despite the match increase in order to adjust state funding to the correct mix. When the adjusted base budget was modified to account for the discontinuation of the temporary increase in the federal Medicaid match rate, too much general fund was added. This adjustment corrects for that error.

DP 33013 - Med Ben--HIFA Waiver - The legislature appropriated $17.0 million total funds, including $3.1 million in tobacco tax health and Medicaid initiatives state special revenue, to implement the health insurance flexibility and accountability (HIFA) Medicaid waiver program, which was approved by the federal Centers for Medicare and Medicaid Services (CMS) in late November 2010. The HIFA waiver proposal was originally discussed with the 2005 Legislature and submitted to CMS in 2006.

DP 33014 - Reallocate Suicide Prevention Funding - The legislature reallocated a portion of the $375,438 in general fund supporting suicide prevention funding. The legislature moved funding for the suicide prevention officer required by 53-21-1101, MCA to grants for local communities, anticipating grants of up to $14,000 annually per grant recipient. Up to four additional grants could be funded at the $14,000 level. The legislature maintained funding at $200,000 annually for the suicide hotline and directed DPHHS to locate federal grant funding to support the suicide prevention officer.

DP 55140 - AMDD Operations Efficiencies 17-7-140 - The legislature accepted the executive recommendation to reduce the general fund base budget by $57,407 each year. This change continues FY 2011 reductions made by the Governor under 17-7-140, MCA. AMDD will accommodate reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage and contracting.

DP 55801 - Reduction to MHSP Base - The legislature accepted the executive proposal to reduce general fund by $2.0 million over the biennium to lower the 2013 biennium Mental Health Services Plan (MHSP) appropriation to the level established by the 2009 Legislature. Enrollment and service utilization in MHSP spiked in FY 2010. Mitigation activities undertaken by AMDD included limiting enrollment by shifting eligibility determination to AMDD staff, limiting eligibility to those persons most in need of services, and capping monthly case management reimbursement. However, despite these cost containment efforts, the program expenditures exceeded the amounts appropriated for MHSP. The division covered the MHSP shortfall by transferring funds from the appropriations for the 72 hour

community crisis diversion program and personal services costs at the state mental health institutions. This reduction removes the additional expenditures that were funded by the transfer. Other mitigation plans are in progress to maintain the program at this level.

New Proposals

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 33015 - Med Ben - Alcohol Tax Offset of General Fund Match										
33	0.00	(170,704)	170,704	0	0	0.00	(170,704)	170,704	0	0
DP 33016 - Alcohol Tax Offset General Fund Treatment Cost										
33	0.00	(446,201)	446,201	0	0	0.00	(598,820)	598,820	0	0
DP 55433 - 4% FTE Reduction										
33	(8.49)	(514,768)	0	0	(514,768)	(8.49)	(514,768)	0	0	(514,768)
DP 95141 - HB130 Crisis Divrsn Fndng in HB2 17-7-140										
33	0.00	(619,468)	0	0	(619,468)	0.00	(619,468)	0	0	(619,468)
DP 95331 - Reduce Targeted Case Management Rates										
33	0.00	(368,830)	0	(722,060)	(1,090,890)	0.00	(368,830)	0	(707,732)	(1,076,562)
DP 95332 - MCDC - Reduction in Food Service Costs										
33	0.00	0	(111,608)	0	(111,608)	0.00	0	(111,608)	0	(111,608)
DP 96141 - Restore Funding for HB 130 Crisis Diversion										
33	0.00	190,000	429,468	0	619,468	0.00	190,000	429,468	0	619,468
Total	**(8.49)**	**($1,929,971)**	**$934,765**	**($722,060)**	**($1,717,266)**	**(8.49)**	**($2,082,590)**	**$1,087,384**	**($707,732)**	**($1,702,938)**

DP 33015 - Med Ben - Alcohol Tax Offset of General Fund Match - The legislature used excess alcohol tax state special revenue to offset $341,408 general fund appropriated for state Medicaid matching funds over the 2013 biennium.

DP 33016 - Alcohol Tax Offset General Fund Treatment Cost - Alcohol tax funds were available because the legislature shifted about $654,000 supporting certification, equipment maintenance, and training of law enforcement in the use of breath testing equipment from the alcohol tax state special revenue fund to the highways non restricted state special revenue fund. The freed up alcohol tax state special revenue was used to offset general fund costs of community treatment for chemical dependency, including addiction to methamphetamine.

DP 55433 - 4% FTE Reduction - The legislature accepted the executive request to remove funding for 8.49 FTE with a total reduction of about $1.0 million general fund over the biennium. These reductions include two positions in the division administration subprogram and the balance from the mental health services subprogram - 0.50 FTE from the services bureau, 3.00 FTE from MSH, and 2.99 FTE from MMHNCC. In addition, a reduction of $81,890 in operating expenses at the MMHNCC was included. All but 1.00 of the FTE in the Mental Health Services subprogram are vacant.

DP 95141 - HB130 Crisis Divrsn Fndng in HB2 17-7-140 - This reduction was included in the AMDD 5% budget reduction plan required to be developed pursuant to 17-7-111(3)(f), MCA. The proposal lowered the general fund base budget by $619,468 each year for mental health crisis jail diversion services implemented in three bills recommended by the Interim Committee on Law and Justice and passed by the 2009 Legislature (HB 130, 131, and 132 and codified as Title 53, Title 21, Part 12, MCA). Ongoing expenditures would be about $54,000.

DP 95331 - Reduce Targeted Case Management Rates – AMDD implemented administrative rules to lower targeted case management rates for adult mental health services in early 2011. This reduction was included in the AMDD 5% budget reduction plan required to be developed pursuant to 17-7-111(3)(f), MCA.

DP 95332 - MCDC - Reduction in Food Service Costs – Food costs for MCDC will be lower than included in the executive budget submitted on December 15, 2010. This reduction was included in the AMDD 5% budget reduction plan required to be developed pursuant to 17-7-111(3)(f), MCA. The legislature used the freed up alcohol state special revenue to offset general fund costs for state Medicaid match and for community treatment for addiction.

DP 96141 - Restore Funding for HB 130 Crisis Diversion - The legislature reinstated funding for mental health crisis diversion services that was originally eliminated by its action in adopting a starting point for budget deliberations (DP 95141). The legislature reinstated $380,000 general fund and about $860,000 of tobacco settlement trust fund interest.

Language and Statutory Authority

The legislature included the following language in HB 2.

"Funds in Executive Medicaid Caseload Estimates may be used only for Medicaid benefits and may be used only after funding for Medicaid benefits above the level appropriated in the Disability Services Division, Health Resources Division, Senior and Long-term Care Division and Addictive and Mental Disorders Division has been fully expended."

"Funds in Downsize Montana Chemical Dependency Center may be used only to pay for chemical dependency treatment in approved private treatment facilities as defined in 53-24-103, MCA."