

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	2,797.71	(93.00)	26.68	2,731.39	(93.00)	(2.92)	2,701.79	2,701.79
Personal Services	93,307,358	1,241,720	990,005	95,539,083	628,389	331,170	94,266,917	189,806,000
Operating Expenses	56,846,711	3,879,668	10,759,630	71,486,009	4,091,618	10,731,369	71,669,698	143,155,707
Equipment	1,464,266	(157,440)	100,173	1,406,999	(164,360)	4,015	1,303,921	2,710,920
Local Assistance	3,302	0	0	3,302	0	0	3,302	6,604
Grants	29,583,504	5,088,369	1,799,904	36,471,777	5,433,369	1,754,189	36,771,062	73,242,839
Benefits & Claims	522,316,379	19,371,731	77,127,029	618,815,139	34,269,742	60,325,974	616,912,095	1,235,727,234
Transfers	0	0	0	0	0	0	0	0
Debt Service	830,213	103,568	7,005	940,786	105,129	4,505	939,847	1,880,633
Total Costs	\$704,351,733	\$29,527,616	\$90,783,746	\$824,663,095	\$44,363,887	\$73,151,222	\$821,866,842	\$1,646,529,937
General Fund	218,897,665	209,891	5,451,055	224,558,611	1,797,863	10,103,120	230,798,648	455,357,259
State/Other Special	46,883,154	(1,961,285)	(68,104)	44,853,765	(2,746,876)	103,650	44,239,928	89,093,693
Federal Special	438,570,914	31,279,010	85,400,795	555,250,719	45,312,900	62,944,452	546,828,266	1,102,078,985
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$704,351,733	\$29,527,616	\$90,783,746	\$824,663,095	\$44,363,887	\$73,151,222	\$821,866,842	\$1,646,529,937

Agency Description

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: welfare reform - Families Achieving Independence in Montana (FAIM), Medicaid, mental health managed care, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department also is responsible for all state institutions except prisons. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastmont Human Services Center, Glendive; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and Montana Developmental Center, Boulder.

Summary of Legislative Action

The DPHHS budget shows a net reduction of 95.92 FTE, an increase of \$17.6 million general fund, a reduction of \$4.7 million state special revenue, and an increase of \$224.9 million federal funds over the biennium, compared to the fiscal 1998 base budget. The FTE reduction is primarily due to downsizing the Montana State Hospital, which loses 120.5 FTE. New proposals that add FTE offset the MSH reduction.

General fund comprises about 7 percent of the total increase in funding, while federal funds account for about 95 percent of the increase. The department also received an additional \$8 million general fund over the biennium appropriated in SB 81 for the state matching funds for the Children’s Health Insurance Program (CHIP) and the increase in Medicaid cases due to CHIP outreach. That \$8 million general fund is not included in the above agency budget table.

State special revenue reflects an annualized decrease of 2 percent compared to the 1998 base budget. Reductions in state special revenue are due primarily to reductions in reimbursements by mental health managed care contractors for services provided by state facilities. Although the department terminated the managed care contract that operated during the 1999 biennium, the legislature left the state special revenue authority intact. The department will pursue development of a new managed care plan and contract with one or more providers for services. The state special revenue authority will allow the department to contract with managed care providers during the 2001 biennium and accept reimbursement from contractors for state institution services.

The increase in the federal matching rate for Medicaid benefits is the primary reason that federal funds are a significant share of the total funds increase. In addition, the legislature approved the executive request to budget a large amount of the federal Temporary Assistance for Needy Families Block Grant funds, including the unspent reserve.

The change in the federal Medicaid match rate masks general fund changes included in department present law adjustments. The general fund cost of present law adjustments included in individual division budgets is \$6.9 million greater than the total \$17.6 million increase discussed above.

Major Appropriation Issues

Several issues dominated the DPHHS budget hearings.

Mental Health Managed Care - The most notable appropriation issue was a decision regarding continuation of the 1999 biennium mental health managed care contract and, after the contract was terminated, changes the legislature wanted to help improve the next managed care program.

The legislature declined to continue funding for the single, statewide mental health managed care and directed the department to spend no more for mental health services than was appropriated in HB 2. The legislature accepted the Executive Budget request for mental health services with some modifications, such as anticipated reductions in the number of Medicaid eligible persons.

The legislature passed two bills that impact mental health services – SB 534 and HJR 35 – and added language to HB 2 directing the department and Governor to take certain actions with regard to mental health managed care.

SB 534 generally revised mental health managed care laws, including: creating an ombudsman and an oversight council; requiring some oversight of mental health managed care companies by the State Insurance Commissioner; and requiring the department to include outcome measures, performance standards, and intermediate sanctions for non performance in future managed care contracts.

HJR 35 requires the Legislative Finance Committee to undertake an interim study of mental health managed care. The committee can appoint a subcommittee to conduct the study and appoint members of other interim committees to serve as voting members of the subcommittee. Some of the topics to be considered in the study are: transition from the 1999 biennium contract to the new managed care plan; review of any contracts or contract amendments for public mental health services; provision of a public forum for interested persons to voice their opinions and concerns regarding public mental health services; review of any budget proposals that require shifting of funds appropriated by the legislature; and review of contingency plans.

HB 2 requires the department to charge co-payments for mental health services and to provide specified opportunities for public input and feedback on any request for proposals for managed care contracts, mental health policies, transition to the new mental health managed care program, and program oversight.

Tobacco Settlement Funds –Tobacco settlement funds will be deposited to the general fund. HB 2 appropriates \$7 million general fund over the biennium, supported from deposit of tobacco settlement funds, for tobacco prevention and control. SB 81 also appropriates \$8 million general fund over the biennium for the CHIP program and Medicaid expansion due to CHIP outreach, supported by deposit of tobacco settlement proceeds. Between these two general fund appropriations, \$11.1million of tobacco proceeds will be used for children’s health care benefits and for grants to communities, local governments, and other entities for tobacco prevention and control in the 2001 biennium.

CHIP – SB 81 authorizes the CHIP program in statute and appropriated \$8 million general fund over the biennium for CHIP matching funds and the state match for Medicaid expansions due to CHIP outreach. CHIP is funded from a capped federal grant and state matching funds. It is not an entitlement program.

Montana contracts with private insurance carriers to provide health care coverage to about 10,200 children. The benefit package is similar to state employee health benefits, with the addition of coverage for eyeglasses and hearing and vision exams.

Children in families with incomes up to 150 percent of the federal poverty level (\$25,050 for a family of 4 in 1999) can be covered. Children may not be eligible to participate in the Medicaid program. Families will pay a one-time enrollment fee of \$15 and annual copayments of \$200.

Direct Care Worker Wage Increases – The department budget was modified after the Executive Budget was printed to include a request for direct care worker wage increases and a daily increase for foster care families. The legislature accepted the request and appropriated \$22.2 million over the biennium (\$9.2 million general fund). The legislature added language to HB 2 directing the department to distribute funds appropriated for direct care worker wage increases in a manner that provides reasonable assurance that the funds are used solely for direct care wage and benefit increases. The HB 2 language also provides that not all providers were to receive the same increase, allowing the department to raise the lowest paid workers more than workers paid a higher amount. The appropriations for direct care worker wage increases and family foster care cannot be used for other purposes.

Table 1 shows the direct care worker wage increases by division and funding source. The legislature approved the executive proposal to increase direct care worker wages by 25 cents per hour in fiscal 2000 and an additional 25 cents per hour (a total increase to 50 cents per hour) in fiscal 2001. A 50 cents per day increase for family foster care was also included in the direct care worker wage increase proposal.

Table 1
Direct Care Worker Wage Increases - 2001 Biennium

Division	Fiscal 2000			Fiscal 2001		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Child and Family Services Division						
Group Care (\$.25 per Hour)	\$1,101,129	\$781,786	\$1,882,915	\$2,224,280	\$1,579,209	\$3,803,489
Family Foster Care (\$.50 per Day)	<u>219,927</u>	<u>174,133</u>	<u>394,060</u>	<u>455,109</u>	<u>362,045</u>	<u>817,154</u>
Subtotal	\$1,321,056	\$955,919	\$2,276,975	\$2,679,389	\$1,941,254	\$4,620,643
Disability Services Division						
<i>Amount in Printed Executive Budget</i>	\$149,181	\$143,432	\$292,613	\$298,265	\$291,643	\$589,908
Additional Amount	<u>314,293</u>	<u>303,094</u>	<u>617,387</u>	<u>621,010</u>	<u>609,082</u>	<u>1,230,092</u>
Subtotal	\$463,474	\$446,526	\$910,000	\$919,275	\$900,725	\$1,820,000
Senior and Long Term Care Division						
Aging Services	\$162,533	\$0	\$162,533	\$331,566	\$0	\$331,566
Nursing Home Services	795,676	2,062,355	2,858,031	1,594,999	4,264,659	5,859,658
Medicaid Home-Based Services	169,627	439,664	609,291	367,867	983,594	1,351,461
Medicaid Waiver Services	<u>\$121,585</u>	<u>\$315,144</u>	<u>\$436,729</u>	<u>\$242,511</u>	<u>\$648,417</u>	<u>\$890,928</u>
Subtotal	<u>\$1,249,421</u>	<u>\$2,817,163</u>	<u>\$4,066,584</u>	<u>\$2,536,943</u>	<u>\$5,896,670</u>	<u>\$8,433,613</u>
Total	<u>\$3,033,951</u>	<u>\$4,219,608</u>	<u>\$7,253,559</u>	<u>\$6,135,607</u>	<u>\$8,738,649</u>	<u>\$14,874,256</u>
Biennial Amounts						
Biennial Total				\$9,169,558	\$12,958,257	\$22,127,815
Increase Less Amount Included in Printed Executive Budget				\$8,722,112	\$12,523,182	\$21,245,294

TANF Block Grant – The legislature approved a biennial appropriation of \$33,724,228 federal spending authority for unexpended TANF block grant funds. The accumulation of excess TANF block grant funds is largely due to the drop in public assistance caseloads since 1997. The \$33.7 million in reserves will be used to: 1) establish a "rainy day" reserve of \$8.35 million; 2) assist families leaving FAIM and provide child care - \$16.9 million; 3) address serious barriers for long-term FAIM recipients - \$6.5 million; and 4) provide funds for energy assistance and food banks - \$2.0 million.

The final rule for the TANF program was released by the federal government in the last days of the 1999 legislative session and may have a significant impact on whether the reserves can be expended for the services for which the legislature appropriated the funds. States are allowed to spend or transfer TANF reserves before the rules go into effect - October 1, 1999 - but after that time, the rule requires that any reserved TANF funds carried over from previous fiscal years be spent only on benefits that meet the definition of "assistance". "Assistance" includes benefits for basic needs and also includes child care, transportation and support for families that are not employed. The department is in the process of determining which services in the new proposal for TANF block grant funds may not meet this criteria, and therefore can not be funded with TANF reserve funds. Since reserves can be spent on cash assistance, the department may decide to spend reserves on assistance and leave current-year funds available to cover services included in the new proposal for spending TANF block grant unspent reserves.

Child Support Enforcement Division (CSED) – In the 1999 biennium, no general fund money supported this division. Due to two major changes, the 1999 legislature appropriated \$1.3 million general fund for the 2001 biennium. The two factors resulting in a general fund appropriation are: 1) the number of families receiving public assistance has been reduced substantially due to welfare reform. A one-time general fund subsidy of \$496,746 was appropriated to offset this loss of state special revenue; and 2) the legislature passed HB 127, which revised child support laws to improve services and eliminated the ability of the department to charge non-FAIM recipients who receive CSED services a handling fee. Federal statute requires that CSED provide services to all persons who request it, regardless of income. The division had been charging a fee in the 1999 biennium for these services. Revenue from this handling fee was projected to be \$826,000 for the biennium. A one-time appropriation of \$826,000 general fund was appropriated to subsidize this loss. The legislature appropriated general fund money as one-time so it can evaluate how the new federal incentive program, which begins in fiscal year 2000, will impact funding.

The 1997 legislature passed SB 374, which implemented the child support enforcement provisions of federal welfare reform. Several federally-required provisions of the law had a termination date of July 1, 1999. HB 127, passed by the 1999 legislature, eliminated the termination date of these provisions to ensure compliance with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Disability Services Division Refinance – The legislature approved using over \$4.0 million in general fund that becomes available in the 2001 biennium due to a waiver to leverage \$18.2 million additional Medicaid dollars. These funds will provide individuals on the waiting list with services or additional services.

Medicaid Benefits – Medicaid benefits are a significant component of the department budget. Table 2 shows changes made to the executive Medicaid benefits request by division and major Medicaid benefits. The total cost of Medicaid benefits rises about 5 percent annually from fiscal 1998 to fiscal 2001, while general fund rises about 2 percent annually. Total funds increase more rapidly than general fund because the state Medicaid matching rate declines from 29.83 percent in fiscal 1998 to 27.22 percent in fiscal 2001.

Table 2
Department of Public Health and Human Services
Medicaid Benefits 2001 Biennium Compared to Fiscal 1998 Base

Program/Benefit	Fiscal 1998 Est.	Fiscal 2000	Fiscal 2001	Annual Rate of Change 1998-2001
Health Policy and Services Division				
Primary Care				
Hospital	\$64,545,135	\$62,899,987	\$63,781,717	-0.40%
Non-Hospital	86,977,702	98,129,983	103,208,348	5.87%
Indian Health Services	15,767,682	19,341,418	21,275,560	10.50%
Medicare Buy-In	8,061,283	9,720,785	10,715,333	9.95%
Subtotal	<u>\$175,351,802</u>	<u>\$190,092,173</u>	<u>\$198,980,958</u>	<u>4.30%</u>
Disability Services Division				
DD Title XIX Benefits	\$24,294,857	\$37,420,174	\$42,402,118	20.40%
DD TCM Benefits	3,042,057	3,042,054	3,042,054	0.00%
Subtotal	<u>\$27,336,914</u>	<u>\$40,462,228</u>	<u>\$45,444,172</u>	<u>18.46%</u>
Senior & Long Term Care Division				
Nursing Homes	\$94,929,423	\$99,081,997	\$103,530,196	2.93%
Community Services	18,541,801	21,122,074	23,878,000	8.80%
Aging Funds		800,000	850,000	N/A
Waiver	11,864,064	16,133,362	17,888,099	14.67%
Institutions*	10,745,375	9,859,107	10,177,206	-1.79%
Subtotal	<u>\$136,080,663</u>	<u>\$146,996,540</u>	<u>\$156,323,501</u>	<u>4.73%</u>
Addictive & Mental Disorders Division				
Mental Health Managed Care	\$48,545,933	\$49,230,243	\$51,602,747	2.06%
CD Rate Increase/Pilot Programs	0	154,822	155,055	N/A
Subtotal	<u>\$48,545,933</u>	<u>\$49,385,065</u>	<u>\$51,757,802</u>	<u>2.16%</u>
Total Legislative Budget	<u>\$387,315,312</u>	<u>\$426,936,006</u>	<u>\$452,506,433</u>	<u>5.32%</u>
Funding				
General Fund	\$99,317,700	\$101,189,851	\$105,351,632	1.99%
State Special Revenue	7,698,179	8,277,287	7,978,376	1.20%
Federal Funds	<u>280,299,433</u>	<u>317,468,868</u>	<u>339,176,425</u>	<u>6.56%</u>
Total Funding	<u>\$387,315,312</u>	<u>\$426,936,006</u>	<u>\$452,506,433</u>	<u>5.32%</u>
*General fund institutions Medicaid match is not included in this spreadsheet.				

The state special revenue budgeted in the Medicaid program is 9-mill levy income from state-assumed counties (counties that have transferred administration of public assistance programs to the state). Changes in the 9-mill levy income offset general fund. As noted in the discussion of Table 1, the amount of revenue to be collected from state-assumed counties is estimated to be \$1.5 million lower than the appropriation, since the legislature did not appropriate general fund to offset the changes in mill values due to SB 184 and other legislation.

Home and Community Based Medicaid Waiver services increase at the most rapid pace - about 15 percent annually. Cost increases are due to: 1) 1999 and 2001 biennium provider rate increases; 2) direct care worker wage increases; and 3)

expansions in the number of persons served in the 1999 and 2001 bienniums. In contrast, Medicaid reimbursement for eligible costs at state institutions is expected to decline about 1 percent annually over the biennium.

Provider Rate Increase – In addition to the appropriation for direct care worker wage increases, the legislature approved the executive request for a 1 percent provider rate increase. Table 3 shows the general fund and total cost of provider rate increases by division. A 1 percent annual compounded rate increase costs \$3.8 million general fund and \$9.3 million total funds for the biennium. The cost of provider rate increases approved by the legislature is slightly lower than the executive request - about \$500,000 general fund and \$1.6 million total funds over the biennium. The legislature approved the executive request for additional funds for rebasing hospital rates, but did not approve the 1 percent hospital rate increase. Lower Medicaid caseload estimates also reduced the cost of provider rate increases compared to the executive request.

Division	Fiscal 2000			Fiscal 2001		
	General Fund	Other Funds	Total	General Fund	Other Funds	Total
Child and Family Services Division Foster Care Provider Rate	\$98,961	\$71,414	\$170,375	\$204,926	\$147,433	\$352,359
Health Policy and Services Division Medicaid Provider Rate (Revised Jan Est.)	\$168,810	\$437,548	\$606,358	\$333,373	\$891,361	\$1,224,734
Disability Services Division DSD Provider Rate	\$303,934	\$245,048	\$548,982	\$611,225	\$497,718	\$1,108,943
Voc Rehab 4% Tuition Rate	27,723	402,430	430,153	57,108	211,006	268,114
Subtotal	\$331,657	\$347,478	\$679,135	\$668,333	\$708,724	\$1,377,057
Senior and Long Term Care Division Nursing Home Provider Rate	\$265,226	\$687,451	\$952,677	\$523,848	\$1,400,647	\$1,924,495
Home & Comm Provider Rate	56,542	146,555	203,097	120,819	323,043	443,862
Waiver Provider Rate	40,528	105,048	145,576	79,648	212,961	292,609
Aging Provider Rate	54,178	0	54,178	108,897	0	108,897
Subtotal	\$416,474	\$939,054	\$1,355,528	\$833,212	\$1,936,651	\$2,769,863
Addictive and Mental Disorders Division Medicaid - Youth CD Services	\$0	\$4,822	\$4,822	\$0	\$5,055	\$5,055
Inpatient CD Adolescent Prov Rate	1,610	0	1,610	3,236	0	3,236
PASSAR Provider Rate	198	594	792	398	1,194	1,592
MHAP Fixed Fund Provider Rate	246,442	0	246,442	499,046	0	499,046
Subtotal	\$248,250	\$5,416	\$253,666	\$502,680	\$6,249	\$508,929
Total	\$1,264,153	\$1,800,910	\$3,065,063	\$2,542,524	\$3,690,418	\$6,232,942
Biennial Total				\$3,806,676	\$5,491,328	\$9,298,004

Potential General Fund Shortfall

Table 4 shows areas where excess general fund was appropriated and areas of potential major general fund shortfalls in the 2001 biennium appropriation. Some of the issues in this table were discussed during the session and the department presented potential solutions to address the shortfall. In other instances, the department was directed to absorb the shortfall, and some shortfalls became apparent after the session ended.

Table 4 Potential 2001 Biennium General Fund Shortfall			
Excess/Shortfall	Fiscal 2000	Fiscal 2001	Biennial Total
APPROPRIATION EXCESS			
Medicaid Estimates	\$766,986	\$1,533,014	\$2,300,000
Food Stamp Admin. Loss	493,522	493,523	987,045
HB 470	<u>1,000,000</u>	0	<u>1,000,000</u>
Total Potential Excess	<u>\$2,260,508</u>	<u>\$2,026,537</u>	<u>\$4,287,045</u>
APPROPRIATION SHORTFALLS			
TANF MOE			
Child Care Matching Funds	(\$1,387,337)	(\$1,641,726)	(\$3,029,063)
Shift in Cost Allocation	(600,000)	(600,000)	(1,200,000)
HB 676	(130,000)	(130,000)	(260,000)
Subtotal TANF MOE	(\$2,117,337)	(\$2,371,726)	(\$4,489,063)
Title XX	(\$1,000,000)	(\$1,000,000)	(\$2,000,000)
9-Mill Levy Income	(414,748)	(1,064,425)	(1,479,173)
MT PRRIME	(400,679)	(401,070)	(801,749)
Mainframe Computer Charges	(195,000)	(195,000)	(390,000)
Montana State Hospital	(770,000)	0	(770,000)
Medicaid Admin. Loss	*	*	*
Total Potential General Fund Shortfall	<u>(\$4,897,764)</u>	<u>(\$5,032,221)</u>	<u>(\$9,929,985)</u>
Net Potential General Fund Shortfall	<u>(\$2,637,256)</u>	<u>(\$3,005,684)</u>	<u>(\$5,642,940)</u>
Total General Fund Appropriation	\$224,558,611	\$230,798,648	\$455,357,259
Potential Shortfall as a Percent of Total Appropriation	1.17%	1.30%	1.24%
*The state has not been notified of the amount. See Food Stamps Admin. Loss. summary.			

General Fund Excesses

Medicaid Estimates - The legislature established appropriations for Medicaid estimates that were \$2.3 million general fund higher over the biennium than the revised request from the department. The legislature added language to HB 2 appropriating general fund from Medicaid benefit appropriations in the event that the federal Title XX block grant was reduced. Title XX is fully budgeted in the Disability Services Division and offsets general fund for services provided to

developmentally disabled adults and children. If Title XX is reduced, the HB 2 language requires that general fund be transferred from Medicaid, whether or not there is excess general fund in Medicaid appropriations. If Title XX is not reduced, the excess general fund in the Medicaid appropriation may be used for any other general fund shortfall in the department, including Medicaid if costs are higher than anticipated.

Food Stamp/Medicaid Administrative Loss – The legislature approved \$880,593 total funds (\$493,522 general fund and \$387,071 state special revenue from county reimbursements) for each year of the 2001 biennium to replace federal funds lost in an unfunded mandate included in the Agricultural Research, Extension, and Education Reform Act of 1998. Congress approved reducing the federal match because some of the TANF block grant costs included administrative costs that should have been shared among the Food Stamp, Medicaid, and former Aid to Families with Dependent Children (AFDC) programs. Rather than reduce state TANF block grants to recoup the shared administrative costs, Congress chose to reduce the matching funds available in other programs.

Because the department is appealing this action, the legislature added language to HB 2 stating that if the department is successful in the appeal, the appropriation is reduced by \$493,522 in fiscal 2000 and \$493,523 in fiscal 2001. If the federal government reduces the amount allocated to Montana and there is excess general fund authority, it is unclear whether the HB 2 language will reduce the general fund appropriation.

If the department is not successful in its appeal, it will have to pay any determinations for food stamps and Medicaid match. Final cost allocations determined that Montana's share for the food stamp adjustment alone was \$646,000. The state has billed the counties for \$290,700 (45 percent) of the \$646,000. If the entire amount is realized from the counties, only \$355,300 in general fund is needed to make up the remainder of the loss. Therefore, excess authority of \$138,222 general fund would exist. But, the Medicaid determination has not been set at this time. If it is also set at \$646,000, the department would be short approximately \$177,000 general fund each year of the biennium and have insufficient state special revenue authority for the county reimbursements.

Note: The department is researching whether these expenditures can count towards the TANF maintenance of effort.

HB 470 – HB 470 reduces the amount the department must spend on its maintenance of effort necessary to draw down the TANF block grant from 80 percent to 77 percent, effective upon passage of the bill. The legislature appropriated up to \$1.0 million in savings generated from the reduction in MOE from general fund reversions in fiscal year 1999 to the Montana State Hospital in the 2001 biennium in the event the hospital has inadequate funding. If funding for the state hospital is adequate, then there is no appropriation made from general fund reversions.

General Fund Shortfalls

Child Care Match - In the final days of the 1999 legislative session, the department learned that state general fund used for child care match could not count towards the TANF maintenance of effort requirement. In the past, the department had operated under advice from federal regional offices that TANF guidelines allowed the entire amount of the child care maintenance of effort and general fund match to be counted towards the TANF maintenance of effort. This change results in a loss of the use of \$1.4 million in fiscal year 2000 and \$1.6 million in fiscal year 2001 maintenance of effort. Therefore, in order to meet maintenance of effort requirements, the department will either have to find other funds already being spent that may qualify, or direct funds appropriated for other purposes to functions that qualify as maintenance of effort.

Shift in Cost Allocation – In order to determine how much can be charged to the various federal programs for administrative costs, the department conducts weekly random moment time studies of field staff activities. The current random moment time studies indicate a 10 to 13 percent drop in the amount of time being spent on TANF-related cases compared to expenditures in the base budget. Because the cost allocation formula is so complex, the department has not been able to provide a figure for the loss in administrative costs that could be counted towards the maintenance of effort, if the random moment time studies continue to reflect this decreased percentage for an entire year. The department projects a rough estimate of the loss would be between \$500,000 and \$700,000 each year.

HB 676 - The 1999 legislature passed HB 676, which caps the non-assumed counties' expenditures for the TANF program at fiscal year 1996 levels. At this time, the department has not calculated the total fiscal impact of this bill as the bill caps administrative costs and benefits separately, but it estimates that \$260,000 less will be received from non-assumed counties in the 2001 biennium to apply to the maintenance of effort requirement. Since the maintenance of effort is fixed, the county reimbursement shortfall has to be made up from the general fund. (The department had originally estimated the fiscal impact at less than \$57,000.)

Title XX – In federal fiscal year 1999, Congress cut the Montana Title XX block grant by \$1.1 million and similar cuts were expected in 2000 and 2001. A strong lobbying effort appealed to Congress to restore the Title XX cuts, but a final decision has not been made for federal fiscal year 2000 or 2001. Language in HB 2 directs the department to transfer general fund money from Medicaid appropriations if Title XX cuts occur.

9-Mill Levy Income – The department receives property tax revenue from 13 counties that have requested that the state assume administration of public assistance programs. Assumed counties levy and remit 9 mills of property tax to the department. Due to several property tax changes enacted by the legislature, the value of the 9-mill income will be about \$1.5 million less over the biennium than was appropriated. One version of SB 184 included a general fund appropriation to offset the reduction in the 9-mill levy, but that section was stricken from the bill. The 9-mill income is budgeted in the Medicaid benefits appropriation and offsets general fund.

MT PRRIME –The Executive Budget included a reduction of \$0.8 million in general fund for the department's portion of debt service and support bureau costs of MT PRRIME. The 1997 legislature was told that MT PRRIME would produce efficiencies and a probable reduction in workforce. Rather than eliminating FTE or imposing vacancy savings as a means to finance MT PRRIME, the general fund portion of debt service and support bureau costs was reduced from agency budgets. (DPHHS's share of this reduction is included in the table due to the size and contribution to the overall shortfall.)

Mainframe Computer Charges – In the 1999 biennium, language in HB 2 set the amounts the department would pay for computer costs, which created a base budget that was lower than actual mainframe costs for DPHHS. The legislature did not continue the language in the 2001 biennium. So, it is projected that ISD mainframe charges may be \$1.0 million more than the amount appropriated. The amount in Table 4 reflects the general fund portion of the shortfall.

Montana State Hospital – The department requested an additional \$770,000 general fund because the construction of the new hospital will be delayed. The legislature made two other appropriations to cover this shortfall and other potential shortfalls if the department cannot reduce the average daily population from 184 in the base budget to 135 during the 2001 biennium. The first appropriation in language in HB 2 directs the department and the Department of Administration to pursue collection of allowable penalties under the construction contract and appropriates up to \$700,000 state special revenue for penalties collected. The second appropriation in HB 470, as previously discussed, would appropriate up to \$1 million general fund from reversions of fiscal 1999 department appropriations. If penalties cannot be assessed and if there are no fiscal 1999 reversions, the department will have to find other funds within the mental health budget to cover the shortfall.

Medicaid Administrative Loss – See *Food Stamps/Medicaid Administrative Loss* narrative above.

Department Options to Address the General Fund Shortfall

The department has several options to address potential general fund shortfalls including: 1) transfer of excess general fund from other department appropriations; 2) transfer of contracted services appropriation authority to other expenditure categories and then transferring excess personal services appropriations to contracted services; 3) transfer of general fund appropriation authority from other departments if the original purpose of the appropriation is maintained; 4) reductions in benefits; and 5) supplemental appropriations. Each of these options is summarized.

Program Transfers - The department may have savings in general fund appropriations that support other purposes and programs. The department could transfer these savings to potential shortfalls listed in Table 4. The Public Health and Human Services Joint Appropriation Subcommittee expressed concerns over several general fund transfers made during the 1999 biennium. Table 4 shows that transfers will be necessary to cover some department obligations that are linked to receipt of large federal grants, such as TANF.

Excess Personal Services - HB 2 contains language that prohibits the department from spending funds appropriated for personal services on any other category, except for contract services. Specifically the language says:

“Funds appropriated for personal services or indicated in legislative intent as having been appropriated for personal services may not be expended under any other category except for contract services (expenditure object 2101 or its successor), when the amount of the contract services transferred will be used to directly substitute for use of personal services.”

The Office of Budget and Program Planning (OBPP) has indicated that it is considering allowing agencies to transfer contracted services appropriation authority to other expenditure categories, if state employees could perform the services provided through contracts. OBPP would then allow agencies to transfer personal services appropriation authority to “backfill” the contracted services appropriation. Preliminary legal analysis indicates that as long as funds support a contract that could be performed by employees, whether or not those employees have been or would be hired by the agency to perform the same tasks, then the OBPP plan may comply with HB 2 language.

The department has significant appropriations in contracted services – about \$56.7 million for the 2001 biennium – and many of the services provided through those contracts could be performed by state employees. Therefore, the department may be able to generate vacancy savings and use those savings via the contracted services appropriation transfer to cover some of the general fund shortfalls.

Transfers from Other Agencies – The executive can transfer appropriation authority among state agencies as long as the original purpose of the appropriation is maintained (section 17-8-101 (5), MCA). (For example, in previous years, the Department of Social and Rehabilitation transferred general fund appropriated for Medicaid services to the Department of Family Services to fund cost overruns in children’s Medicaid funded mental health services.) The executive could potentially fund some general fund shortfalls by such a transfer during the 2001 biennium.

Reductions in Benefits – The department may also opt to reduce services if general fund shortfalls cannot be covered by vacancy savings or other operational cost reductions. Statute allows the department to reduce Medicaid services or eligibility for services if the amount appropriated is insufficient to cover costs (section 56-1-101 (11), MCA).

The department must reduce benefits in the mental health services area if mental health costs exceed the amount appropriated if it complies with HB 2. The legislature directed the department to spend no more than was appropriated for mental health services in HB 2. The department could reduce services because mental health services are an optional Medicaid service, as are services provided to low-income Montanans (persons with incomes below 150 percent of the federal poverty level).

Supplemental Appropriations – The department could request a supplemental appropriation that would need to be approved by OBPP. As noted previously, the department would violate HB 2 if it requested a supplemental appropriation for mental health services.

Reorganization

In October 1998, the Child and Family Services Division reorganized into two divisions as described below.

Human and Community Services Division -- administers public assistance, employment and training programs, child care assistance, child and adult food care programs, food stamps, commodity distribution, low-income energy assistance and

home weatherization, and other programs designed to foster self sufficiency and a safe, healthy environment for families and children. The Human and Community Services Division also provides the user liaison for The Economic Assistance Management System (TEAMS) statewide computer system. County offices administer public assistance programs responsible for eligibility determinations for the FAIM program, cash assistance, Medicaid, food stamps, and energy. The Governor's Advisory Council on Child Care is administratively attached to the division.

Child and Family Services Division -- administers child welfare services, abuse prevention services, domestic violence grants, and other programs targeting families. Child and Family Services oversees five regional offices that administer programs and are advised by Local Youth Services Advisory Councils, which serve as the link between local communities and the department. Child and Family Services also provides the user liaison for the Child and Adult Protective Services (CAPS) statewide computer system.

A second, smaller reorganization occurred in fiscal 1998 with the transfer of child care licensing, registration, and monitoring from the Child and Family Services Division to the Quality Assurance Division. 12 FTE and \$500,000 total funds (\$50,000 general fund) were transferred to Quality Assurance. Two of the FTE are located in the central office in Helena and provide program oversight, and 10.0 of the FTE are located throughout the state and license, register, and monitor about 2,000 child care facilities.

Other Legislation

House Bill 10 – This bill appropriates funds from the stripper well funds for low-income energy assistance, weatherization, Energy Share and the food banks.

House Resolution 35 – HJR 35 directs the Legislative Finance Committee to undertake an interim study and oversee the privatization of mental health managed care. See the summary of mental health managed care under “Major Appropriation Issues” for more information.

House Bill 127 – HB 127 removes the ability of the department to charge non-FAIM recipients a handling fee for enforcing child support orders. For the 2001 biennium, this results in a loss of \$826,000 state special revenue that the legislature replaced with a like amount of general fund. The act also revised the child support laws to improve services and eliminate obsolete provisions.

House Bill 170 - HB 170 amends statutes governing the renal assistance program, which provides financial assistance to persons suffering from renal disease. In past biennia, the appropriation provided by the legislature has been exhausted only partway through the fiscal year. The bill requires the department to adopt rules that ensure that those individuals most in financial or medical need or both, are the first to receive financial assistance.

House Bill 180 – HB 180 allows the department or a guardian ad litem to petition for appointment of a guardian for a child found to be a youth in need of care. The legislature reduced the Child and Family Services Division appropriation in HB 2 by \$62,555 total funds for the biennium, including \$35,312 general fund, as this level of care is less expensive than foster care.

House Bill 470 – HB 470 reduces the maintenance of effort (MOE) requirement for the TANF block grant from 80 percent to 77 percent of state expenditures in federal fiscal year 1994, the base year for the block grant. The lowest MOE amount allowed is 75 percent. The act is effective upon passage and approval of the bill. The legislature appropriated up to \$1.0 million in general fund generated from the reduction in MOE from department reversions in fiscal year 1999 to the Montana State Hospital in the 2001 biennium in the event the hospital has inadequate funding. If funding is adequate, then any savings from this act will revert to the general fund. The appropriation cannot exceed the total amount of reversions.

House Bill 551 – HB 551 provides state funding and technical assistance for Indian tribes implementing a family assistance plan under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. When a tribe elects

to operate a separate tribal TANF program, the total federal block grant for TANF allocated to the state is reduced by the portion of the block grant that is awarded directly to the tribe. Up to \$6.7 million each year of the TANF block grant is available to be transferred to the remaining six tribes.

House Bill 625 – HB 625 requires an executive branch agency to prepare a family impact note for any bill that has a significant impact on families. The family impact note must include; 1) any services that the bill would provide to families; 2) any deleterious effects that the bill might have on families; 3) an estimate of the number or percentage of families that would be affected by the bill; 4) an estimate of the short-term and long-term costs or costs savings that the bill would have for the average family; 5) ways in which the bill might strengthen the stability of the family; 6) any effect the bill might have on the rights of parents, the rights of children, and their rights in relation to each other and to state and local government; 7) whether the bill would help the family perform its functions; 8) whether the bill substitutes state or local government activity for an activity traditionally engaged in by the family; and 9) whether the bill sends a message to parents, children, or both regarding personal responsibility and the norms of society.

House Bill 660 – HB 660 appropriates \$250,000 general fund for severance pay for Montana State Hospital employees who are involuntarily terminated due to a reduction in force during the 2001 biennium.

House Bill 676 – HB 676 revises the laws governing non-assumed counties. The law: 1) requires the department to pay salaries and travel expenses of certain county public assistance personnel; 2) requires counties to reimburse the department for certain administrative costs of public assistance and other costs; 3) revises the TANF MOE requirement to require the department to maintain a specified level of assistance; and 4) requires the counties to reimburse the department for a portion of temporary assistance for needy families grants to individuals.

The fiscal note for HB 676 showed a loss of \$56,878 state special revenue from non-assumed counties for the 2001 biennium, to be replaced by a like amount of general fund. The fiscal note is in error, and the department projects a loss of at least \$260,000 state special revenue and an increase of \$260,000 general fund for the 2001 biennium, as shown in Table 4. The legislature did not appropriate general fund for the biennium to replace the county funds.

Senate Bill 30 – The 1997 legislature enacted several changes to child support enforcement statutes to comply with new federal requirements. These changes would have expired at the end of the 1999 biennium. SB 30 removes the termination provisions from the child support laws and requires, as mandated by the federal government, a social security number on a death certificate unless the federal government exempts Montana from that requirement.

Senate Bill 62 – SB 62 extends the termination date for the pilot project testing the use of medical savings accounts in the Medicaid program from January 1 to October 1, 2001.

Senate Bill 81 – SB 81 establishes CHIP in statute. CHIP provides health services benefits to children age 18 or younger in families with incomes up to 150 percent of the federal poverty level (\$25,050 for a family of four in 1999). SB 81 describes the benefit package that must be provided and types of participant cost sharing that may be imposed. SB 81 appropriates \$8 million general fund for the 2001 biennium to fund the state match for CHIP federal funds and for the expansion in Medicaid due to CHIP outreach. Medicaid eligible children cannot be covered by CHIP. The general fund appropriation is from money recovered by the state from January 1, 1999 through June 30, 2001, from settlements received from the suit against tobacco companies. If tobacco settlement funds are not received, the department is authorized a general fund loan up to \$8 million that must be repaid from tobacco settlement proceeds by June 30, 2001.

Senate Bill 114 – SB 114 requires the department to purchase workers' compensation coverage for an individual participating at a worksite in employment training for the purposes of FAIM and to name the public or private worksite entities as named insureds under the policy. SB 114 also provides that the public assistance benefits are exempt from the definition of wages for purposes of worker's compensation. Workers' compensation premiums are anticipated to total \$283,868 per year. The TANF block grant will cover these costs.

Senate Bill 197 – SB 197 provides reimbursement for mental health outpatient counseling services for foster parents who experience the death of a foster child who has been placed in their home. The legislature did not appropriate the \$47,600 general fund for the biennium estimated in the fiscal note for this service.

Senate Bill 258 – SB 258 revises the domestic abuse laws and eliminates the termination date on civil filing fees for divorce and separation filings. The \$30 fee for dissolution of marriage or petition for legal separation is allocated to the department to be used for intervention and treatment services to victims of partner or family member assault. The legislature appropriated \$296,246 state special revenue for the 2001 biennium in HB 2 for this purpose.

Senate Bill 260 – SB 260 reduces the tax rate for vehicles and appropriates \$271,115 general fund over the biennium to offset the reduction in the 9-mill levy income remitted by state assumed counties. The 9-mill income funds state match for Medicaid benefits.

Senate Bill 275 – SB 275 requires the department to undertake long-term planning for the aging population and to report biennially, with annual updates, on statewide and community issues on aging. The report must address issues and implications of the aging population for local and state services and budgets, and state laws and state policies.

Senate Bill 353 – Sanctions in the FAIM program have generated controversy since welfare reform began. Sanctions in FAIM are imposed as a consequence for non-cooperation, non-participation, or non-compliance with program requirements. SB 353 states that a sanction may not include any restriction or termination of food stamps or Medicaid coverage. Child care benefits may only be continued for employment-related activities required by the family investment agreement, signed by the FAIM participant, that are to be performed during the sanction period.

The bill also requires the department to conduct a study to investigate the impact of its sanctions policy on families participating in the FAIM project. The study must include, but not be limited to: 1) information on the rate of successful appeals of sanctions imposed on individuals; 2) what circumstances led to any improper sanctioning; 3) what services or assistance could have prevented the improper sanctioning of the individual; and 4) what services or assistance could be provided to individuals to lower the sanction rate in the FAIM project. A report on the progress of the study will be provided by the department to the 57th Legislature.

The fiscal note estimated costs of \$79,000 general fund and \$79,000 federal funds to make programming changes to TEAMS. The legislature did not appropriate the funds.

Senate Bill 470 – An endowment for children exists that is to provide funding for child abuse and neglect prevention activities and family resource programs operated by nonprofit or public community-based educational and service organizations. Prior to passage of SB 470, the endowment was limited to \$5 million. SB 470 removes the limitation on the amount of money that may be deposited in the children's trust and endowment.

Senate Bill 534 – SB 534 generally revises mental health managed care statutes. The bill requires the department to include outcome measures and evaluation standards in future managed care contracts, as well as provisions for intermediate sanctions for contract nonperformance. The bill provides for oversight of Medicaid mental health managed care contractors by the Insurance Commissioner. The bill establishes an oversight committee and an ombudsman appointed by the Governor and attached to the Mental Disabilities Board of Visitors.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 1998	Executive Budget Fiscal 2000	Legislative Budget Fiscal 2000	Leg - Exec. Difference Fiscal 2000	Executive Budget Fiscal 2001	Legislative Budget Fiscal 2001	Leg - Exec. Difference Fiscal 2001	Biennium Difference Fiscal 00-01
FTE	2,797.71	2,750.06	2,731.39		2,722.46	2,701.79		
Personal Services	93,307,358	96,276,363	95,539,083	(737,280)	95,059,549	94,266,917	(792,632)	(1,529,912)
Operating Expenses	56,846,711	68,623,378	71,486,009	2,862,631	68,975,754	71,669,698	2,693,944	5,556,575
Equipment	1,464,266	1,397,404	1,406,999	9,595	1,305,007	1,303,921	(1,086)	8,509
Local Assistance	3,302	3,302	3,302	0	3,302	3,302	0	0
Grants	29,583,504	33,495,444	36,471,777	2,976,333	33,898,611	36,771,062	2,872,451	5,848,784
Benefits & Claims	522,316,379	607,384,014	618,815,139	11,431,125	612,131,630	616,912,095	4,780,465	16,211,590
Transfers	0	0	0	0	0	0	0	0
Debt Service	830,213	979,451	940,786	(38,665)	1,145,722	939,847	(205,875)	(244,540)
Total Costs	\$704,351,733	\$808,159,356	\$824,663,095	\$16,503,739	\$812,519,575	\$821,866,842	\$9,347,267	\$25,851,006
General Fund	218,897,665	222,492,876	224,558,611	2,065,735	226,207,124	230,798,648	4,591,524	6,657,259
State/Other Special	46,883,154	45,247,243	44,853,765	(393,478)	45,068,895	44,239,928	(828,967)	(1,222,445)
Federal Special	438,570,914	540,419,236	555,250,719	14,831,483	541,243,556	546,828,266	5,584,710	20,416,193
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$704,351,733	\$808,159,355	\$824,663,095	\$16,503,740	\$812,519,575	\$821,866,842	\$9,347,267	\$25,851,007

Executive Budget Comparison

The legislature approved an appropriation for the department that is an increase of \$25.9 million total funds over the biennial executive request, including \$6.7 million general fund. Table 5 shows changes made by the legislature to each decision package by division.

#	Division/Item	Fiscal 2000				Fiscal 2001			
		General Fund	State Special	Federal Funds	Total Funds	General Fund	State Special	Federal Funds	Total Funds
BEGINNING EXECUTIVE BUDGET		\$ 222,492,876	\$ 45,247,243	\$ 540,419,236	\$ 808,159,355	\$ 226,207,124	\$ 45,068,895	\$ 541,243,556	\$ 812,519,575
Human and Community Services Division									
1 SUB	PL8-Reduced General Fund-Nutrition Education	\$ (55,945)	\$ -	\$ -	\$ (55,945)	\$ (64,695)	\$ -	\$ -	\$ (64,695)
2 SUB	PL15-Dept. Withdrew Energy & Commodity Assist.	0	0	(502,761)	(502,761)	0	0	(502,761)	(502,761)
3 SUB	PL18-Reduced General Fund-State Assumed Cnty	(50,834)	0	0	(50,834)	(59,164)	0	0	(59,164)
4 SUB	NP8-Food Bank Initiative	(12,500)	0	0	(12,500)	(12,500)	0	0	(12,500)
5 SUB	NP9-Public Assistance Admin-Leased Vehicle	(1,679)	0	(1,679)	(3,358)	(1,588)	0	(1,588)	(3,176)
6 SUB	NP16-Reduced TANF	0	0	(326,231)	(326,231)	0	0	(12,050,459)	(12,050,459)
7 SUB	PL30-Reduce Fixed Costs Rates	(694)	0	(2,698)	(3,392)	(703)	0	(2,703)	(3,406)
8 HSE	NP17-Gen. Fund Reduc - Tribes TANF	(250,000)	0	0	(250,000)	(250,000)	0	0	(250,000)
9 FCC	NP19-Montana Food Bank Processing Proj	40,000	0	0	40,000	40,000	0	0	40,000
10 FCC	NP18-HB 69 Low-Income Energy Assistance and Home	0	0	299,994	299,994	0	0	299,994	299,994
SUBTOTAL		\$ (331,652)	\$ -	\$ (533,378)	\$ (865,030)	\$ (348,650)	\$ -	\$ (12,257,520)	\$ (12,606,170)
Child and Family Services Division									
1 SUB	PL1-Foster Care Caseload (Update Numbers)	\$ (164,656)	\$ (291,433)	\$ 56,893	\$ (399,196)	\$ (178,692)	\$ (280,883)	\$ 48,574	\$ (411,001)
2 SUB	PL9-Field Service Costs (Formerly Protection from Abuse)	(171,490)	0	(6,097)	(177,587)	(198,576)	0	(10,343)	(208,919)
3 SUB	PL17-Dept withdrew-Grants Strengthening Families	(28,845)	0	69,086	40,241	(28,845)	0	69,086	40,241
4 SUB	PL19-Reduced Gen Fund for Training & Admin.	(61,680)	0	0	(61,680)	(61,478)	0	0	(61,478)
5 SUB	PL22-Division Administration	(6,704)	0	(2,940)	(9,644)	(6,669)	0	(2,926)	(9,595)
6 SFC	PL25-Sub Adoption Caseload Incr.	(262,128)	0	76,464	(185,664)	(377,236)	0	96,606	(280,630)
7 SUB	NP1-Permanency Planning Specialists (5 FTE)	(23,794)	0	(10,865)	(34,659)	(23,592)	0	(10,828)	(34,420)
8 SUB	NP3-CPS Social Workers (Reduced to 3 FTE)	(62,876)	0	(25,804)	(88,680)	(64,075)	0	(24,004)	(88,079)
9 SUB	NP4-Adoptive & Foster Family Supp. Svc.	(20,000)	0	0	(20,000)	(20,000)	0	0	(20,000)
10 SUB	NP12-Foster Care Provider Rate Increase	(5,352)	(3,717)	1,150	(7,919)	(11,626)	(8,237)	1,938	(17,925)
11 SUB	NP13-Workload Issues-LAD Audit (Reduced to 2 FTE)	(26,127)	0	(11,109)	(37,236)	(25,944)	0	(11,031)	(36,975)
12 SUB	NP14-Direct Care Worker Wage Increase	1,321,056	206,403	749,516	2,276,975	2,679,389	416,934	1,524,320	4,620,643
13 SUB	PL30-Reduce Fixed Costs Rates	(1,857)	0	(496)	(2,353)	(1,846)	0	(493)	(2,339)
14 HAC	NP20-Reduce 1 Vacant FTE Personal Services	(7,358)	(1,025)	(4,323)	(12,706)	(7,316)	(1,019)	(4,298)	(12,633)
15 FCC	NP21-SB 258 Revise Domestic Abuse Laws	0	148,123	0	148,123	0	148,123	0	148,123
16 FCC	NP22-Remove 6 OTO FTE	(102,534)	(14,282)	(60,236)	(177,052)	(101,839)	(14,185)	(59,827)	(175,851)
17 FCC	NP23-HB 180 Guardianship for Youth	(16,051)	(3,159)	(9,224)	(28,434)	(19,261)	(3,791)	(11,069)	(34,121)
SUBTOTAL		\$ 359,604	\$ 40,910	\$ 822,015	\$ 1,222,529	\$ 1,552,394	\$ 256,942	\$ 1,605,705	\$ 3,415,041
Director's Office									
1 SUB	Removed General Fund for Legal Council FTE	\$ (26,787)	\$ -	\$ -	\$ (26,787)	\$ (25,089)	\$ -	\$ -	\$ (25,089)
2 SUB	PL30-Reduce Fixed Costs Rates	(824)	(159)	(883)	(1,866)	(823)	(159)	(883)	(1,865)
SUBTOTAL		\$ (27,611)	\$ (159)	\$ (883)	\$ (28,653)	\$ (25,912)	\$ (159)	\$ (883)	\$ (26,954)

Table 5 Continued
 Legislative Action - Differences from the Executive Budget
 Department of Public Health and Human Services

#	Division/Item	Fiscal 2000				Fiscal 2001			
		General Fund	State Special	Federal Funds	Total Funds	General Fund	State Special	Federal Funds	Total Funds
Child Support Enforcement Division									
1 SUB	PL2-Funded 7 Positions with TANF	\$ -	\$ (146,999)	\$ (285,350)	\$ (432,349)	\$ -	\$ (145,602)	\$ (282,638)	\$ (428,240)
2 SUB	PL6-MTPRRIME Equipment	0	(13,147)	(25,518)	(38,665)	0	(69,998)	(135,877)	(205,875)
3 SUB	NP3-Financial Institution Data Match	0	(10,200)	(19,800)	(30,000)	0	(10,200)	(19,800)	(30,000)
4 SUB	PL30-Reduce Fixed Costs Rates	0	(3,075)	(5,969)	(9,044)	0	(3,075)	(5,969)	(9,044)
5 HAC	NP20-Reduce 3 Vacant FTE Personal Services	0	(27,718)	(55,075)	(82,793)	0	(27,532)	(54,704)	(82,236)
6 SF	NP1-Increase General Fund Match OTO	413,000	(413,000)	0	0	413,000	(413,000)	0	0
	SUBTOTAL	\$ 413,000	\$ (614,139)	\$ (391,712)	\$ (592,851)	\$ 413,000	\$ (669,407)	\$ (498,988)	\$ (755,393)
Health Policy and Services Division									
1 SUB	PL1-Medicaid Primary Care Caseload	\$ (1,127,178)	\$ -	\$ (2,921,594)	\$ (4,048,772)	\$ (1,039,586)	\$ -	\$ (2,779,612)	\$ (3,819,198)
2 SUB	PL7-Medicaid Managed Care - Withdrawn	(12,463)	0	(12,463)	(24,926)	(12,463)	0	(12,463)	(24,926)
3 SUB	NP3-Food Safety - Withdrawn	(7,846)	(287,710)	0	(295,556)	(13,216)	(287,710)	0	(300,926)
4 SUB	NP4-HIV/AIDS Drugs	(132,114)	0	0	(132,114)	(184,962)	0	0	(184,962)
5 SUB	NP10-Managed Care Network Adequacy	(28,019)	0	(16,606)	(44,625)	(62,490)	0	(22,241)	(84,731)
6 SUB	NP13-Medicaid Provider Increase	(181,890)	0	(471,450)	(653,340)	(369,115)	0	(986,929)	(1,356,044)
7 SUB	NP18-Certificate of Need Preservation	(46,123)	0	0	(46,123)	(46,123)	0	0	(46,123)
8 SUB	NP23-WIC Increase	0	0	790,998	790,998	0	0	688,938	688,938
9 SUB	NP30-Reduce Fixed Cost Rates	(4,675)	0	(4,675)	(9,350)	(4,675)	0	(4,675)	(9,350)
10 HAC	PL9-Increase 9-Mill State Assumed Cty Income	(495,945)	495,945	0	0	0	0	0	0
11 FCC	NP2-SB81 Establish Children's Health Insurance	0	0	15,116,017	15,116,017	0	0	15,248,042	15,248,042
12 FCC	NP26- Expanded Tobacco Prevention and Control	3,500,000	0	0	3,500,000	3,500,000	0	0	3,500,000
	SUBTOTAL	\$ 1,463,747	\$ 208,235	\$ 12,480,227	\$ 14,152,209	\$ 1,767,370	\$ (287,710)	\$ 12,131,060	\$ 13,610,720
Quality Assurance Division									
1 SUB	NP30 - Reduce Fixed Cost Rates	\$ (1,142)	\$ (15)	\$ (2,516)	\$ (3,673)	\$ (1,142)	\$ (15)	\$ (2,516)	\$ (3,673)
1 HAC	NP1-Eliminate Funding - 1.0 Vacant FTE	(10,244)	(4,052)	(17,531)	(31,827)	(10,174)	(4,024)	(17,411)	(31,609)
	SUBTOTAL	\$ (11,386)	\$ (4,067)	\$ (20,047)	\$ (35,500)	\$ (11,316)	\$ (4,039)	\$ (19,927)	\$ (35,282)
Operations & Technology									
1 SUB	PL7-Tumor Registry Funding Correction	\$ (110,732)	\$ -	\$ 110,732	\$ -	\$ (146,957)	\$ -	\$ 146,957	\$ -
3 SUB	NP1-Fiscal Staff Audit Compliance (Reduced 1 FTE)	(9,134)	(2,129)	(10,908)	(22,171)	(9,075)	(2,115)	(10,837)	(22,027)
4 SUB	NP2-SEARCHS FM Contract (Approved Fed. Funds)	(33,448)	0	0	(33,448)	(46,251)	0	0	(46,251)
5 SUB	NP3-Legacy System Renovation (Reduced Gen. Fund)	(42,517)	0	0	(42,517)	(8,758)	0	0	(8,758)
6 SUB	PL30-Reduce Fixed Costs Rates	(42,005)	(7,442)	(39,741)	(89,188)	(43,751)	(7,442)	(41,486)	(92,679)
	SUBTOTAL	\$ (237,836)	\$ (9,571)	\$ 60,083	\$ (187,324)	\$ (254,792)	\$ (9,577)	\$ 94,634	\$ (169,715)
Disability Services Division									
1 SUB	PL7-DDP Base Adjustments - No General Fund	\$ (2,332)	\$ -	\$ -	\$ (2,332)	\$ (2,752)	\$ -	\$ -	\$ (2,752)
3 SUB	NP5-DD Emergency Capacity-Reduced General Fund	(24,420)	0	24,420	0	(24,099)	0	24,099	0
4 SUB	NP7 Donated Dental-Reduced General Fund	(3,513)	0	0	(3,513)	(4,716)	0	0	(4,716)
5 SUB	NP12-Extended Employment (Biennial Approp.)	65,570	0	0	65,570	65,570	0	0	65,570
6 SUB	NP13-Direct Care Worker Wage Increase (Above NP 6)	314,293	0	303,094	617,387	621,010	0	609,082	1,230,092
7 SUB	PL30-Reduce Fixed Costs Rates	(1,483)	0	(5,478)	(6,961)	(1,483)	0	(5,480)	(6,963)
8 HAC	NP20-Reduce 2 Vacant FTE Personal Services	(25,398)	0	0	(25,398)	(25,231)	0	0	(25,231)
	SUBTOTAL	\$ 322,717	\$ -	\$ 322,036	\$ 644,753	\$ 628,299	\$ -	\$ 627,701	\$ 1,256,000

Table 5 Continued									
Legislative Action - Differences from the Executive Budget									
Department of Public Health and Human Services									
#	Division/Item	Fiscal 2000				Fiscal 2001			
		General Fund	State Special	Federal Funds	Total Funds	General Fund	State Special	Federal Funds	Total Funds
Senior & Long-Term Care Division									
1 SUB	PL2 - Nursing Home Caseload Adjustment	\$ (466,099)	\$ -	\$ (1,208,107)	\$ (1,674,206)	\$ (512,958)	\$ -	\$ (1,371,532)	\$ (1,884,490)
2 SUB	PL8-Increased Institutional Caseload	0	0	(760,467)	(760,467)	0	0	(834,706)	(834,706)
3 SUB	PL9 - RPO Upgrades- Remove General Fund	(10,212)	0	10,212	0	(10,212)	0	10,212	-
4 SUB	PL11-Aging Benefits Base Adjustment	(32,447)	0	0	(32,447)	(32,447)	0	0	(32,447)
5 SUB	NP1-Increase Medicaid Waiver Services	(42,886)	0	(109,360)	(152,246)	(115,704)	0	(308,380)	(424,084)
6 SUB	NP2-Nursing Home Rate Increase	(4,841)	0	(12,549)	(17,390)	(11,993)	0	(32,067)	(44,060)
7 SUB	NP5-Reduce Aging Protective Svcs by 3 FTE & Servs.	(80,976)	0	(50,957)	(131,933)	(192,097)	0	(102,848)	(294,945)
8 SUB	NP15-Direct Care Worker Wage Increases	1,249,421	0	2,817,163	4,066,584	2,536,943	0	5,896,669	8,433,612
9 SUB	NP30-Reduce Rent and Computer Services Rates	(754)	(147)	(1,035)	(1,936)	(753)	(147)	(1,036)	(1,936)
10 HAC	NP5-Reinstate Services for Aging Protective Svcs.	50,000	0	50,000	100,000	100,000	0	100,000	200,000
11 SFC	NP16-Offset Vacancy Savings for Direct Care Staff	0	49,088	0	49,088	0	48,738	0	48,738
SUBTOTAL		\$ 661,206	\$ 48,941	\$ 734,900	\$ 1,445,047	\$ 1,760,779	\$ 48,591	\$ 3,356,312	\$ 5,165,682
Addictive & Mental Disorders Division									
1 SUB	PL12-MCDC Present Law Inflation	\$ -	\$ 36,372	\$ -	\$ 36,372	\$ -	\$ 36,372	\$ -	\$ 36,372
2 SUB	PL16-Medicaid Managed Care Capitation Costs	(236,848)	0	(613,900)	(850,748)	(533,775)	0	(1,427,192)	(1,960,967)
3 SUB	PL21-Substance Abuse Prevention Increase	0	0	1,851,605	1,851,605	0	0	1,851,605	1,851,605
4 SUB	NP1-Indigent Youth CD Treatment - Withdrawn	(250,000)	0	0	(250,000)	(300,000)	0	0	(300,000)
5 SUB	NP14-Pathological Gambling Treatment	0	(100,000)	0	(100,000)	0	(200,000)	0	(200,000)
6 SUB	NP30 - Reduce Fixed Cost Rates	(1,030)	0	0	(1,030)	(1,030)	0	0	(1,030)
7 HAC	NP15 - Reduce Funding for 6.5 Vacant FTE	(78,219)	(26,310)	(102,174)	(206,703)	(76,875)	(25,327)	(103,093)	(205,295)
8 SFC	NP15 - Reinstate Funding for 6.5 Vacant FTE	78,219	26,310	102,174	206,703	76,875	25,327	103,093	205,295
9 FCC	NP17- Fed. Medicaid Match - Community CD Pilot	0	0	150,000	150,000	0	0	150,000	150,000
10 FCC	NP18 - SB534 Mental Health Managed Care Ombudsman	(58,926)	0	(29,463)	(88,389)	(55,593)	0	(27,796)	(83,389)
11 FCC	NP16 - HB69 Eliminate Statutory Appropriation	750	0	0	750	750	0	0	750
SUBTOTAL		\$ (546,054)	\$ (63,628)	\$ 1,358,242	\$ 748,560	\$ (889,648)	\$ (163,628)	\$ 546,617	\$ (506,659)
APPROPRIATION LEVEL AFTER FREE CONF. COMM.		\$ 224,558,611	\$ 44,853,765	\$ 555,250,719	\$ 824,663,095	\$ 230,798,648	\$ 44,239,928	\$ 546,828,267	\$ 821,866,843
Total Difference from Executive		\$ 2,065,735	\$ (393,478)	\$ 14,831,483	\$ 16,503,740	\$ 4,591,524	\$ (828,967)	\$ 5,584,711	\$ 9,347,268
Biennial Difference from Executive						\$ 6,657,259	\$ (1,222,445)	\$ 20,416,194	\$ 25,851,008

Major increases above the printed Executive Budget approved by the legislature are:

- direct care worker wage increases of \$8.7 million general fund and \$12.5 million other funds;
- \$7.0 million general fund for expanded tobacco control and prevention funded by tobacco settlement funds;
- \$30.4 million federal funds to support CHIP and Medicaid expansion due to CHIP outreach;
- federal grant increases for chemical dependency prevention and treatment of \$3.7 million; and
- \$826,000 general fund to offset a like amount of state special revenue, since the department can no longer charge handling fees for child support enforcement.

The increases approved by the legislature were offset by reductions to the executive proposal. Major reductions made by the legislature are:

- Medicaid caseload reductions - \$4 million general fund and \$12 million federal funds;
- foster care and subsidized adoption caseload reductions - \$1.0 million general fund and \$0.3 million other funds;
- reduction in TANF block grant new proposal - \$12.4 million federal funds;
- FTE reductions in new proposals in 8 divisions – 22.5 FTE, \$713,034 general fund and \$435,427 other funds;
- elimination of the 1 percent rate increase for hospitals because the reimbursement rebase added more than 1 percent increase for services - about \$500,000 general fund and \$1.6 million total funds; and
- FTE reductions in present law in 1 division – 6.0 FTE and \$860,589 other funds.

Direct care worker wage increases is a significant change from the printed Executive Budget approved by the legislature. The executive decision to add direct care worker wage increases was made after the Executive Budget was printed. Since legislative action is compared to the printed Executive Budget, approval of the direct care worker wage increase shows as an addition made by the legislature. If the printed Executive Budget had included the direct care worker wage proposal,

the legislative changes shown in Table 5 would have equaled a net reduction of \$1 million general fund over the biennium.

Language

"The department shall present a report to the appropriate legislative committee every six months of the 2001 biennium on the Governor's Council on Children and Families. The report must contain, at a minimum, the goals, functions, expenditures and funding of the council."

"Expenditures for all provider rate increases approved by the legislature shall be limited to the dollar amounts appropriated rather than a percentage increase. The department will be in compliance with this provision if:

- (1) it estimates the total cost for each Medicaid service category in June prior to the beginning of each fiscal year of the 2001 biennium; and
- (2) the percentage increase or base adjustments approved by the department are limited to the dollar amount appropriated for each provider rate increase."

"The department shall distribute the funds in items [Direct Care Worker Wage Increases/Restricted] in a way that provides reasonable assurance that the funds are used solely for direct care wage and benefit increases. Not all providers must receive the same rate of increase each year of the biennium. Funds appropriated in items [Direct Care Worker Wage Increases/Restricted] must be used for direct care worker wage increases and family foster care rate increases. Funds in items [Direct Care Worker Wage Increases/Restricted] may not be used to fund other programs."

"The department may add FTE instead of contracting for services if it certifies to the Office of Budget and Program Planning that FTE are more cost effective than contracting. FTE added through this language will be modified FTE and may not be included in the 2003 biennium base budget."

"Items [Child and Family Services Division, Child Support Enforcement Division, and Quality Assurance Division, Disability Services Division] have been reduced by \$304,443 in total funds in the 2001 biennium to reflect a reduction in the personal service budgets of these divisions. It is the intent of the legislature that the following positions be eliminated from the department because they have been vacant at least 10 months.

<u>Position No.</u>	<u>Title</u>	<u>Last Filled</u>
00430	case aide	06/20/97
05200	child support enforce tech	12/12/97
05136	child support investigator	11/14/97
05173	child support investigator	11/28/97
08130	auditor	04/10/98
95103	resident care aide	01/24/97"

"All state and federal prevention funds identified in the Unified Prevention Budget under the Department of Health and Human Services, Department of Labor and Industry, Department of Justice, the Office of Public Instruction, the Montana Board of Crime Control, the Department of Corrections, the Office of State Coordinator of Indian Affairs, and the Children's Trust Fund must be reviewed and commented on by the Interagency Coordinating Council (ICC) for Prevention Programs before being expended."

"The department shall place all goals, benchmarks, and objectives for each division on the department's website. Beginning July 1, 1999, and every 12 months thereafter, the divisions shall review and report on the website their progress in meeting their goals, benchmarks, and objectives."

"General fund costs of Medicaid benefits may not exceed: (1) a 2.5% annual compounded rate of growth in fiscal year 2000 from the fiscal year 1998 base amount of \$99,317,700; and (2) 3.5% in fiscal year 2001 from the fiscal year 1998 base amount of \$99,317,700."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	434.45	.00	.00	434.45	.00	.00	434.45	434.45
Personal Services	14,859,476	226,318	0	15,085,794	129,168	0	14,988,644	30,074,438
Operating Expenses	4,839,850	1,977,989	0	6,817,839	1,993,966	0	6,833,816	13,651,655
Equipment	94,722	(2,100)	0	92,622	(2,100)	0	92,622	185,244
Grants	10,545,189	3,062,602	152,500	13,760,291	3,407,131	152,500	14,104,820	27,865,111
Benefits & Claims	55,176,537	1,367,442	40,019,782	96,563,761	2,069,013	7,258,491	64,504,041	161,067,802
Transfers	0	0	0	0	0	0	0	0
Debt Service	49,506	0	0	49,506	0	0	49,506	99,012
Total Costs	\$85,565,280	\$6,632,251	\$40,172,282	\$132,369,813	\$7,597,178	\$7,410,991	\$100,573,449	\$232,943,262
General Fund	18,772,830	595,062	(1,600,735)	17,767,157	577,552	(1,701,523)	17,648,859	35,416,016
State/Other Special	3,676,203	237,107	0	3,913,310	225,374	0	3,901,577	7,814,887
Federal Special	63,116,247	5,800,082	41,773,017	110,689,346	6,794,252	9,112,514	79,023,013	189,712,359
Total Funds	\$85,565,280	\$6,632,251	\$40,172,282	\$132,369,813	\$7,597,178	\$7,410,991	\$100,573,449	\$232,943,262

Program Description

The Child and Family Services Division was reorganized into two divisions in October, 1998 - Human and Community Services Division and Child and Family Services Division. The Human and Community Services Division is comprised of three bureaus: 1) Public Assistance; 2) Early Childhood; and 3) Intergovernmental Human Services.

The Public Assistance Bureau administers Montana's welfare reform initiative, known as FAIM (Families Achieving Independence in Montana). The bureau also provides eligibility services for Medicaid and food stamps.

The Early Childhood Bureau: 1) manages the funds which pay for child care for FAIM participants and low-income working families; 2) contracts with 12 resource and referral agencies to administer child care eligibility, provider recruitment, and technical assistance; and 3) administers the Child and Adult Care Food Program which provides reimbursement to providers for the cost of meals served to eligible children.

The Intergovernmental Human Services Bureau administers: 1) the Community Services Block Grant which is used by Human Resource Development Councils to provide a wide-range of community-based human services; and 2) the Low-Income Energy Assistance Program and weatherization programs. The bureau stores and distributes USDA commodity foods to a wide range of programs.

Program Narrative

Temporary Assistance for Needy Families (TANF)

In 1996, the federal government enacted the Personal Responsibility and Work Opportunity Reconciliation Act (PWROWA) to replace open-ended entitlements and create block grants for states to provide time-limited cash assistance to needy families with work requirements for most recipients. TANF block grant funds may be used in any manner "reasonably calculated to accomplish the purposes of TANF. These purposes are: to provide assistance to needy families so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work and marriage; to prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families". Montana's approved TANF program is the Families Achieving Independence in Montana (FAIM) program. Allotments to states are based upon previous expenditures in Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and JOBS programs.

Montana's annual TANF block grant award is listed in the table to the right by state fiscal year. The grant amounts shown are prior to and after the withdrawal of the Salish-Kootenai tribe from the state TANF program. This withdrawal reduced the fiscal year 1999 grant amount by \$368,801 and by \$737,601 in fiscal years 2000 and 2001.

	Prior to S-K	After S-K
Year	Withdrawal	Withdrawal
1997	\$21.3	NA
1998	47.8	NA
1999	46.7	\$46.3
2000	45.8	45.1
2001	45.5	44.8

To receive full funding, maintenance of effort (MOE) must be expended annually. Montana must expend general fund equal to 80 percent of the amount of non-federal funds they spent in federal fiscal year 1994 on AFDC and related programs. If minimum work requirements are met, the MOE is reduced to 75 percent. Montana passed legislation in 1997 requiring "a fiscal effort equivalent to at least 80 percent of the federally calculated maintenance of effort necessary to draw down the temporary assistance to needy families block grant". MOE was appropriated at 83 percent in the 1999 biennium. The 1999 legislature passed HB 470, which lowered the MOE to 77 percent or \$15.6 million. HB 470 took effect upon passage and approval; therefore, the bill also appropriated savings of up to \$1.0 million generated from the reduction in MOE in fiscal year 1999 to the Montana State Hospital in the 2001 biennium in the event the hospital has inadequate funding.

	Prior to S-K	After S-K
Percent	Withdrawal	Withdrawal
100%	\$21.0	\$20.2
83%	17.4	16.8
80%	16.8	16.2
77%	16.1	15.6
75%	15.7	15.2

The table to the left shows Montana's MOE requirements prior to and after the Salish-Kootenai withdrawal from the state TANF program. The requirement for each year of the 2001 biennium is \$15.6 million. In the past, the department has been able to meet the MOE requirement, but projections for the 2001 biennium reflect a shortfall in meeting the maintenance of effort requirement. This shortfall is due to three factors: 1) the child care match can not be counted towards MOE; 2) the 1999 legislature passed HB 676, which capped the non-assumed counties share of public assistance expenditures; and 3) the most current random moment time study shows a 10-13 percent drop in time spent on TANF-related cases. Table 6 reflects a \$1.9 million shortfall in MOE for the 2001 biennium due to items 1 and 2 listed above. The reduction due to the random moment time study is not reflected in this table.

Child Care Match - In the final days of the 1999 legislative session, the department learned that the child care match could not be used toward the TANF maintenance of effort requirement. In the past, the department had operated under the assumption that TANF guidelines allowed the entire amount of the child care maintenance of effort and match to be counted towards the TANF maintenance of effort. This results in a loss of \$1.4 million in fiscal year 2000 and \$1.6 million in fiscal year 2001 to the maintenance of effort requirement.

HB 676 - The 1999 legislature passed HB 676, which caps the non-assumed counties' expenditures for the TANF program at fiscal year 1996 levels. At this time, the department has not calculated the total fiscal impact of this bill as the bill caps administrative costs and benefits separately. The department estimates \$260,000 less will be received from non-assumed counties in the 2001 biennium to apply to the maintenance of effort requirement.

Random Moment Time Study - In order to determine how much can be charged to the various federal programs for administrative costs, the department conducts weekly random moment time studies. The most current random moment time study shows over a 10 to 13 percent drop in the amount of time being spent on TANF-related cases. Because the cost allocation formula is so complex, the department has not been able to provide a figure for the loss in administrative costs that could be counted towards the maintenance of effort, if the random moment time studies continue to reflect this decreased percentage for an entire year. The department projects a rough estimate would be between \$500,000 and \$700,000 each year.

TANF Expenditures -- The following table indicates TANF actual and projected expenditures. Expenditures for fiscal years 2000 and 2001 include all present law and new proposal expenditures. In addition, language in HB 2 appropriates an additional \$11.6 million of TANF funds, which are also included in Table 6.

Table 6 TANF SUMMARY					
	1997 GRANT	1998 GRANT	1999 GRANT	2000 GRANT	2001 GRANT
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
TANF Block Grant by State Fiscal Year*	\$21,272,258	\$47,763,385	\$46,297,906	\$45,054,076	\$44,762,399
General Fund					
Benefits	\$3,887,151	\$9,818,239	\$8,768,484	\$7,416,934	\$7,061,757
Work Activities	183,765	617,662	752,692	784,082	784,093
Other Expenditures	1,104,746	1,167,321	1,167,189	1,390,148	1,388,706
Child Care MOE	0	2,623,912	1,313,990	1,313,990	1,313,990
Administration	393,046	1,477,400	1,477,400	1,484,778	1,480,232
Systems	211,555	623,951	661,388	668,002	674,682
Maintenance of Effort					
General Fund Maintenance of Effort	\$5,780,263	\$16,328,485	\$14,141,143	\$13,057,934	\$12,703,460
Total County Expenditures	819,875	1,891,112	1,849,111	1,724,873	1,735,975
Total Actual MOE	\$6,600,138	\$18,219,597	\$15,990,254	\$14,782,807	\$14,439,435
		83%	77% **	77%	77%
MOE Requirement	\$6,600,000	\$17,362,996	\$15,851,056	\$15,567,080	\$15,567,080
Difference	\$138	\$856,601	\$139,198	(\$784,273)	(\$1,127,645)
MOE Admin Cap	\$990,000	\$2,604,449	\$2,377,658	\$2,335,062	\$2,335,062
Fed TANF Benefits & Administration	\$14,487,806	\$29,513,884	\$28,896,924	\$30,988,777	\$31,690,348
Fed Systems	242,668	1,092,302	1,087,548	1,269,760	1,317,111
Total Federal Expenditures	\$14,730,474	\$30,606,186	\$29,984,472	\$32,258,537	\$33,007,459
New Proposal 16 (see below)		7,181,754	2,764,345	11,837,488	11,940,641
Child Care Transfer		100,000	6,557,669	5,000,000	5,000,000
Title XX Transfer				2,850,000	2,850,000
Other Issues SB 114				283,868	283,868
Efforts to Secure Highway Constr. Jobs. Etc.				1,479,883	1,479,883
Transfer to DSD if Title XX cuts occur				1,400,000	1,400,000
Total Expenditures/Transfers	<u>\$14,730,474</u>	<u>\$37,887,940</u>	<u>\$39,306,486</u>	<u>\$55,109,776</u>	<u>\$55,961,851</u>
Unexpended Grant	6,541,784	9,875,445	6,991,420	(10,055,700)	(11,199,452)
Total Grant Reserve		\$16,417,229	\$23,408,649	\$13,352,949	\$2,153,497
*Amount is reduced in FY99-01 to reflect Salish-Kootenai withdrawal					
**HR 470 reduced MOE to 77% effective upon passage and approval of bill. MOE requirement reflects this change					
New Proposal 16					
TANF "Rainy Day" Reserve				\$4,125,249	\$4,228,402
Assistance to Families Leaving FAIM					
New Transfer to Child Care		\$7,181,754	\$2,764,345	2,612,239	2,612,239
Child Support Liasons & Employment Specialists				850,000	850,000
Address Serious Barriers for Long-term FAIM Recipients					
Enhance Employment Services				1,900,000	1,900,000
Employment Barriers Related to Domestic Violence				100,000	100,000
Family Support Services				375,000	375,000
Adult Education				100,000	100,000
SSI Eligibility				150,000	150,000
Chemical Dependency Services				375,000	375,000
Transportation				250,000	250,000
Strengthen Montana's Safety Net					
Transfer to Energy Assistance				875,000	875,000
Food Banks				125,000	125,000
Total New Proposal 16	\$0	\$7,181,754	\$2,764,345	\$11,837,488	\$11,940,641

Due to a drop in public assistance caseloads, a reserve of approximately \$34.0 million unexpended TANF block grant monies accumulated from 1997 to the end of 1999. The 1999 legislature approved a biennial appropriation of \$33.7

million of unexpended TANF block grant monies in new proposal 16, which would distribute funds to programs that are TANF eligible and would benefit from additional funding (see new proposal 16 in Table 6).

The final rule for the TANF program was released by the federal government in the last days of the 1999 legislative session and may have a significant impact on whether the reserves can be expended for the services for which the legislature appropriated the funds. States are allowed to spend or transfer TANF reserves before the rules go into effect - October 1, 1999 - but after that time, the rule requires that any reserved TANF funds carried over from previous fiscal years be spent only on benefits that meet the definition of "assistance". "Assistance" includes benefits for basic needs and also includes child care, transportation and support for families that are not employed. The department is in the process of determining which services in new proposal 16 may not meet this criteria, and therefore can not be funded with TANF reserve funds. Since reserves can be spent on cash assistance, the department may decide to spend reserves on assistance and leave current-year funds available to cover new proposal 16 services.

Funding

General fund provides:

- 1) Maintenance of effort for the federal Temporary Assistance to Needy Families (TANF) block grant
- 2) Maintenance of effort for the federal Child Care Development Block Grant
- 3) Match for food stamps administrative costs
- 4) Match for the Medicaid administrative costs
- 5) Match for the child care matching funds
- 6) Administrative and services costs not supported by state special or federal revenues
- 7) Child protective services child care

State special revenue includes:

- 1) Nine mills of property tax revenue remitted to the state from state assumed counties (9-mill income is budgeted in the Medicaid benefits budget, where it reduces the cost of the general fund match). The 1999 legislature passed several bills that will reduce the amount of revenue generated from the 9 mill levy for state assumption welfare by \$1.6 million. SB 260, which reduces the taxes on light vehicles and fleet vehicles, is the only bill affecting the 9 mill levy which appropriates funds to offset the reduction in revenue. SB 260 transfers \$271,115 for the 2001 biennium from the general fund to the state special revenue fund.
- 2) Property tax revenue from non-assumed counties for the administrative and benefits match and/or the maintenance of effort for public assistance programs

Federal funding sources include:

- 1) Temporary Assistance to Needy Families block grant
- 2) Child Care Development Block Grant
- 3) Community Services Block Grant
- 4) Low Income Energy Assistance Program
- 5) Low Income Weatherization
- 6) Food stamps and Medicaid administrative funding
- 7) Child and Adult Care Food Program
- 8) Commodities distribution grants
- 9) Emergency shelter grants
- 10) Food stamp employment and training funds

When appropriate, federal funding for public assistance administrative functions is cost allocated among the Temporary Assistance for Needy Families block grant, Medicaid, and food stamp administrative functions, according to the amount of staff time spent on each federal program. Division administrative costs are allocated based on a federally approved cost allocation plan.

The table below shows the various funding sources of the division for the base year and each year of the 2001 biennium. In comparison to the base year, the percent of general fund has decreased slightly as federal funds have increased.

Table 7 Human and Community Services Funding Summary				
Fund Source	Fiscal 1998 Base	Legislative Action		2001 Biennium
	Actual	2000	2001	Percent of Total
General Fund	\$18,772,830	\$17,767,157	\$17,648,859	15.20%
Percent of Total	21.94%	13.42%	17.55%	
State Special Revenue				
County Reimbursement	\$3,252,631	\$3,038,197	\$3,016,718	2.60%
Public Assistance County Levy	0	223,999	223,999	0.19%
County Reimbursement	0	337,714	337,715	0.29%
FAIM Financial County	423,572	361,963	371,708	0.31%
Indirect Cost Allocation	0	(48,563)	(48,563)	-0.04%
Subtotal State Special Revenue	\$3,676,203	\$3,913,310	\$3,901,577	3.35%
Percent of Total	4.30%	2.96%	3.88%	
Federal Funds				
BPA	\$224,013	\$223,934	\$223,893	0.19%
Discretionary Child Care	0	8,664,756	8,664,756	7.44%
TANF Administration	196,199	165,744	165,286	0.14%
TANF Benefits	24,675,662	62,285,482	29,608,312	39.45%
Energy Conservation	0	299,991	299,991	0.26%
Child Nutrition	8,432,130	11,587,943	11,925,535	10.09%
Child Care MOE	2,015,595	3,143,624	3,143,624	2.70%
Child Care Admin	208,038	323,514	322,764	0.28%
Child Care Matching	6,049,223	3,589,754	4,298,302	3.39%
Grants for Supportive Svcs & Sr. Centers	37,383	37,132	37,132	0.03%
Child Care Development Block Grant	1,307,572	0	0	0.00%
Headstart	0	100,000	100,000	0.09%
State Adm. Match Grant for Food Stamp	1,031,554	1,545,399	1,542,847	1.33%
Emergency Food Assist.	96,094	95,992	95,978	0.08%
Food Distribution	1,366,400	1,461,140	1,459,509	1.25%
Emergency Shelter HUD	219,189	218,110	218,099	0.19%
Weather Assist. For Low-Income	1,382,443	1,375,495	1,375,429	1.18%
Refugee Social Services	6,191	6,190	6,190	0.01%
Low Income Energy Assist.	6,792,916	6,757,453	6,757,167	5.80%
Community Services Block Grant	2,052,612	2,041,837	2,041,753	1.75%
Social Services Block Grant	41189	373	373	0.00%
Medical Assistance Program	98,036	61,361	61,284	0.05%
Indirect Cost Allocation	6,883,808	6,704,122	6,674,789	5.74%
Subtotal Federal Funds	\$63,116,247	\$110,689,346	\$79,023,013	81.44%
Percent of Total	73.76%	83.62%	78.57%	
Total Funds	<u>\$85,565,280</u>	<u>\$132,369,813</u>	<u>\$100,573,449</u>	100.00%
Annual Rate of Change from Base		54.70%	17.54%	

Over 81 percent of the expenditures in this division are for benefits or grants, up from approximately 77 percent in 1998. The table below summarizes the benefits and grants for the base year and fiscal years 2000 and 2001. For the 2001 biennium, benefits will increase by 46 percent from fiscal year 1998. The majority of the increase is a result of excess TANF funds appropriated for child care and public assistance. Grants increase 32 percent from fiscal year 1998 with an increase in grants for: 1) child nutrition; 2) Head Start; and 3) the Food Bank.

Table 8
Human and Community Services Division
Benefits and Grant Expenditures by Service Area

Service Area	Fiscal 1998 Base Expenditures				Fiscal 2000 Legislative Appropriation				Fiscal 2001 Legislative Appropriation			
	General Fund	State Special	Federal	TOTAL	General Fund	State Special	Federal	TOTAL	General Fund	State Special	Federal	TOTAL
BENEFITS												
TANF/FAIM												
Cash Assistance	\$9,416,757	\$423,551	\$20,653,520	\$30,493,827	\$19,003,569	\$854,750	\$41,679,378	\$61,537,697	\$8,805,678	\$396,065	\$19,313,297	\$28,515,040
FAIM Employment & Training	545,472	0	2,643,886	3,189,358	1,194,794	0	5,792,363	6,987,157	1,194,794	0	5,792,363	6,987,157
Community Services	0	0	204,292	204,292	0	0	204,292	204,292	0	0	204,292	204,292
Support Services	98,497	0	98,499	196,996	98,497	0	98,499	196,996	98,497	0	98,499	196,996
Child Care	2,663,945	0	7,357,343	10,021,288	3,019,045	0	13,247,806	16,266,851	3,273,434	0	13,956,354	17,229,788
Food Stamps Job Search	301,790	0	668,577	970,367	301,790	0	668,578	970,368	301,790	0	668,578	970,368
Intergovernmental Human Svcs												
Community Svcs Block Grant	0	0	1,917,138	1,917,138	0	0	1,918,685	1,918,685	0	0	1,918,685	1,918,685
Low-Income Energy Assistance	0	0	6,339,308	6,339,308	0	0	6,344,354	6,344,354	0	0	6,345,107	6,345,107
Emgcy Svcs to Homeless Ind.	0	0	80,433	80,433	0	0	80,456	80,456	0	0	80,456	80,456
HUD Emergency Shelter	0	0	203,016	203,016	0	0	203,074	203,074	0	0	203,074	203,074
Energy Conserv (incl. stat. approp.)	0	0	119,141	119,141	0	0	411,332	411,332	0	0	411,332	411,332
Weatherization	0	0	1,467,059	1,467,059	0	0	1,468,237	1,468,237	0	0	1,467,484	1,467,484
Other	31,224	0	85,483	116,707	31,161	0	85,493	116,654	31,161	0	85,493	116,654
TOTAL BENEFITS*	\$13,057,685	\$423,551	\$41,837,695	\$55,318,930	\$23,648,856	\$854,750	\$72,202,549	\$96,706,154	\$13,705,353	\$396,065	\$50,545,016	\$64,646,434
GRANTS												
Child Care Protective Services	\$91,976	\$0	\$939,256	\$1,031,232	\$91,976	\$0	\$198,833	\$290,809	\$91,976	\$0	\$198,833	\$290,809
Discretionary Child Care	0	0	1,083,016	1,083,016	0	0	1,823,439	1,823,439	0	0	1,823,439	1,823,439
Adult & Child Care Food Program	0	0	8,121,689	8,121,689	0	0	11,184,291	11,184,291	0	0	11,528,820	11,528,820
Head Start	0	0	0	0	0	0	100,000	100,000	0	0	100,000	100,000
Food Bank Project	0	0	0	0	52,500	0	0	52,500	52,500	0	0	52,500
Other	0	0	308,000	308,000	0	0	308,000	308,000	0	0	308,000	308,000
TOTAL GRANTS	\$91,976	\$0	\$10,451,961	\$10,543,937	\$144,476	\$0	\$13,614,563	\$13,759,039	\$144,476	\$0	\$13,959,092	\$14,103,568

*Benefit amounts will not match benefit amount in division main table because this table includes a statutory appropriation.
Expenditures on this table differ from division main table due to adjustments in this table to reflect benefits and grants in proper categories.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			201,497			104,347
	Inflation/Deflation			16,603			16,377
	Fixed Costs			62,081			64,066
	Total Statewide Adjustments			\$280,181			\$184,790
Present Law Adjustments							
2	Nutritional Assistance/ Audit: CACF	.00	0	109,998	.00	0	109,998
3	Early Childhood Services Management	.00	0	140,000	.00	0	140,000
4	TANF Funds to Meet Work Mandates	.00	0	3,297,800	.00	0	3,297,800
5	Glacier County State Assumption	.00	120,021	0	.00	120,021	0
7	Child and Adult Food Care Program	.00	0	3,070,775	.00	0	3,410,054
8	Nutrition Education & Policy Intrap	.00	30,000	505,005	.00	30,000	513,755
10	FAIM Employment and Training-PL	.00	0	1,224,411	.00	0	1,224,411
12	Energy and Commodity Assist Adm-PL	.00	0	46,569	.00	0	46,569
14	Cash Assistance Caseload Reduction	.00	0	(2,430,358)	.00	0	(1,728,787)
16	Food Stamp/Medicaid Match Loss	.00	493,522	0	.00	493,523	0
18	State Assumed County Admin-PL	.00	107,000	342,076	.00	114,000	352,808
26	Matching-Discretionary Adjustment	.00	0	(460,945)	.00	0	(460,945)
27	Discretionary-Matching/Mandatory Adj	.00	0	1,768,517	.00	0	1,768,517
28	Mandatory-Discretionary Adjustment	.00	0	(1,307,572)	.00	0	(1,307,572)
29	Non-Assumed County Admin Adjustment	.00	0	49,186	.00	0	49,186
30	Rate Reduction	.00	(694)	(3,392)	.00	(703)	(3,406)
	Total PL Adjustments	.00	\$749,849	\$6,352,070	.00	\$756,841	\$7,412,388
	Present Law Adjustments Total			\$6,632,251			\$7,597,178

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Nutritional Assistance/Audit: CACF - The legislature approved \$219,996 federal funds over the biennium to provide required nutritional education and training to day care providers throughout Montana. Child care providers' menus and records must be reviewed to ensure adherence to federal nutritional guidelines. Providers must meet nutritional and administrative guidelines.

In August 1996, the Child and Adult Care Food Program was federally mandated to provide a tiered system of reimbursement for family day care homes. The number of children participating in the program increased 9 percent over the past year. Workload increases would be handled through contract services.

DP 3 - Early Childhood Services Management - The legislature approved \$280,000 federal funds to pay for increased administrative costs for contracted services to meet the demands of the Early Childhood Services Unit (child care).

Administering the \$23 million Child Care Development Block Grant includes management of 100 contracts that include resource and referral (R&R) services, child care provider grants, specialized training for child care professionals, the I Am Your Child public engagement campaign, and the Montana Early Childhood Professional Development Center. In addition, the division administers a merit pay program for 212 child care providers. This addition increases the base for contract services to meet changing workload demands, as well as having flexibility to hire for special projects.

DP 4 - TANF Funds to Meet Work Mandates - The legislature approved \$6,595,600 increased federal spending authority for the biennium for the TANF block grant. This appropriation continues the TANF appropriation approved by the 1997 legislature and raises it by \$6.6 million for the biennium to increase services in the following areas:

- 1) County support services to assist participants in transportation and employment related needs
- 2) Development of county community services placement sites in order to meet work participation rates
- 3) Assistance in development of tribal proposals for establishing Tribal Family Assistance Plans
- 4) Contract funding to serve increased tribal populations, to allow communities to develop, supervise and monitor work experience sites, and to provide services that ensure compliance with work participation rates
- 5) County job development and placement, basic education, coordination of community work sites and employer education.

DP 5 - Glacier County State Assumption - The legislature approved \$240,042 additional general fund for the biennium along with reducing state special revenue by a like amount.

Glacier County became state assumed in fiscal year 1999, which means Glacier County will levy and remit 9 mills of property tax revenue to the state. The 9-mill income for all state assumed counties is budgeted in the Medicaid benefits budget where it will reduce the cost of the general fund match. While general fund will increase due to Glacier County assumption, the general fund in the Medicaid benefits budget will be reduced by the increase in 9-mill income equal to the general fund amount. State-assumed county costs are statutorily mandated.

DP 7 - Child and Adult Food Care Program - The legislature approved \$6,480,829 Child and Adult Food Care federal funds. Funds will be used to pay food costs related to increased child care under welfare reform. Also, a newly authorized after school program for children ages 12 to 18 will serve an additional 20,000 children.

This request includes costs for overtime/benefits and three personal computers.

DP 8 - Nutrition Education & Policy Intrap - The legislature approved \$1,018,760 total funds, including \$60,000 general fund, for the biennium. This is \$120,640 less general fund than requested in the Executive Budget.

Federal funds will pay 100 percent of the Food Stamp Nutrition Education program, which will be matched by counties. Food stamp education would be performed under contract with Montana State University. The \$780,000 contract will provide nutrition education in 24 Montana counties to food stamp eligible families with children.

Administrative cost increases include personal services costs for overtime plus benefits, contract services for training in regional offices, temporary services, minor equipment, and two replacement lease vehicles.

DP 10 - FAIM Employment and Training-PL - The legislature approved \$2,448,822 increased federal spending authority for the TANF block grant for the biennium. Increased funding would be used for increased administrative and operating costs for employment and training activities.

DP 12 - Energy and Commodity Assist Adm-PL - The legislature approved increased federal funding totaling \$93,138 for the biennium for food distribution.

DP 14 - Cash Assistance Caseload Reduction - The legislature approved reducing the federal TANF block grant \$4,159,145 for the biennium. This adjustment reduces the cash assistance portion of TANF while other adjustments in the Executive Budget increase TANF appropriations.

Cash assistance caseloads have fallen dramatically over the last several years, from a high of 11,861 in fiscal year 1994 to 6,650 in 1998. The department projects caseloads for each year of the biennium at 5,612 cases. The legislature set department goals in HB 2 language to reduce cash assistance caseloads to 4,900 in fiscal year 2000 and 4,400 in fiscal year 2001. Costs increase slightly between fiscal years 2000 and 2001 because the average monthly payment increases from \$416.71 to \$427.13.

DP 16 - Food Stamp/Medicaid Match Loss - The legislature approved \$987,045 general fund and \$774,140 state special

revenue for the biennium to replace federal funds lost in an unfunded federal mandate included in the Agricultural Research, Extension, and Education Reform Act of 1998. Congress approved reducing the federal match because some of the TANF block grant costs included administrative costs that should have been shared among the Food Stamp, Medicaid, and former Aid to Families with Dependent Children (AFDC). Rather than reduce states' TANF block grants to recoup the shared administrative costs, Congress chose to reduce the matching funds available in other programs.

Because the department is appealing this action, the legislature line itemed this amount and stated that if the department is successful in defending their case, the \$987,045 general fund included in this request will revert to the general fund.

DP 18 - State Assumed County Admin-PL - Total funds of \$694,884, including \$221,000 general fund, were approved for the biennium for increased administrative costs in two areas: food stamp issuance and state assumed county operating costs. This is a reduction of \$109,998 general fund from the Executive Budget.

Food stamp issuance costs are increasing due to the current contract expiring with the firm that does the food stamp issuance. Contract costs are expected to increase in the next biennium because the volume of cases is declining and fixed costs must be spread over fewer transactions. Costs are increasing from \$0.72 per transaction to issue food stamps to \$1.10. Postage for food stamp issuance will also increase with the inclusion of Glacier County as an assumed county.

Increased base administrative expenditures for public assistance programs include:

- 1) Minor tools, instruments, and equipment purchases in various county offices
- 2) Equipping a drop-in day care center for TANF eligible clients in the relocated Missoula county welfare office
- 3) Relocating the Flathead and Missoula county welfare offices, which would result in increased office equipment needs and costs to move telephone equipment (\$17,000 to move telephone equipment is a one-time-only cost)
- 4) Increased rental costs.

DP 26 - Matching-Discretionary Adjustment - This accounting adjustment moves \$921,890 from one federal account to another, child care matching to discretionary funding. Note present law adjustment 27.

DP 27 - Discretionary-Matching/Mandatory Adjustment - This adjustment shows the movement \$3,537,034 from two federal accounts to this account. Note present law adjustment 26 and 28.

DP 28 - Mandatory-Discretionary Adjustment - This adjustment moves \$2,615,144 from one federal account to another, child care mandatory to discretionary funding. Note present law adjustment 27.

DP 29 - Non-Assumed County Admin Adjustment - Non-assumed county administrative costs are increased by \$98,372, which includes \$49,184 state special revenues and \$49,188 federal funds. Expenditure increases are related to overtime and contracted services for food stamp issuance.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds	
6	Child Care Support for FAIM Families	.00	346,765	1,245,563	.00	601,154	2,208,500
7	Head Start Project	.00	0	100,000	.00	0	100,000
8	Food Bank Initiative	.00	12,500	12,500	.00	12,500	12,500
11	Reduce TANF MOE to 77%	.00	(1,750,000)	0	.00	(2,105,177)	0
14	TANF Support for Child Care	.00	0	5,000,000	.00	0	5,000,000
16	Federal TANF Block Grant Reserve	.00	0	33,724,228	.00	0	0
17	Gen Fund Reduction -Tribe TANF	.00	(250,000)	(250,000)	.00	(250,000)	(250,000)
18	HB69--Low-Income Energy Assis & Home Weather.	.00	0	299,991	.00	0	299,991
19	Montana Food Bank Processing Proj.	.00	40,000	40,000	.00	40,000	40,000
Total New Proposals		.00	(\$1,600,735)	\$40,172,282	.00	(\$1,701,523)	\$7,410,991

New Proposals

DP 6 - Child Care Support for FAIM Families - This legislature approved increased child care funding by \$3,454,063 total funds for the biennium, including \$947,919 general fund. General fund amounts are set by federal matching requirements. Funds would expand child care services to families who must meet 30 hour per week work requirements. In addition, child care subsidies would be provided to 62 families below 125% of poverty (\$20,875 for a family of four).

Based on the current usage of child care assistance by FAIM families, a five-hour per week increase in the work participation requirements will increase child care costs by an estimated \$1,013,859 in 1999 and by another \$1,013,859 in 2000. Child care costs related to work participation changes are expected to stabilize in 2001 when work hours reach the maximum limit.

DP 7 - Head Start Project - This legislature approved \$200,000 in federal authority for the biennium to continue the Head Start project started in August 1997. The grant would provide a full day of Head Start for children whose parents work full time; help children in Head Start programs with no health insurance access health care services; and provide training for Head Start operators.

DP 8 - Food Bank Initiative - The legislature approved \$25,000 general fund for the biennium to support food banks. This funding would be used to increase the amount of food that food banks purchase, process and transport.

DP 11 - Reduce TANF MOE to 77% - HB 470 reduces the maintenance of effort required for the TANF block grant to 77 percent. This results in a general fund reduction of \$3,855,177 for the biennium. A general fund reduction and a TANF block grant appropriation increase result in no cost increase. Prior to HB 470, state statute required that the department maintain a fiscal effort equivalent to 80 percent of federally required maintenance of effort.

One hundred percent TANF maintenance of effort is \$20.9 million. States must spend at least 75 percent - \$15.2 million for Montana - in order to draw down the entire TANF block grant of \$45.1 million for Montana. States must meet the federal work participation mandates in order to reduce their maintenance of effort to 75 percent. If states do not meet the federal work participation rates, maintenance of effort must be increased to 80 percent, plus states face a sanction on a portion of the TANF block grant, which must be replaced with state funds.

The legislature approved maintenance of effort at a level of 77 percent, which is approximately \$400,000 higher than the 75% minimum. This cushion is provided to ensure sufficient funding in the event of unanticipated circumstances, such as swings in the matching rate determined by cost allocations for administrative costs for the Medicaid and food stamp programs or lower than estimated maintenance of effort contributions from non-assumed counties.

DP 14 - TANF Support for Child Care - Federal regulations allow up to 30 percent of the TANF block grant to be transferred to child care. The legislature approved an additional \$10 million for the biennium to fund increasing numbers of families requesting child care services.

Child care services have risen from \$6.4 million in state fiscal year 1996 to \$9.9 million in state fiscal year 1998. Increases resulted from child care being provided to families transitioning off of cash assistance and to other low-income working families to help them avoid being on cash assistance. At the present time, there is a waiting list of 305 families for child care services. According to the department, many families do not apply because funding has run out in the past.

DP 16 - Federal TANF Block Grant Reserve - The legislature approved a biennial appropriation of \$33,724,228 federal spending authority for unexpended TANF block grant funds. The accumulation of excess TANF block grant funds is largely due to the drop in public assistance caseloads since 1997. The \$33.7 million in reserves will be used to: 1) establish a "rainy day" reserve of \$8.35 million; 2) assist families leaving FAIM and provide child care - \$16.9 million; 3) address serious barriers for long-term FAIM recipients - \$6.5 million; and 4) provide funds for energy assistance and food banks - \$2.0 million. See the TANF table under "Program Narrative" for more details on the distribution of TANF funds contained in this proposal.

DP 17 - General Fund Reduction -Tribe TANF - The Salish-Kootenai tribe has developed its own tribal family assistance or temporary assistance for needy families plan and is no longer served by the state TANF program. This results in a savings to the general fund. The legislature reduced general fund by \$500,000 for the biennium.

DP 18 - HB69--Low-Income Energy Assistance & Home Weatherization - Because of the elimination of the statutory appropriation for low-income energy assistance and home weatherization in HB 69, \$599,982 in one-time-only federal special revenue funds were appropriated for the biennium in HB 2.

DP 19 - Montana Food Bank Processing Project - The legislature appropriated \$80,000 general fund for the biennium to be used by the Montana Food Bank Network for the processing of donated food. An additional \$17,000 in general fund was appropriated in HB 2 language in fiscal year 2000 for startup costs of the processing project. Those funds are contingent on the receipt of the social security contribution account reversion to the general fund under 19-1-602(4).

Language

"Benefits for TANF are set at 40.5 percent of the poverty rate for each year of the biennium."

"The provider rate increase for child care should reflect local markets."

"If Families Achieving Independence in Montana (FAIM) caseloads increase to a level greater than the projected level of 5,612 for the 2001 biennium or if the department is unable to meet federally mandated work participation requirements because of the lack of resources, the department may access excess TANF funds held by the federal government and referred to by the state to be Montana's "TANF reserve" to fund services that further the goals of FAIM. Therefore, there is appropriated TANF reserve funds up to \$8.35 million for the biennium. Prior to accessing these funds, the department shall review with the Office of Budget and Program Planning current FAIM caseload statistics and trends in caseload."

"The department shall present a plan to the 57th Legislature to create a uniform statewide system of funding for the TANF maintenance of effort, eligibility determination for cash assistance, food stamps, and Medicaid programs, and foster care program costs. This plan must provide a predictable and adequate source of funding and eliminate the historic distinction in funding human services costs between assumed and nonassumed counties. The department shall include county commissioners and select members of the appropriate legislative committee in development of the plan."

"Item 1 [Human and Community Services] includes \$493,522 general fund money in fiscal year 2000 and \$493,523 in fiscal year 2001 to replace lost federal matching funds for Food Stamps, Medicaid, and the former Aid to Families with Dependent Children. The department is appealing the loss of these federal funds. If the department is successful in the appeal, the appropriation in item 1 [Human and Community Services] is reduced by \$493,522 in general fund money in fiscal year 2000 and \$493,523 in fiscal year 2001."

"Item 1 [Human and Community Services] includes a reduction of \$1,750,000 in general fund money in fiscal year 2000 and \$2,105,177 in fiscal year 2001 and in increase in federal TANF funds of a like amount in each fiscal year. This funding switch is contingent on passage of House Bill No. 470."

"Contingent upon passage and approval of House Bill No. 551, item 1 [Human and Community Services] must be reduced in proportion to the number of Native American tribes authorized to operate their own TANF program, up to \$6,706,697 in federal special revenue funds in both fiscal year 2000 and fiscal year 2001."

"Because of the elimination of the statutory appropriation for low-income energy assistance and home weatherization in HB 69, item 1.c. [HB 69 – Low-Income Energy Assistance and Home Weatherization] appropriates \$299,991 in federal special revenue funds in fiscal year 2000 and \$299,991 in federal special revenue funds in fiscal year 2001. If HB 69 is not passed and approved in a form that eliminates the statutory appropriation, then the federal special revenue appropriations in item 1.c. [HB 69 – Low-Income Energy Assistance and Home Weatherization] are void."

"Item 1 [Human and Community Services] includes a reduction of \$6,706,697 in federal special revenue funds in both fiscal year 2000 and fiscal year 2001 and is contingent upon the passage and approval of House Bill No. 551 and the federal authorization for the Native American tribes to operate their own TANF program."

"The Human and Community Services Division is authorized to use up to \$2.96 million in TANF funds for the biennium for expenditures related to the following efforts:

- 1) The division shall increase job training, recruitment, and support service efforts in order to secure highway construction or equivalent paying jobs for 200 FAIM recipients in fiscal year 2000 and another 300 FAIM recipients in fiscal year 2001. The dollars must follow the client.
- 2) The division shall provide FAIM recipients funds to purchase items including but not limited to car insurance, car repairs, gasoline, and special work clothes.

The division shall direct up to \$1.5 million of the \$2.96 million toward efforts specified in subsection (1). If the division is not able to use all of the \$1.5 million for those efforts, the division may redirect remaining funds to the purpose specified in subsection (2).

The division shall report progress every six months on the department's internet Virtual Pavilion site."

"TANF block grant funds of \$100,000 each year of the 2001 biennium are appropriated for the purpose of enhancing the adult basic education program for FAIM financial assistance participants. The funds are to be used to provide adult basic education, adult literacy programs, and learning disability assessment, identification, and followup services for FAIM financial assistance participants."

"It is the intent of the legislature that the department provide quarterly reports beginning July 1, 1999, to the appropriate legislative committee, as identified in Senate Bill No. 11, and make the reports available on the internet through the department's Virtual Pavilion. The reports must include:

- 1) the Human and Community Services Division's means for identifying FAIM recipients who may be qualified for Social Security Disability and Supplemental Security Income (SSI);
- 2) the number of FAIM recipients who might meet SSI criteria;
- 3) the division's progress in getting people moved from FAIM to SSI; and
- 4) the number of FAIM recipients actually moved from FAIM to SSI."

"The department may use, in addition to other FAIM dollars, up to \$300,000 in TANF funds for the biennium to determine SSI eligibility, including psychological examinations, and to move those who are SSI eligible from FAIM to SSI."

"The goal for the number of TANF cash assistance cases is 4,900 in fiscal year 2000 and 4,400 in fiscal year 2001. To meet these goals, the department shall:

- (1) assist a minimum of two tribes in leaving the state's FAIM welfare reform program and assist them in running their own welfare reform program;
- (2) assist TANF clients in obtaining better paying jobs in highway construction or equivalent paying jobs; and
- (3) move both tribal and nontribal FAIM clients that meet social security disability and SSI criteria from FAIM to SSI."

"Contingent on the receipt of the social security contribution account reversion to the general fund under 19-1-602(4), general fund money of \$17,000 is appropriated in fiscal year 2000 for the Montana Food Bank Network to use as setup funds in the use of Montana state prison's meat processing plant for the processing of meat donated to the Montana Food Bank. This money is to be used for this purpose only."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	359.95	.00	3.50	363.45	.00	3.50	363.45	363.45
Personal Services	12,435,021	399,468	147,978	12,982,467	312,252	146,920	12,894,193	25,876,660
Operating Expenses	3,912,732	277,411	212,842	4,402,985	287,320	228,776	4,428,828	8,831,813
Equipment	337,015	8,500	30,000	375,515	8,500	15,000	360,515	736,030
Grants	3,337,999	(34,170)	155,000	3,458,829	(34,170)	155,000	3,458,829	6,917,658
Benefits & Claims	16,402,126	1,074,240	2,567,039	20,043,405	2,181,832	5,087,004	23,670,962	43,714,367
Debt Service	97,061	36,235	3,005	136,301	36,235	3,005	136,301	272,602
Total Costs	\$36,521,954	\$1,761,684	\$3,115,864	\$41,399,502	\$2,791,969	\$5,635,705	\$44,949,628	\$86,349,130
General Fund	20,164,064	1,124,965	(1,094,703)	20,194,326	1,626,380	367,983	22,158,427	42,352,753
State/Other Special	3,472,576	(414,764)	349,608	3,407,420	(386,026)	573,701	3,660,251	7,067,671
Federal Special	12,885,314	1,051,483	3,860,959	17,797,756	1,551,615	4,694,021	19,130,950	36,928,706
Total Funds	\$36,521,954	\$1,761,684	\$3,115,864	\$41,399,502	\$2,791,969	\$5,635,705	\$44,949,628	\$86,349,130

Program Description

The Child and Family Services Division was reorganized into two divisions in October, 1998 - Human and Community Services Division and Child and Family Services Division. The Child and Family Services (CFS) Division administers child welfare services, abuse prevention services, domestic violence grants, and other programs designed to keep children safe and families strong. CFS oversees five regional offices that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFS also provides the user liaison for the large statewide computer system application: CAPS (the Child and Adult Protective Services) system.

Program Narrative

Child and Family Services provided 4,123 children (unduplicated) with foster care and adoption services in 1998. In order to accurately assess costs per child, the number of days and/or cost per day for each type of service is needed. Table 9 shows the total cost and average cost per child of each type of service in fiscal year 1998.

One of the department's goals is to increase the rate of permanent placements through subsidized adoptions and subsidized guardianships. The following charts and Table 10 show this shift from foster care to subsidized adoptions. The number of children in foster care has leveled off and is expected to increase by approximately 1 percent each year of the 2001 biennium, while the number of subsidized adoptions shows a steady increase since 1994 and is projected to increase 20 percent each year of the 2001 biennium. Table 10 shows the growth and decline in foster care and subsidized adoptions since 1994.

Type of Service	Number Children	Total Cost	Average Cost
Other Support Services	933	\$408,920	\$438
Adoption - Nonrecurring cost	31	16,049	518
Shelter Care	415	690,156	1,663
Relative Foster Care	276	615,149	2,229
Family Foster Care	2,211	5,453,401	2,466
Subsidized Adoption	673	2,148,320	3,192
Specialized Family Foster Care	89	403,241	4,531
Therapeutic Group Care	182	952,585	5,234
Foster Group Care	146	917,539	6,285
Therapeutic Family Foster Care	271	1,789,189	6,602
Other Placement Services	14	200,287	14,306
Out of State Care	112	1,940,416	17,325
Unduplicated Children and Costs	4,123	<u>\$15,535,252</u>	<u>\$3,768</u>

**Table 10
Child and Family Services Division
Summary of Foster Care and Subsidized Adoption
FY 1994 - 2001**

	Year	Foster Care	Subsidized Adoption	Total	Foster Care % Increase	Sub. Adopt % Increase
Actual	94	\$12,177,389	\$531,960	\$12,709,349		
Actual	95	13,214,504	532,018	13,746,522	8.52%	0.01%
Actual	96	13,234,686	1,401,882	14,636,568	0.15%	163.50%
Actual	97	14,483,880 *	1,666,449	16,150,329	9.44%	18.87%
Actual	98	13,183,329	2,148,319	15,331,648	-8.98%	28.92%
Projected	99	13,495,316	2,730,267	16,225,583	2.37%	27.09%
Projected	2000	13,981,531	3,374,610	17,356,141	3.39%	23.60%
Appropriated*	2000	13,953,097 **	3,064,951	17,018,048		
Projected	2001	14,401,397	4,171,018	18,572,415	3.21%	36.09%
Appropriated*	2001	14,367,276 **	3,752,677	18,119,953		

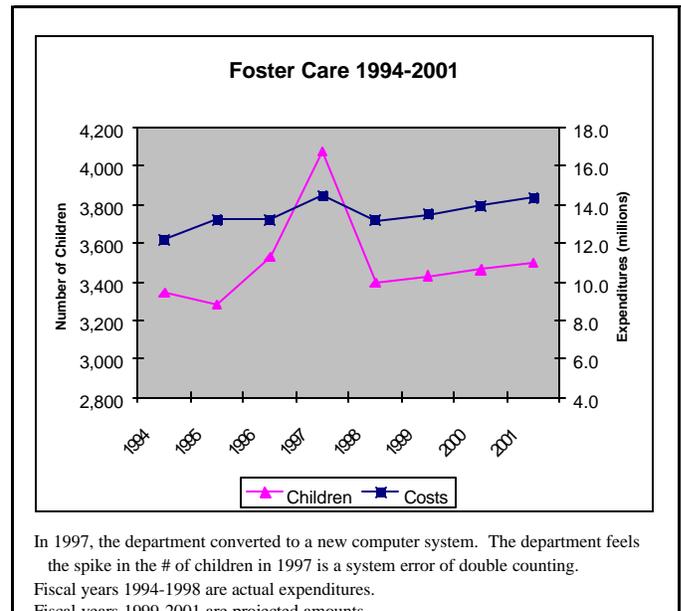
* The department converted to a different computer system in 1997. The department feels the spike in costs in 1997 is due to a system error of double counting children.

** These amounts do not include the direct care worker wage increase or provider rate increase approved by the legislature. The amounts do include a reduction for HB 180 - Guardianship for Youth

Foster Care

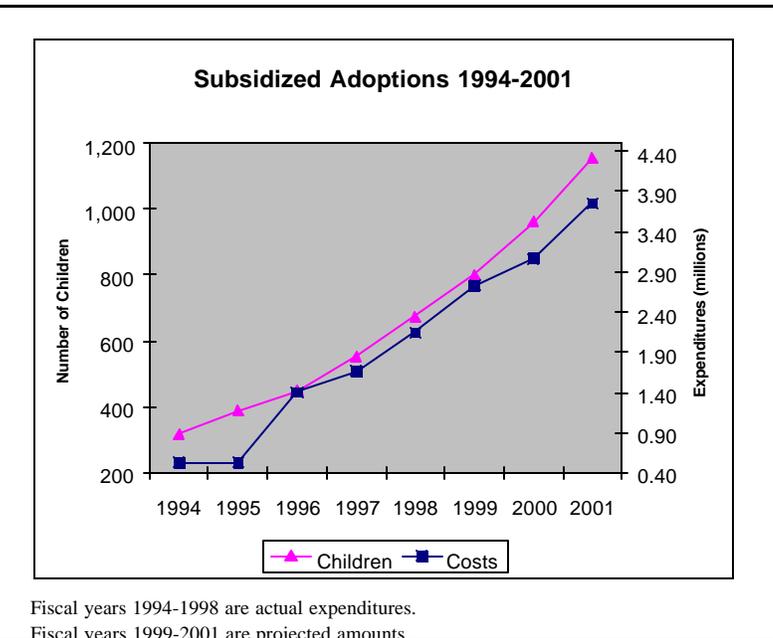
The adjoining foster care chart reflects a gradual increase in the number of children in foster care and the associated costs, except for an anomaly in 1997. (The department converted to a new computer system and speculates that a majority of the increase in 1997 is due to a double counting of some clients.) In addition, the department determined costs would exceed available funds in fiscal year 1997 and implemented cost containment measures, which included not serving youth between the ages of 14 and 18 who were not in abuse or neglect situations.

The amounts appropriated for foster care in the 1999 biennium were in excess of actual and projected expenditures. In 1998, \$15.9 million was appropriated for foster care, while \$13.2 million was expended. Approximately \$1.2 million of the \$2.7 million in savings was used for subsidized adoptions (\$440,000), TANF MOE



(\$670,000) and Montana State Hospital (\$115,000). In 1999, \$16.4 million was appropriated and the division projects \$13.5 million will be expended.

The division updated caseload and cost projections based on December, 1998, figures and reduced the foster care present law adjustment from what was requested in the Executive Budget. The legislature approved the revised request of the division, which was approximately \$800,000 less than was in the Executive Budget. As stated earlier, the budget in the 2001 biennium assumes a 1 percent per year growth rate over the revised 1998 levels. These figures do not include the direct care workers' wage increase or the provider rate increase, but do include the reduction due to HB 180, which allows the department or a guardian ad litem to petition for appointment of a guardian for a child found to be a youth in need of care.



Subsidized Adoptions

Subsidized adoptions caseloads have been growing at an average rate of 20 percent per year since 1994. Projections for subsidized adoption caseloads costs are that there will be increases of 39 percent between the 1999 and 2001 biennia. In 1998, caseloads were 673 and are projected to climb to 1,153 by 2001. These increases are due to the department placing greater emphasis on the permanent placement of children.

Subsidized adoption benefits have increased from \$1.4 million in 1996 to \$2.1 million in 1998. The executive present law adjustment requested an increase of \$3.1 million for the biennium over the \$2.1 million in the base. The division updated caseload and cost projections based on December, 1998, figures and requested an additional \$339,700 in total funds based on the updated figures. The legislature approved approximately \$466,294 less

than the executive request and approximately \$806,000 less than the division requested in its revised decision package (the decision package included \$78,000 for insurance for subsidized adoption families per requirements of the Safe Families Act). The present law adjustment approved by the legislature (\$2.6 million for the biennium) represents a 46 percent increase over the base in fiscal year 2000 and a 79 percent increase over the base in fiscal year 2001 (or a 22 percent increase from FY2000 to FY2001).

Subsidized adoption expenditures exceeded the amounts appropriated in the 1999 biennium. Approximately \$1.4 million was appropriated for each year of the 1999 biennium, and \$2.1 million was expended in fiscal 1998. It is projected that \$2.7 million will be expended in fiscal year 1999.

Funding

General fund provides:

- 1) Match for federal grants and entitlement programs
- 2) Funding for services to abused and neglected children not covered by federal funds
- 3) Costs exceeding Title IV-B program limits
- 4) Administrative and services costs not supported by state special or federal revenues

State special revenues include:

- 1) Property tax revenue from non-assumed counties for administration and benefits match for child welfare

administration, and foster care services

- 2) Parental contributions, child support payments, and third party payments for foster care services
- 3) Income tax check-off revenue for child abuse prevention programs (\$35,000 annually)
- 4) A portion of the divorce and legal separation filing fee for intervention and treatment services to domestic abuse victims
- 5) A portion of adoption fees (\$30,000 annually)
- 6) Nine mills of property tax revenue remitted to the state from state assumed counties (9-mill income is budgeted in the Medicaid benefits budget, where it reduces the cost of the general fund match). The 1999 legislature passed several bills that will reduce the amount of revenue generated from the 9 mill levy for state assumption welfare by \$1.6 million. SB 260, which reduces the taxes on light vehicles and fleet vehicles, is the only bill affecting the 9 mill levy that appropriates funds to offset the reduction in revenue. SB 260 transfers \$271,115 for the 2001 biennium from the general fund to the state special revenue fund.

Federal funding sources include:

- 1) Temporary Assistance to Needy Families block grant
- 2) Title IV-E (foster care)
- 3) Food stamps and Medicaid administrative funding
- 4) Child abuse prevention and family preservation grants

Division administrative costs are allocated based on a federally approved cost allocation plan.

The following table shows the various funding sources of the division for the base year and each year of the 2001 biennium. In comparison to the base year, the percent of general fund has decreased as state and federal special revenue have increased. A portion of the TANF block grant can be transferred to the Social Service Block Grant (Title XX) which can be used to prevent or remedy neglect, abuse, or exploitation of children from families with incomes below 200 percent of the poverty level. This allowed the legislature to decrease general fund by \$5.7 million and transfer \$5.7 million in TANF block grant funds to serve foster care clients that are eligible for Title XX funds.

Table 11
Child & Family Services Funding Summary

Fund Source	Fiscal 1998 Base	Legislative Action		2001 Biennium
	Actual	2000	2001	Percent of Total
General Fund	\$20,164,064	\$20,194,326	\$22,158,427	49.05%
Percent of Total	55.21%	48.78%	49.30%	
State Special Revenue				
County Reimbursement	\$2,041,126	\$2,022,460	\$2,022,563	4.68%
Child Abuse & Neglect Prgm	35,882	34,132	34,132	0.08%
Third Party Contributions	1,392,354	1,169,405	1,422,133	3.00%
Assault Intervention & Treatment	0	148,123	148,123	0.34%
Adoption Services	739	30,800	30,800	0.07%
Family Preservation Conference	2,475	2,500	2,500	0.01%
Subtotal State Special Revenue	\$3,472,576	\$3,407,420	\$3,660,251	8.18%
Percent of Total	9.51%	8.23%	8.14%	
Federal Funds				
TANF Administration	\$5,953	\$305,172	\$305,136	0.71%
TANF Benefits	188,887	187,474	187,474	0.43%
Access & Visitation Grant	1,756	5,000	5,000	0.01%
Family Preservation & Support Services	399,143	393,404	393,404	0.91%
Refugee Social Services	79,305	79,305	79,305	0.18%
Child Care Development Block Grant	4,487	(54)	(53)	0.00%
MT Employment Enhancement	142,750	142,750	142,750	0.33%
Children's Justice Grants to States	46,875	335,963	335,963	0.78%
IV-B Child Welfare Services - State Grants	271,396	0	0	0.00%
MT Crisis Nursery Project	297,845	273,802	273,802	0.63%
CAPS Development - IV-E Foster Care	23,832	12,018	11,955	0.03%
IV-E Foster Care & Adoption	5,808,144	7,349,094	8,696,155	18.58%
Child Abuse & Neglect Grant	49,238	110,276	110,276	0.26%
Domestic Violence	417,762	432,197	432,197	1.00%
Child Abuse Challenge	132,858	176,000	176,000	0.41%
IV-E Independent Living	230,638	359,001	359,001	0.83%
State Adm. Match Grt for Food Stamp	44,269	14,829	16,136	0.04%
Social Services Block Grant	0	2,850,000	2,850,000	6.60%
Medical Assistance Program	0	22,280	22,280	0.05%
Indirect Cost Allocation	4,740,176	4,749,245	4,734,169	10.98%
Subtotal Federal Funds	\$12,885,314	\$17,797,756	\$19,130,950	42.77%
Percent of Total	35.28%	42.99%	42.56%	
Total Funds	<u>\$36,521,954</u>	<u>\$41,399,502</u>	<u>\$44,949,628</u>	100.00%
Annual Rate of Change from Base		13.36%	23.08%	

Over 58 percent of the expenditures in this division are for benefits or grants, up from approximately 54 percent in 1998. The table below summarizes the benefits and grants for the base year and fiscal years 2000 and 2001. For the 2001 biennium, benefits will increase by 32 percent from fiscal year 1998. The majority of the growth is an increase in benefits for foster care and subsidized adoptions. Grants show an overall increase of 8 percent from fiscal year 1998 to the 2001

biennium due to an increase in grant monies for domestic violence and grants for two new programs: 1) a program to support and facilitate noncustodial parents' access to their children; and 2) grants to provide follow-up services for adoptive and foster families after a child has been placed.

Service Area	Fiscal 1998 Base Expenditures				Fiscal 2000 Legislative Appropriation				Fiscal 2001 Legislative Appropriation									
	General	Fund	State	Special	Federal	TOTAL	General	Fund	State	Special	Federal	TOTAL	General	Fund	State	Special	Federal	TOTAL
BENEFITS																		
Foster Care	\$7,069,173	\$2,343,350	\$4,372,676	\$13,785,198	\$8,386,730	\$2,781,007	\$5,143,276	\$16,311,013	\$9,895,818	\$3,282,169	\$6,070,093	\$19,248,080						
Subsidized Adoptions	1,092,042	0	1,008,290	2,100,332	1,422,042	0	1,642,909	3,064,951	1,951,159	0	1,801,518	3,752,677						
Big Brothers & Sisters	181,498	0	0	181,498	184,220	0	0	184,220	186,984	0	0	186,984						
In Home & Family Support Serv	191,466	0	74,255	265,721	191,466	0	74,255	265,721	191,466	0	74,255	265,721						
Other Benefits	0	0	69,377	69,377	0	0	69,377	69,377	0	0	69,377	69,377						
TOTAL BENEFITS	\$8,534,179	\$2,343,350	\$5,524,598	\$16,402,126	\$10,184,458	\$2,781,007	\$6,929,817	\$19,895,282	\$12,225,427	\$3,282,169	\$8,015,242	\$23,522,839						
GRANTS																		
Domestic Violence	\$142,924	\$0	\$412,197	\$555,121	\$142,924	148,123	\$412,197	\$703,244	\$142,924	\$148,123	\$412,197	\$703,244						
Adopt & Foster Family Supp	0	0	0	0	40,000	0	15,000	55,000	40,000	0	15,000	55,000						
Refugee	0	0	79,305	79,305	0	0	79,305	79,305	0	0	79,305	79,305						
Child Abuse and Neglect	0	0	35,882	35,882	0	0	34,132	34,132	0	0	34,132	34,132						
In Home & Family Support Serv	1,595,432	0	618,745	2,214,177	1,595,432	0	618,745	2,214,177	1,595,432	0	618,745	2,214,177						
Visitation Non-Custodial Parent	0	0	0	0	0	0	100,000	100,000	0	0	100,000	100,000						
Other Grants	18,816	0	434,698	453,514	18,816	0	402,278	421,094	18,816	0	402,278	421,094						
TOTAL GRANTS	\$1,757,172	\$0	\$1,580,827	\$3,337,999	\$1,797,172	\$148,123	\$1,661,657	\$3,606,952	\$1,797,172	\$148,123	\$1,661,657	\$3,606,952						

Expenditures on this table differ from division main table due to adjustments in this table to reflect benefits and grants in proper categories.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			316,577			229,361
	Inflation/Deflation			21,606			18,769
	Fixed Costs			(26,546)			(23,938)
	Total Statewide Adjustments			\$311,637			\$224,192
Present Law Adjustments							
1	Foster Care Caseload Increase	.00	407,563	227,053	.00	671,919	646,919
9	Field Services Costs	.00	200,000	365,846	.00	200,000	369,762
11	Kellogg Funding Adjustment	.00	0	(306,833)	.00	0	(306,827)
19	Training and Administration	.00	55,000	171,715	.00	60,000	177,917
24	Adoption Fees, HB 163	.00	0	30,000	.00	0	30,000
25	Subsidized Adoption Caseload Incr	.00	330,000	964,619	.00	630,000	1,652,345
30	Rate Reduction	.00	(1,857)	(2,353)	.00	(1,846)	(2,339)
	Total PL Adjustments	.00	\$990,706	\$1,450,047	.00	\$1,560,073	\$2,567,777
	Present Law Adjustments Total			\$1,761,684			\$2,791,969

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Foster Care Caseload Increase - The legislature approved \$873,972 total funds, including an increase of \$1,079,482 general fund and decrease of \$205,510 other funds, for the biennium. The foster care caseloads were adjusted from the executive to reflect new caseload numbers and costs. Reductions from the executive totaled \$810,197 for the biennium.

Foster care caseloads are based on actual caseload numbers and average costs with a 1 percent annual caseload increase and a 2.5 percent annual cost increase.

DP 9 - Field Services Costs - The legislature approved \$735,608, which includes \$400,000 general fund, for the biennium for child protective services. Funds are primarily for increased administrative costs that include the following:

- 1) overtime and benefits for overtime pay;
- 2) replacement of existing vehicles with leased vehicles for social workers;
- 3) increased rental costs for state-owned buildings and regional offices and costs for relocating offices; and
- 4) tribal contracts.

DP 11 - Kellogg Funding Adjustment - The Kellogg Grant will not continue in the 2001 biennium. Therefore, this adjustment removes \$613,660 federal funds. Continuation of the 5 permanency specialists provided under the Kellogg Grant and the federal IV-E matching funds were approved in new proposal number 1.

DP 19 - Training and Administration - The legislature approved a \$349,632 biennial increase (\$115,000 general fund) for foster and adoptive parent training and for rent, equipment, and program administration. Increased costs include:

- 1) contract services for three foster parent training programs: PRIDE, a cultural exchange program, and a mentor program; and for foster parent retention, recruitment and maintenance;
- 2) travel and related costs for administering contracts with the tribes, reviewing activities for child welfare programs, and monitoring contracts;
- 3) equipment replacement costs;
- 4) increased rental costs; and
- 5) finance costs to purchase and install room dividers in the central office.

Federal funding sources include Title IV-E and TANF funds. General fund is based on federal matching requirements.

DP 24 - Adoption Fees, HB 163 - The legislature approved \$60,000 state special revenue for the biennium for contracted services to maintain the putative father registry. State special revenues represent adoption fees. The 1997 legislature passed legislation establishing a putative father registry, which provides notice of termination of parental rights to putative fathers.

DP 25 - Subsidized Adoption Caseload Increase - The legislature approved adding \$2,616,964 total funds for the biennium, including \$960,000 general fund, for subsidized adoption caseload increases and the cost of health insurance for foster children placed with adoptive families. Insurance is required by the Adoption and Safe Families Act passed by Congress in 1997 (Safe Families Act). The request includes funds to provide an annual \$2,600 health insurance subsidy paid from general fund for 10 children in fiscal 2000 and 20 children in fiscal 2001.

Subsidized adoption caseloads have been growing at an average rate of 20 percent per year since 1994. Subsidized adoption benefits increased from \$1.4 million supporting 449 children in fiscal 1996 to a projected \$2.1 million supporting 666 children in fiscal 1998. The department states that the number of children in subsidized adoption is expected to increase to 961 in fiscal 2000 and 1,153 in fiscal 2001. Total costs are expected to rise to \$3.4 million in fiscal 2000 and \$4.2 million in fiscal 2001, at an average cost of \$3,600 per child.

Federal funds and general fund are used for Title IV-E eligible children and services. General funds pay for all other costs.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	Total Funds	FTE	General Fund	Total Funds
1	Permanency Planning Specialists	5.00	194,714	266,732	5.00	198,869	272,423
3	Child Protective Services Social Wo	3.00	133,570	188,395	3.00	132,336	184,034
4	Adoptive and Foster Family Supp Svc	.00	40,000	55,000	.00	40,000	55,000
5	Access/Visitation: Non-Custodial Pa	.00	0	100,000	.00	0	100,000
10	Vehicle Lease - Protective Service	.00	30,963	40,296	.00	29,285	38,112
12	Foster Care Provider Rate Increase	.00	98,961	170,375	.00	204,926	352,359
13	Workload Issues - LAD Audit	2.00	61,976	88,160	2.00	61,594	87,616
14	Direct Care Worker Wage Increase	.00	1,321,056	2,276,975	.00	2,679,389	4,620,643
15	Enhanced TANF Support	.00	(2,850,000)	0	.00	(2,850,000)	0
20	Eliminate Funding for 1 Vacant FTE	(.50)	(7,358)	(12,706)	(.50)	(7,316)	(12,633)
21	SB 258 - Revise Domestic Abuse Laws	.00	0	148,123	.00	0	148,123
22	Remove 6 OTO FTE	(6.00)	(102,534)	(177,052)	(6.00)	(101,839)	(175,851)
23	HB 180 - Guardianship for Youth	.00	(16,051)	(28,434)	.00	(19,261)	(34,121)
Total New Proposals		3.50	(\$1,094,703)	\$3,115,864	3.50	\$367,983	\$5,635,705

New Proposals

DP 1 - Permanency Planning Specialists - The executive request included 6.0 FTE that were one-time-only permanency planning specialists in the base budget. The legislature approved 5.0 of the 6.0 FTE permanency planning specialists. The total cost is \$539,155, including \$393,583 general fund, to continue 5.0 FTE into the 2001 biennium. FTE are requested as a new proposal because legislators wanted to review the progress the department made in finding permanent homes for abused/neglected children who had been removed from and could not return to their families. Funding for a photo-listing book, which is called the Treasure Book, is included in this new proposal because it was also classified as one-time-only.

DP 3 - Child Protective Services Social Workers - Increased funding was approved to hire 3.0 FTE social workers for local communities at a cost of \$372,429 total funds including \$265,906 general fund over the biennium. The department listed several factors impacting social workers' workloads:

- 1) Montana counties' population growth since 1990 has increased or seen only slight decreases. Sixteen counties have experienced population growth greater than 12 percent since 1990.
- 2) Increasing reports of abuse and neglect -- all reports must be investigated, and if substantiated, followed up with the family or court.
- 3) Cases involving drug use/abuse are increasing. Gallatin County reports that approximately 50 percent of new cases are drug-related; in Yellowstone and Cascade Counties, 70 percent of new cases are reportedly related to drug and/or alcohol abuse.
- 4) In the best interest of the child, workers attempt to place endangered children with other family members. Non-paid kinship placements save general fund expense but result in increased staff time to arrange visitations, transport clients to therapy appointments, supervise visitations, etc.
- 5) New federal laws regarding permanency for children require completion of social studies on children and families, identifying families willing to provide permanent homes, preparation for the placements, and efforts to ease the transition.
- 6) Assessment and family conferencing show promise of keeping children out of the foster care system. Currently two regions use this tool that emphasized working with the community-wide child welfare system, which includes families, private agencies, other public agencies, schools, law enforcement and volunteers. Family and department reactions have been positive.

DP 4 - Adoptive and Foster Family Support Service - The legislature approved \$110,000 total funds, including \$80,000 general fund over the biennium, to be distributed to local regional offices. Funds would be used for follow-up services for adoptive and foster families after a child has been placed.

Supporting adoptive and foster families is part of the duties of Family Resource Specialists. The funds would be used to allow these staff to provide more support services. Funding was also approved in present law adjustment number 19 for contract services for training programs and recruitment and retention activities previously handled by the Family Resource

Specialists.

Funds approved in this new proposal are categorized under grants to local offices. Regional offices would contract for services such as assistance in obtaining services from mental health managed care, information related to the child's past medical, psychological or other treatments, and identifying training and resource materials for families.

DP 5 - Access/Visitation: Non-Custodial Parent - The legislature approved \$200,000 federal authority for the biennium to establish and administer a program to support and facilitate noncustodial parents' access to their children through such services as mediation, counseling, education, development of parenting plans, visitation enforcement, and development of guidelines for visitation and alternative custody arrangements. This federal grant requires a 10 percent match to be provided with existing program funds. The legislature included language for the department to: 1) coordinate participation in this program with the Child Support Enforcement Division; and 2) prevent general fund from subsidizing this program if federal funds are reduced.

DP 10 - Vehicle Lease - Protective Service - The legislature approved \$78,408 total funds for the biennium (\$60,248 general fund) for 12 new leased vehicles for social workers.

DP 12 - Foster Care Provider Rate Increase - The legislature approved \$303,887 general fund and \$522,734 total funds over the biennium for a 1 percent foster care provider rate increase. Currently, family foster care providers are reimbursed \$11.52 per day for children age 12 and under, \$14.52 per day for children 13 to 18. A 1 percent rate increase represents 12 cents and 15 cents per day. Facility providers are reimbursed based upon the model rate matrix established in 1989 and would also be given a 1 percent increase.

DP 13 - Workload Issues - LAD Audit - The legislature approved \$175,776 total funds, including \$123,570 general fund, for the biennium to hire 2.0 FTE to address issues identified in legislative audit findings. Foster care funding source errors in the Child and Adult Protective Services (CAPS) foster care system and the need to ensure that the proper state and federal funding sources are charged for foster care costs were written up as needing correction. The department determined that lack of staff was one potential reason the problem occurred.

DP 14 - Direct Care Worker Wage Increase - The legislature approved \$4,000,445 general fund and \$6,897,618 total funds for the biennium for a direct care workers' wage increase of \$0.25 per hour in fiscal 2000 and an additional \$0.25 per hour in fiscal 2001, and an increase in family foster care of \$0.50 per day.

DP 15 - Enhanced TANF Support - The legislature approved the transfer of TANF block grant funds to Title XX for foster care. General fund of \$5.7 million for the biennium will be replaced by federal funds. Title XX funds may be used to prevent or remedy neglect, abuse, or exploitation of children from families with incomes below 200 percent of poverty level. The department estimated that approximately 75 percent of foster care clients served are eligible for Title XX funds. This request does not increase funding for foster care.

DP 20 - Eliminate Funding for 1 Vacant FTE - The legislature eliminated funding for a position that had been vacant for at least 10 months. The position was a 0.5 FTE that resulted in a reduction of \$25,339 total funds, including \$14,674 general fund, for the biennium.

DP 21 - SB 258 - Revise Domestic Abuse Laws - The legislature appropriated \$296,246 in state special revenue for the biennium to fund a partner and family member assault intervention and treatment program. The revenue comes from divorce and separation filing fees.

DP 22 - Remove 6 OTO FTE - Six one-time-only FTE were inadvertently left in the base budget and were included in a new proposal, thereby double-funding the positions. The legislature removed \$352,903 total funds for the biennium, including \$204,373 general fund, for the six FTE that were not removed from the base. The legislature approved five of the six FTE in the new proposal.

DP 23 - HB 180 - Guardianship for Youth - The department projects that 120 youth will enter subsidized guardianship placements in the 2001 biennium. Because this level of care is less expensive than foster care, the legislature reduced total funds by \$62,555 for the biennium, including \$35,312 general fund.

Language

"The department may not use general fund money to support a program developed to facilitate noncustodial parents' access to their children. It is the intent of the legislature that the Child and Family Services Division coordinate participation in this program with the Child Support Enforcement Division."

"The legislature approved funding for 2.0 new FTE in item 2 [Child and Family Services Division]. These 2.0 FTE may not be transferred to any other division."

"Item 2 [Child and Family Services Division] includes a reduction of \$16,051 in general fund money in fiscal year 2000, a reduction of \$3,159 in state special revenue funds in fiscal year 2000, a reduction of \$9,224 in federal special revenue funds in fiscal year 2000, a reduction of \$19,261 in general fund money in fiscal year 2001, a reduction of \$3,791 in state special revenue funds in fiscal year 2001, and a reduction of \$11,069 in federal special revenue funds in fiscal year 2001. These reductions are contingent upon the passage and approval of HB 180."

"Item 2 [Child and Family Services Division] has been reduced by \$352,903 total funds in the 2001 biennium, including \$204,373 in general fund money, to reflect a reduction in the personal services budget of this division. It is the intent of the legislature that position number 92303 be eliminated from the department as 5 of the 6 FTE in position 92303 are also funded under position number 99972501."

"Item 2.c. [SB 258 - Revise Domestic Abuse Laws] is contingent upon the passage and approval of SB 258."

"The department shall work with the Supreme Court to develop joint rules, regulations, and procedures for the foster care review process."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	29.50	.00	2.00	31.50	.00	2.00	31.50	31.50
Personal Services	1,142,281	82,342	34,354	1,258,977	74,686	35,637	1,252,604	2,511,581
Operating Expenses	809,332	113,723	69,000	992,055	120,323	66,500	996,155	1,988,210
Equipment	0	0	0	0	0	0	0	0
Debt Service	7,489	14,333	4,000	25,822	17,094	1,500	26,083	51,905
Total Costs	\$1,959,102	\$210,398	\$107,354	\$2,276,854	\$212,103	\$103,637	\$2,274,842	\$4,551,696
General Fund	610,492	14,517	0	625,009	13,555	0	624,047	1,249,056
State/Other Special	792,618	113,591	90,623	996,832	117,510	87,966	998,094	1,994,926
Federal Special	555,992	82,290	16,731	655,013	81,038	15,671	652,701	1,307,714
Total Funds	\$1,959,102	\$210,398	\$107,354	\$2,276,854	\$212,103	\$103,637	\$2,274,842	\$4,551,696

Program Description

The Director's Office provides overall policy development for the department and coordinates the Telephone Devices for the Deaf program. Included in the Director's Office are legal affairs, personnel services, public information, and state and local relations. The Board of Health and Human Services Appeals, the Public Health and Human Services Statewide Advisory Council, and the Montana Health Care Advisory Council are administratively attached.

Funding

Funding consists of 27 percent general fund, 44 percent state special revenue, and 29 percent federal funds. Funding is allocated by ratios associated with work activities under a federally approved, department-wide cost allocation plan.

State special revenue funds are derived through Interagency Coordinating Council funding transfers, the department cost allocation plan, and the Montana Telephone Assistance Program (MTAP) tax -- a 10 cent per month assessment on every telephone line in the state. MTAP taxes are collected by telecommunications services providers. The tax provides 100 percent of the funding for the Telephone Devices for the Deaf program.

Federal funds are a portion of federal grants received by the department, which pay Director's Office administrative costs. General fund pays remaining division costs.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description	FTE	General Fund	Total Funds	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
Personal Services			82,342				74,686
Inflation/Deflation			2,957				2,330
Fixed Costs			11,147				13,642
Total Statewide Adjustments			\$96,446				\$90,658
Present Law Adjustments							
2 Director's Office Replacement Equip	.00	4,028	9,283		.00	5,227	12,044
3 Legal Services Increase	.00	2,135	3,500		.00	2,135	3,500
4 MTAP Services Increase	.00	0	103,035		.00	0	107,766
30 Rate Reduction	.00	(824)	(1,866)		.00	(823)	(1,865)
Total PL Adjustments	.00	\$5,339	\$113,952		.00	\$6,539	\$121,445
Present Law Adjustments Total			\$210,398				\$212,103

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in

the table correspond to the narrative descriptions.

DP 2 - Director's Office Replacement Equipment - The legislature approved \$21,327 for the biennium, including \$9,255 general fund, for three-year debt purchases of personal computers. Nine computers will be leased in fiscal 2000 and eleven in fiscal 2001.

DP 3 - Legal Services Increase - The legislature approved \$7,000 for the biennium, including \$4,270 general fund, for increased printing costs. Printing costs are for copies of the Administrative Register of Montana for recommitment, patient rights and confidentiality, and civil proceedings.

DP 4 - MTAP Services Increase - The legislature approved increased spending authority of \$210,801 state special revenue for the biennium for the Montana Telephone Assistance Program. Funds requested will continue rental contracts for telephone devices for the deaf (TDD) and amplified handset expenses. Other expenditures include finance payments for new personal computers and program advertising.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds	
1 Re-establish OTO Legal Counsel FTE	1.00	0	17,126	1.00	0	16,041	
2 Additional FTE for Office Admin	1.00	0	24,478	1.00	0	21,846	
3 Expanded Equip Install & Training	.00	0	65,750	.00	0	65,750	
Total New Proposals	2.00	\$0	\$107,354	2.00	\$0	\$103,637	

New Proposals

DP 1 - Re-establish OTO Legal Counsel FTE - The 1997 legislature approved a one-time-only 1.0 FTE legal counsel to represent the State of Montana in re-commitment proceedings of patients at the Montana State Hospital in Warm Springs and the Mental Health Nursing Care Center (MHNCC) in Lewistown. The 1999 legislature appropriated \$33,167 state and federal special revenue for the biennium to establish this FTE as a permanent 1.0 FTE legal counsel for ongoing legal services. The \$51,876 in general fund money associated with this request in the Executive Budget was not approved.

In addition to providing services for the state hospital case, the FTE would provide representation in civil proceedings to collect overpayments from Medicaid providers, collection actions involving current or past patients at state institutions, and general advice on contract issues, requests for bids, administrative rules, and employee grievance disputes associated with the many state institutions and facilities administered by the department.

DP 2 - Additional FTE for Office Administration - The legislature approved adding 1.0 FTE for the Montana Telephone Assistance Program office. Biennial costs are \$46,324. The department states that current requests for TDD equipment have risen 20 percent per year. This position would process applications for TDD and hearing-impaired equipment.

DP 3 - Expanded Equipment Installation & Training - The legislature approved this new proposal for an increase of \$131,500 in state special revenue authority for the biennium. Funds would pay for contract services for one contract employee to be located at the Montana Center on Deafness in Great Falls to install and maintain equipment, provide user training, and expand awareness of the program. The contract would augment services provided by 1.0 FTE based in Helena.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	185.75	7.00	(3.00)	189.75	7.00	(3.00)	189.75	189.75
Personal Services	5,921,854	392,913	(82,793)	6,231,974	346,304	(82,236)	6,185,922	12,417,896
Operating Expenses	2,965,692	(56,362)	0	2,909,330	(77,595)	0	2,888,097	5,797,427
Equipment	32,705	0	0	32,705	0	0	32,705	65,410
Local Assistance	3,299	0	0	3,299	0	0	3,299	6,598
Debt Service	341	0	0	341	0	0	341	682
Total Costs	\$8,923,891	\$336,551	(\$82,793)	\$9,177,649	\$268,709	(\$82,236)	\$9,110,364	\$18,288,013
General Fund	0	0	655,367	655,367	0	667,379	667,379	1,322,746
State/Other Special	3,004,681	27,990	(683,085)	2,349,586	(8,190)	(694,911)	2,301,580	4,651,166
Federal Special	5,919,210	308,561	(55,075)	6,172,696	276,899	(54,704)	6,141,405	12,314,101
Total Funds	\$8,923,891	\$336,551	(\$82,793)	\$9,177,649	\$268,709	(\$82,236)	\$9,110,364	\$18,288,013

Program Description

The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance, Families Achieving Independence in Montana (FAIM), and those not on assistance. Services are available to any applicant regardless of income level.

Program Narrative

Prior to welfare reform, state special revenues represented 34 percent of the total CSED funding. State special revenues were comprised of:

- 1) retention of the state’s Medicaid matching rate (FMAP) percent of the child support collections for clients who receive assistance from the FAIM program;
- 2) federal incentive payments equaling 6 percent of collections for FAIM clients;
- 3) federal incentive payments for clients not receiving FAIM; and
- 4) the state’s share (FMAP) of service fees implemented in July 1998, after welfare reform started.

In the 2001 biennium, state special revenue will drop to 26 percent of total funds. This reduction is due to the following factors: 1) beginning in fiscal 2000 there is a change in the distribution of collections that requires families who have left public assistance to receive any arrears before reimbursing the state for assistance benefits. Formerly, the state was allowed to reimburse public assistance arrears before non-assistance arrears were paid to the family; 2) the number of families receiving public assistance has been reduced substantially due to welfare reform. A one-time general fund subsidy of \$496,746 was appropriated to offset this loss of state special revenue; and 3) the legislature passed HB 127, which revised child support laws to improve services and eliminated the ability of the department to charge non-FAIM recipients who receive CSED services a handling fee. Federal statute requires that CSED provide services to all persons who request it, regardless of income. The division had been charging a fee in the 1999 biennium for these services. Revenue from this handling fee was projected to be \$826,000 for the biennium. A one-time appropriation of \$826,000 general fund was also appropriated to subsidize this loss. If general fund had not been appropriated to make up these shortfalls in state special revenue, the division also would have lost approximately \$2.6 million in federal match. The legislature appropriated general fund money as one-time-only so it can evaluate how the new federal incentive program, which begins in fiscal year 2000, will impact funding.

Funding

The Child Support Enforcement Division is funded with 7 percent general fund, 26 percent state special revenues, and 67 percent federal funds. The base budget did not include any general fund. However, the 1999 legislature appropriated general fund of \$1.3 million in the 2001 biennium due to an anticipated shortfall in state special revenue from child

support collections and the legislature prohibiting the collection of handling fees charged for enforcing child support collected from clients not on FAIM.

State special revenues are generated through the following four avenues:

- 1) program retention of the state Federal Medical Assistance Percentage (FMAP) of the child support collections for clients who receive assistance from the FAIM program (state FMAP for 1999 is 28.56 percent);
- 2) federal incentive payments equaling 6 percent of collections for FAIM clients; and
- 3) federal incentive payments equaling 6.9 percent of collections for clients not receiving FAIM limited to 115 percent of the incentive received for collections for FAIM clients.

Incentives are earned based on a benefit-cost ratio of collections to costs. Beginning in fiscal 2000, a new federal incentive program will be phased-in based on performance measures in five areas. Montana's performance has been positive, which may result in increased incentives.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			392,913			346,304
	Inflation/Deflation			20,416			20,527
	Fixed Costs			45,112			45,112
	Total Statewide Adjustments			\$458,441			\$411,943
Present Law Adjustments							
2	Funding for 7 Modified Positions	7.00	0	0	7.00	0	0
4	Contract Adjustments	.00	0	(130,000)	.00	0	(150,000)
5	Vehicle Lease Request	.00	0	17,154	.00	0	15,810
30	Rate Reduction	.00	0	(9,044)	.00	0	(9,044)
	Total PL Adjustments	7.00	\$0	(\$121,890)	7.00	\$0	(\$143,234)
	Present Law Adjustments Total			\$336,551			\$268,709

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Funding for 7 Modified Positions - The legislature approved 7.0 FTE to be funded with TANF funds. The 1997 legislature designated 13.0 FTE as one-time-only because the impacts of the new welfare reform program were unclear. The 1999 legislature funded 7 of the 13 positions.

The 7.0 approved FTE are liaisons with the Child and Family Services Division to ensure compliance with FAIM. The funding for these positions is in the Human and Community Services new proposal 16.

DP 4 - Contract Adjustments - The total cost of the division's contract services for the System for Enforcement and Recovery of Child Support (SEARCHS) programming will be budgeted in Program 09, the Operations and Technology Division. The legislature approved a reduction in contract services in the Child Support Enforcement Division by \$300,000 federal funds for the biennium.

The legislature also approved increases in contract services of \$20,000 in fiscal 2000 to upgrade the Interactive Voice

Response system in the Customer Service Unit. New services would enable customers to call and receive information on all child support programs, rather than just current payment information. This upgrade is expected to reduce the 20,000 monthly calls handled by customer service representatives and prevent additional contract costs due to increased call volume.

DP 5 - Vehicle Lease Request - The legislature approved vehicle leases of \$47,544 for the biennium for five vehicles and decreases in maintenance, repair, and gas costs of \$14,580 - a \$32,964 net increase funded with 34 percent state special revenue and 66 percent federal funds.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1	General Fund Subsidy	.00	655,367	0	.00	667,379	0
20	Eliminate Funding for 3 Vacant FTE	(3.00)	0	(82,793)	(3.00)	0	(82,236)
Total New Proposals		(3.00)	\$655,367	(\$82,793)	(3.00)	\$667,379	(\$82,236)

New Proposals

DP 1 - General Fund Subsidy - The legislature approved \$1.3 million in general fund for the biennium as a one-time-only appropriation to: 1) offset an anticipated shortfall in state special revenue from child support collections; and 2) replace state special revenue derived from handling fees charged for enforcing child support collected from clients not on FAIM. This handling fee was approved by the 1997 legislature because of anticipated shortfalls in the 1999 biennium and because the collection services were being provided free of charge. The fee was to be implemented if existing funding was insufficient to fund appropriations. The 1999 legislature removed the provision in law that allowed the division to charge this fee and appropriated general fund to replace the shortfall that would occur from this loss of state special revenue.

DP 20 - Eliminate Funding for 3 Vacant FTE - The legislature eliminated funding for 3.0 FTE that had been vacant for at least 10 months. This resulted in a reduction of \$165,029 total funds for the biennium.

Language

Item 4 [Child Support Enforcement Division] includes general fund money of \$655,367 in fiscal year 2000 and \$667,379 in fiscal year 2001 to replace a shortfall in state special revenue from child support collections. This appropriation is one-time only.

"Beginning July 1, 1999, and every 6 months thereafter, the Child Support Enforcement Division shall make a report available on the internet through the department's Virtual Pavilion on its progress in collecting child support on tribal reservations."

“The Child Support Enforcement Division (CSED) may not charge the handling fee provided for under 40-5-210(3).”

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	133.47	.00	13.00	146.47	.00	13.00	146.47	146.47
Personal Services	5,214,649	176,517	462,204	5,853,370	137,346	459,022	5,811,017	11,664,387
Operating Expenses	10,430,149	391,296	4,520,214	15,341,659	400,253	4,488,659	15,319,061	30,660,720
Equipment	237,532	0	39,795	277,327	0	2,914	240,446	517,773
Grants	6,510,191	0	3,027,040	9,537,231	0	2,924,980	9,435,171	18,972,402
Benefits & Claims	183,174,481	9,674,769	15,799,320	208,648,570	17,814,022	16,606,965	217,595,468	426,244,038
Debt Service	796	0	0	796	0	0	796	1,592
Total Costs	\$205,567,798	\$10,242,582	\$23,848,573	\$239,658,953	\$18,351,621	\$24,482,540	\$248,401,959	\$488,060,912
General Fund	44,225,101	(1,984,566)	4,107,497	46,348,032	(1,031,087)	4,263,113	47,457,127	93,805,159
State/Other Special	9,584,638	608,084	0	10,192,722	307,102	0	9,891,740	20,084,462
Federal Special	151,758,059	11,619,064	19,741,076	183,118,199	19,075,606	20,219,427	191,053,092	374,171,291
Total Funds	\$205,567,798	\$10,242,582	\$23,848,573	\$239,658,953	\$18,351,621	\$24,482,540	\$248,401,959	\$488,060,912

Program Description

The division is responsible for the development and implementation of health programs that improve the health and safety of Montanans. The division provides or contracts for a wide range of services that include primary and acute care Medicaid services and public health services.

Statutory References: Medicaid is authorized under Title 53, Chapter 6, MCA, and Title XIX of the Social Security Act; public health services, Title 50, MCA.

Program Narrative

The Health Policy and Services Division (HPSD) 2001 biennium budget is \$76.9 million higher than the fiscal 1998 base budget. Present law adjustments add \$28.6 million total funds, including a reduction of \$3 million general fund, and new proposals add \$48.3 million, including \$8.4 million general fund.

The general fund increase in new proposals and present law adjustments is \$13.0 million, compared to a total general fund increase of \$5.4 million listed in the division budget summary table. The general fund increase in the division summary table is less than new proposals and present law adjustments because the executive included the change in the federal matching rate for Medicaid benefits as a funding adjustment in the present law base budget. The federal matching rate rises about 2 percent from fiscal 1998 to fiscal 2000 and an estimated 2.7 percent from fiscal 1998 to fiscal 2001. General fund savings due to the increased federal matching rate are about \$8.7 million over the biennium for the division budget.

The division budget summary table reflects only appropriations from HB 2 and does not include \$8 million general fund appropriated in SB81 to fund the state match for the CHIP (Children’s Health Insurance Program) and the expansion in Medicaid cases due to CHIP outreach. Therefore, the total department appropriation will be \$4 million general fund per year higher than the amounts shown in the summary table.

The most significant changes in the legislative appropriation are:

- Medicaid caseload and cost increases of \$38.4 million, including a net reduction of \$2.1 million general fund due to the increase in the federal matching rate;
- \$23.5 million in federal matching funds and 4.0 FTE to administer the Children’s Health Insurance Program authorized by SB 81, which appropriates \$8 million general fund matching funds;
- expanded tobacco prevention and control that adds 5.0 FTE and \$8 million total funds, including \$7.0 million general fund over the biennium;
- 11 new or increased federal grants that add \$6 million and 2.0 FTE;
- a rebase of hospital reimbursement formulas that adds \$2.7 million, including \$0.7 million general fund;
- a 1 percent provider rate increase for non-hospital services for \$1.8 million, including \$0.5 million general fund; and

- 2.0 FTE to manage programs expected to reduce Medicaid expenditures by \$750,000, including about \$123,000 general fund.

Table 13 shows the 2001 biennium appropriation compared to fiscal 1998 actual expenditures. The 2001 biennium budget increases about 6.5 percent annually above the fiscal 1998 base budget. General fund declines as a percent of the total budget, from 21.5 percent in fiscal 1998 to 19.1 percent in fiscal 2001. The reduction is due to the increase in the federal Medicaid benefit matching rate and the appropriation of the federal matching funds for CHIP in HB 2. The general fund match for CHIP (\$8 million general fund over the biennium) is appropriated in SB 81, which specifies that the general fund supporting CHIP and tobacco cessation activities is supported by tobacco settlement funds received by the state and deposited to the general fund.

Table 13
Fiscal 1998 Base Budget Compared to 2001 Biennium Appropriation

Function	Fiscal 1998				Fiscal 2000				Fiscal 2001				Percent of Total
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	
Division Administration	\$158,599	\$105	\$573,492	\$732,199	\$189,970	\$6,510	\$1,351,701	\$1,548,181	\$189,388	\$6,490	\$1,350,345	\$1,546,223	0.62%
Medicaid Program*	41,740,939	7,804,095	130,422,725	179,967,759	40,285,724	8,383,582	158,047,769	206,717,075	41,398,869	8,084,487	166,111,435	215,594,791	86.79%
Health Systems	474,244	33,361	2,422,285	2,929,890	3,959,555	34,221	3,724,038	7,717,814	3,958,350	34,137	3,710,179	7,702,666	3.10%
Family & Community Health	1,255,332	0	15,584,637	16,839,969	1,288,248	0	16,760,973	18,049,221	1,288,137	0	16,653,814	17,941,951	7.22%
Communicable Disease Prev.	<u>595,987</u>	<u>1,747,077</u>	<u>2,754,920</u>	<u>5,097,984</u>	<u>624,535</u>	<u>1,768,409</u>	<u>3,233,718</u>	<u>5,626,662</u>	<u>622,383</u>	<u>1,766,626</u>	<u>3,227,320</u>	<u>5,616,329</u>	2.26%
Total	\$44,225,101	\$9,584,638	\$151,758,059	\$205,567,801	\$46,348,032	\$10,192,722	\$183,118,199	\$239,658,953	\$47,457,127	\$9,891,740	\$191,053,093	\$248,401,960	100.00%
Percent of Total	21.51%	4.66%	73.82%	100.00%	19.34%	4.25%	76.41%	100.00%	19.10%	3.98%	76.91%	100.00%	
Compounded Annual Rate of Change From Fiscal 1998 Base					2.37%	3.12%	9.85%	7.97%	2.38%	1.06%	7.98%	6.51%	

*The federal appropriations for the Children's Health Insurance Program and health services for low-income children are included in the Medicaid Program in this summary. The \$ 8 million general fund match for CHIP and Medicaid caseload growth due to CHIP outreach is appropriated in SB 81 and is not included in this table. If the SB 81 general fund appropriation were included in this table, it would raise the total division general fund and total funds appropriations by about \$4 million per year and the total general fund share would rise to about 20.7 percent in fiscal 2000 and 20.4 percent in fiscal 2001.

The state special revenue appropriation declines between fiscal 2000 and fiscal 2001 because the legislature appropriated the ending fund balance in the 9-mill levy state special revenue account (\$495,945 in fiscal 2000). Funds in the account are from state assumed counties that levy and remit 9 mills of property tax revenue to the state in exchange for the state assuming administration and financial responsibility for public assistance and foster care services. The 9-mill income is levied for the cost of administrative and benefit services in the Human and Community Services and Child and Family Services Divisions, but budgeted in the Medicaid program due to historic precedence.

As noted in the agency summary discussion, the department was appropriated \$1.5 million more in 9-mill levy state special revenue authority than is expected to be received from state assumed counties. The appropriation is based on mill values in fiscal 1998 and was not adjusted for changes in several bills affecting personal property taxation, most notably SB 184.

Federal revenues increase as a percent of total budgeting from 74 percent in fiscal 1998 to 77 percent in fiscal 2001. The increase is due primarily to the increase in the federal matching rate for Medicaid benefits and also due to the federal CHIP appropriation.

The Medicaid program is the largest component of the division budget, accounting for 87 percent of the total and general fund appropriations in fiscal 2001. Family and community health, the next largest component with 7 percent of the fiscal 2001 appropriation, is primarily federally funded, including three large grants - Women, Infants and Children, the Maternal and Child Health Block Grant, and the Preventive Health Block Grant.

Table 14 shows the base budget and 2001 biennium appropriation for each administrative component, grant and benefit administered by the division. Administrative costs grow slightly from 7.7 percent of the total base budget to 8.6 percent of the total fiscal 2001 appropriation. General fund administrative costs increase at a higher rate, rising from 8.4 percent of the general fund base budget expenditures to 11.9 percent of the fiscal 2001 appropriation, largely because of the \$1.8 million general fund appropriation to support tobacco control and cessation activities.

Table 14
Fiscal 1998 Expenditures Compared to 2001 Biennium Legislative Appropriation by Major Function
Health Policy and Services Division

Function	Fiscal 1998 Base				Fiscal 2000				Fiscal 2001				Percent of Total
	General Fund	SSR	Federal Funds	Total Funds	General Fund	SSR	Federal Funds	Total Funds	General Fund	SSR	Federal Funds	Total Funds	
ADMINISTRATION													
Division Administration	\$158,599	\$105	\$573,492	\$732,199	\$189,970	\$6,510	\$1,351,701	\$1,548,181	\$189,388	\$6,490	\$1,350,345	\$1,546,223	0.62%
Medicaid Administration	1,787,947	105,916	2,722,094	4,615,957	1,864,183	107,637	2,812,977	4,784,797	1,858,753	107,487	2,806,618	4,772,858	1.92%
CHIP Administration	0	0	0	0	0	0	1,106,388	1,106,388	0	0	1,049,144	1,049,144	0.42%
Health Systems	474,244	33,361	2,422,285	2,929,890	2,219,131	34,221	3,294,038	5,547,390	2,217,926	34,137	3,280,179	5,532,242	2.23%
Family & Community Health	716,784	0	2,217,134	2,933,918	749,700	0	2,536,854	3,286,554	749,589	0	2,531,755	3,281,344	1.32%
Communicable Disease Prev.	<u>595,987</u>	<u>1,327,767</u>	<u>2,747,411</u>	<u>4,671,165</u>	<u>624,535</u>	<u>1,349,099</u>	<u>3,226,209</u>	<u>5,199,843</u>	<u>622,383</u>	<u>1,347,316</u>	<u>3,219,811</u>	<u>5,189,510</u>	2.09%
TOTAL ADMINISTRATION	\$3,733,561	\$1,467,149	\$10,682,416	\$15,883,129	\$5,647,519	\$1,497,467	\$14,328,167	\$21,473,153	\$5,638,039	\$1,495,430	\$14,237,852	\$21,371,321	8.60%
Percent of Total Budget	8.44%	15.31%	7.04%	7.73%	12.19%	14.69%	7.82%	8.96%	11.88%	15.12%	7.45%	8.60%	
GRANTS													
Tobacco Control	\$0	\$0	\$0	\$0	\$1,740,424	\$0	\$430,000	\$2,170,424	\$1,740,424	\$0	\$430,000	\$2,170,424	0.87%
Women, Infants and Children	0	0	3,218,375	3,218,375	0	0	4,009,373	4,009,373	0	0	3,907,313	3,907,313	1.57%
Family Planning	0	0	977,641	977,641	0	0	1,043,259	1,043,259	0	0	1,043,259	1,043,259	0.42%
MIAMI	538,548	0	0	538,548	538,548	0	0	538,548	538,548	0	0	538,548	0.22%
Children's Special Health Svcs.	0	0	543,826	543,826	0	0	543,826	543,826	0	0	543,826	543,826	0.22%
Maternal/Child Health Grant	0	0	804,982	804,982	0	0	804,982	804,982	0	0	804,982	804,982	0.32%
Preventive Health Grant	0	0	0	0	0	0	0	0	0	0	0	0	0.00%
Food/Consumer Safety	0	419,310	0	419,310	0	419,310	0	419,310	0	419,310	0	419,310	0.17%
Sexual Assault	0	0	7,509	7,509	0	0	7,509	7,509	0	0	7,509	7,509	0.00%
TOTAL GRANTS	\$538,548	\$419,310	\$5,552,333	\$6,510,191	\$2,278,972	\$419,310	\$6,838,949	\$9,537,231	\$2,278,972	\$419,310	\$6,736,889	\$9,435,171	3.80%
Percent of Total Budget	1.22%	4.37%	3.66%	3.17%	4.92%	4.11%	3.73%	3.98%	4.80%	4.24%	3.53%	3.80%	
BENEFITS													
Medicaid Services													
Primary Care Non-Hospital	\$18,295,177	\$7,698,179	\$60,984,346	\$86,977,702	\$18,103,919	\$8,275,945	\$71,750,119	\$98,129,983	\$19,162,020	\$7,977,000	\$76,069,328	\$103,208,348	41.55%
Primary Care Hospital	19,252,332	0	45,292,803	64,545,135	17,511,356	0	45,388,631	62,899,987	17,361,383	0	46,420,334	63,781,717	25.68%
Medicare Buy-In	2,405,483	0	5,655,800	8,061,283	2,706,266	0	7,014,519	9,720,785	2,916,713	0	7,798,620	10,715,333	4.31%
Indian Health Services	0	0	15,767,682	15,767,682	0	0	19,341,418	19,341,418	0	0	21,275,560	21,275,560	8.56%
CHIP*	0	0	0	0	0	0	10,633,717	10,633,717	0	0	10,691,831	10,691,831	4.30%
Women, Infants and Children	0	0	7,822,679	7,822,679	0	0	7,822,679	7,822,679	0	0	7,822,679	7,822,679	3.15%
Health Services for Low-Incom Children	0	0	0	0	100,000	0	0	100,000	100,000	0	0	100,000	0.04%
TOTAL BENEFITS	\$39,952,992	\$7,698,179	\$135,523,310	\$183,174,481	\$38,421,541	\$8,275,945	\$161,951,083	\$208,648,569	\$39,540,116	\$7,977,000	\$170,078,352	\$217,595,468	87.60%
Percent of Total Budget	90.34%	80.32%	89.30%	89.11%	82.90%	81.19%	88.44%	87.06%	83.32%	80.64%	89.02%	87.60%	
TOTAL BUDGET/APPROP.	\$44,225,101	\$9,584,638	\$151,758,059	\$205,567,801	\$46,348,032	\$10,192,722	\$183,118,199	\$239,658,953	\$47,457,127	\$9,891,740	\$191,053,093	\$248,401,980	100.00%
Percent of Total Budget	21.51%	4.66%	73.82%	100.00%	19.34%	4.25%	76.41%	100.00%	19.10%	3.98%	76.91%	100.00%	
Compounded Annual Rate of Increase From Fiscal 1998 Base					2.37%	3.12%	9.85%	7.97%	2.39%	-2.95%	4.33%	3.65%	

*This table does not include the \$8 million general fund for CHIP match appropriated in SB 81. If it did, the general fund benefits appropriation total would be about \$3 million higher each year of the biennium and the general fund benefits appropriation would rise to about 84 percent of the total appropriation each year of the biennium.

Administration

Division administration includes staff and resources that provide overall direction, leadership, fiscal, and policy services for all programs administered by the division. The \$975,000 annual increase includes a \$750,000 new proposal to continue the Integrated Data for Evaluation and Assessment project (see new proposal 16), annualization of the fiscal 1999 pay plan, and adjustments for rent and data network services. The cost of division administration is allocated among all division programs.

Medicaid administration funds the staff and resources that administer Medicaid programs. The \$170,000 annual increase funds 2.0 FTE and contracted services that result in a net reduction in Medicaid benefits costs, statewide adjustments for position upgrades, annualization of the 1999 pay plan, and data network services.

CHIP administration supports the staff and resources to administer the CHIP program. Only the federal funding for CHIP is shown in Table 14, while the state matching funds are appropriated in SB 81. Federal funds require a state match based on a percentage of the match rate for Medicaid benefits. The Montana match requirement for CHIP funding is about 20 percent. Therefore, total administrative costs for CHIP will be about \$300,000 more than listed in Table 14 (\$1.4 million in fiscal 2000 and \$1.3 million in fiscal 2001). Administrative costs are limited to 10 percent of total CHIP expenditures. The CHIP appropriation funds 4.0 new FTE.

The Health Systems Bureau administration includes staff and resources that administer public health programs such as emergency medical services, emergency medical technician testing, licensing, and re-certification, tobacco control, and diabetes control. The 2001 biennium annual appropriation rises by almost 50 percent from the fiscal 1998 base, largely due to the \$1.8 million increase in funding for tobacco control. Federal grant increases for diabetes control, emergency medical services, a chronic epidemiologist, and funding for medical students to gain experience in rural medicine add another \$600,000 each year. The appropriation increases fund 7.0 new FTE – 5.0 for tobacco control, 1.0 to manage a trauma system development grant, and 1.0 chronic disease epidemiologist.

The Family and Community Health Bureau administers public health programs including the Women, Infants, and Children (WIC) program, Family Planning, and the Montana Initiative for the Abatement of Mortality in Infants (MIAMI) and perinatal programs, Children's Special Health Services, and county grants from the Maternal and Child Health Block Grant. The appropriation for bureau administration increases about \$350,000 annually over the base budget primarily due to addition of two federal grants: 1) a \$150,000 grant to review fetal, infant, and child deaths in Montana; and 2) an abstinence education grant that adds about \$120,000 annually.

The Communicable Disease Prevention Bureau oversees the Public Health Lab, the AIDS prevention and sexually transmitted disease prevention and sexual assault programs, and communicable disease and tuberculosis prevention programs. The administrative budget rises about \$500,000 per year primarily due to two federal grants for AIDS prevention (\$300,000) and food borne illness surveillance (\$127,000).

Grants

Grants comprise the smallest share of the total budget (4 percent). The annual appropriation for grants rises about \$3 million from the base budget. The most significant grant increase is the general fund appropriation for tobacco control - \$1.7 million annually. General fund was added to HB 2 to support tobacco control grants. However, SB 81 stipulates that the tobacco control appropriation from the general fund is supported by funds received from the tobacco settlement and deposited to the general fund.

The WIC nutrition program, which provides education and assessment to low-income pregnant women, infants, and children, increases about \$800,000 annually due to increased federal grant funding. (WIC benefits provide funds for food vouchers.) The WIC appropriation increase was inadvertently recorded entirely in the grants expenditure category. However, some of the funds will be used to purchase equipment and pay for program operating costs to support additional WIC grant funds. Family planning grants to counties and other entities increase about \$65,000 due to a federal abstinence

education grant.

All other grants listed in Table 14 remain at the fiscal 1998 base budget level. MIAMI grants to local entities help prevent low-birth weight babies and improve pregnancy outcomes. Children's Special Health Services identifies children from birth to age 18, with special health care needs and provides for medical evaluation, treatment, and management of certain specified handicapping conditions. The Maternal Child Health Block Grant allocations to local governments funds primary and preventive health services for children.

Benefits

Benefits appropriations are the most significant division expenditure accounting for 88 percent of the total 2001 biennium appropriation. Medicaid funded services are the largest component of benefit expenditures accounting for \$199 million of the \$217.6 million fiscal 2001 appropriation.

The total appropriation for Medicaid benefits is about \$2.6 million general fund higher over the biennium than the amount shown in Table 14. SB 81 appropriates the general fund match for expected Medicaid caseload growth due to CHIP outreach.

The largest Medicaid benefit administered by this division – primary care non-hospital services – accounts for 42 percent of the total fiscal 2001 division appropriation. Non-hospital services include services such as physicians, dental, and prescription drugs. The 2001 biennium appropriation is about \$27.4 million higher than the fiscal 1998 base budget, while the general fund share increases less than \$1 million because of the increase in the federal match rate. A small amount of the primary care non-hospital appropriation increase is a 1 percent provider rate increase that adds \$1.8 million over the biennium. The balance of the increase is due to increased utilization of services and increases in the number of elderly and disabled persons eligible for Medicaid services. The number of low-income families with dependent children eligible to receive Medicaid is expected to remain nearly the same as the number that were eligible during fiscal year 1998.

The non-hospital services provider rate increase will be used to continue implementation of the resource-based relative value scale (RBRVS) provider reimbursement system initially implemented during the 1999 biennium. The legislature added language to HB 2 directing the department to use the provider rate increase to raise rates paid to those services that are paid the lowest percentage of RBRVS reimbursement. (RBRVS is based on Medicare methodology for reimbursement of services.) The department is directed to freeze reimbursement at the fiscal 1999 level of reimbursement for all other procedure codes previously decreased under the phase in of the RBRVS reimbursement system.

The primary care hospital services 2001 biennium appropriation is less than the fiscal 1998 base budget by about \$2.4 million total funds. Due to the increase in the federal matching rate, the 2001 biennium appropriation is \$3.7 million general fund lower than base budget expenditures. Hospital services appropriations decline despite an increase of \$2.7 million to rebase the diagnostic related group (DRG) reimbursement rates. The executive also requested \$2.0 million for an additional 1 percent provider rate increase for hospitals, but the legislature only approved the DRG increase, which exceeds a 1 percent rate increase.

The Medicare buy-in pays for Medicare Part B premiums for Medicaid-eligible persons who are 65 years of age or older. Medicare (federal funds) then pays for 80 percent of their medical expenses, leaving a liability of only 20 percent for Medicaid, which is partially funded with general fund. The 2001 biennial increase is driven largely by the cost of Medicaid premium increases that are established by federal regulations.

Indian health benefits, funded entirely from federal funds, reimburse the Indian Health Service for medical services provided to Medicaid-eligible persons on the Flathead, Blackfeet, Rocky Boy, Fort Belknap, Crow, Northern Cheyenne, and Fort Peck Indian reservations. The increase in this benefit is attributable to projected cost increases.

The legislature appropriated \$15.6 million federal funds in HB 2 for the CHIP program. The 20 percent state match and match for Medicaid expansion is appropriated in SB 81 (\$8 million total general fund over the biennium, with \$5.4 million allocated to CHIP and \$2.6 million allocated to Medicaid). CHIP provides health care services for children in families with incomes up to 150 percent of the poverty level (\$25,050 for a family of 4 in 1999). CHIP does not pay for health services for adults. DPHHS contracts with insurance companies for coverage that is similar to benefits provided by the state employee health plan. Families pay a one-time enrollment fee and a \$200 annual co-payment for services. Children must be determined ineligible for Medicaid to be enrolled in CHIP. Only income is counted in determining eligibility for CHIP, while resources and assets are also counted in determining eligibility for Medicaid. Unlike Medicaid, CHIP is not an entitlement program and services will be limited to the available appropriation. The department estimates that the 2001 biennium appropriation is adequate to fund services for 10,184 children.

Health services for low-income children provides up to \$100,000 general fund annually for health care services for children in families with incomes up to 185 percent of the federal poverty level. Language in HB 2 directs the department to contract with public or private entities for the administration and provision of primary and preventive health care benefits to children who are uninsured and not eligible for Medicaid benefits. The appropriation for health care services for low-income children may be allocated only to programs with an established statewide network of medical providers who have agreed to accept reimbursement at a rate lower than would normally be charged for their services. The appropriation may not be used to pay the state share of CHIP costs.

Funding

The division is funded from general fund, state special revenue, and federal funds. Table 15 shows the fiscal 1998 base budget funding compared to legislative action for the 2001 biennium by specific source.

Table 15 Health Policy and Services Funding Summary				
Fund Source	Fiscal 1998 Actual	Legislative Budget		Percent of Total
		2000	2001	
General Fund*	\$44,225,101	\$46,348,032	\$47,457,127	19.10%
Percent of Total	21.51%	19.34%	19.10%	
State Special Revenue				
9 Mill State Assumed County Levy	\$7,697,612	\$8,275,945	\$7,977,000	3.21%
Public Health Laboratory Fees	1,254,401	1,273,257	1,272,310	0.51%
Food/Lodging License	423,119	425,245	424,528	0.17%
Baby Your Baby	105,916	107,637	107,487	0.04%
DHES Food and Consumer	69,557	69,907	69,788	0.03%
EMT Certification	33,361	34,221	34,137	0.01%
Indirect Cost Allocation	672	6,510	6,490	0.00%
Subtotal State Special Revenue	\$9,584,638	\$10,192,722	\$9,891,740	3.98%
Percent of Total	4.66%	4.25%	3.98%	
Federal Funds				
Medicaid Benefits - Matching	\$112,002,342	\$122,956,103	\$128,356,995	51.67%
Medicaid Benefits - 100% Fed.	15,767,682	20,538,915	23,207,178	9.34%
Women, Infants and Children	11,602,616	12,399,658	12,295,602	4.95%
Children's Health Insurance Prg.	0	11,740,105	11,740,975	4.73%
Medicaid Administration	2,721,763	2,812,646	2,806,287	1.13%
Maternal & Child Health Block Grt	2,463,085	2,638,910	2,637,079	1.06%
Preventive Health Block Grant	1,125,513	1,102,988	1,100,034	0.44%
Family Planning Title X	1,050,655	1,062,297	1,061,465	0.43%
AIDS Grant	1,039,955	1,048,948	1,048,031	0.42%
Data Integration	172,660	884,124	884,115	0.36%
Vaccination Program	851,594	825,475	822,282	0.33%
Breast/Cervical Cancer Prev.	741,193	754,145	753,304	0.30%
Tobacco Control	244,220	734,638	730,117	0.29%
Diabetes Control	226,684	574,400	573,943	0.23%
Ryan White Act, Title II	260,651	563,001	562,770	0.23%
EMS Data Injury	183,131	320,734	320,271	0.13%
Montana Lead Poison - Prev.	265,045	265,278	265,193	0.11%
Trauma System Development	0	239,093	238,770	0.10%
Sexually Transmitted Disease	216,457	216,896	216,188	0.09%
Primary Care Services	181,635	178,968	178,741	0.07%
Abstinence Education	0	185,614	185,315	0.07%
Food Inspection Program	33,228	160,704	160,389	0.06%
Tuberculosis Grant	116,206	116,440	115,970	0.05%
Nutrition Evaluation	0	115,941	115,941	0.05%
Seroprevalence/Surveillance	60,653	61,238	61,184	0.02%
Chronic Disease	47,903	54,003	53,734	0.02%
Healthy Child	50,000	50,044	50,028	0.02%
C.D. Epidemiologist	0	40,675	36,396	0.01%
EMS - Highway Traffic Safety	30,281	31,062	30,985	0.01%
Cost Allocation	302,907	445,156	443,810	0.18%
Subtotal Federal Funds	\$151,758,059	\$183,118,199	\$191,053,092	76.91%
Percent of Total	73.82%	76.41%	76.91%	
Total Funds	\$205,567,798	\$239,658,953	\$248,401,959	100.00%
Annual Rate of Change		7.97%	3.65%	

*This table does not include the \$8 million general fund appropriated in SB 81 for state match for the CHIP program. If it did, general fund would comprise 20.6 percent of the total fiscal 2000 appropriation and 20.4 percent of the fiscal 2001 appropriation.

General fund supports 19 percent of the division budget in the 2001 biennium, down from 21.5 percent in the fiscal 1998 base. The biggest share of general fund provides matching funds for the Medicaid programs administered by HPSD. About \$78 million (89.7 percent) of the \$87 million general fund request for the 2001 biennium pays matching costs for Medicaid hospital, physicians, and other practitioners services. The legislature appropriated in \$8 million general fund over the biennium for the CHIP match in SB 81. If the general fund match for CHIP and Medicaid caseload growth due to CHIP outreach were included, the general fund share of costs would increase about 1.3 percent each year of the biennium.

State special revenue supports about 4 percent of the HPSD budget. The largest source of state special revenue is the 9-mill levy income from state assumed counties. This revenue is also used as state match for Medicaid, bringing the total state match over the 2001 biennium to \$94 million.

Federal funds support 76 to 77 percent of the division budget in the 2001 biennium. Medicaid funds are the largest single source of funding with 62 percent of the fiscal 2001 appropriation and \$300.7 million over the biennium. WIC and CHIP federal funds are also significant funding sources, each accounting for 5 percent of the total appropriation in fiscal 2001.

Allocation of Maternal Child Health and Preventive Health Block Grants

Montana receives a \$2.5 million Maternal Child Health (MCH) Block Grant annually. Federal regulations specify that: 1) not more than 10 percent of the MCH Block Grant may be used for administering the program; 2) at least 30 percent of the MCH Block Grant must be used for preventive and primary services for children; and 3) at least 30 percent must be used for children with special needs. The state must conduct a comprehensive statewide assessment of MCH needs every 5 years. The MCH Block Grant requires that MCH funds must be matched with \$3 dollars of state or local funds for every \$4 of block grant funds. Entities which receive allocations from the MCH Block Grant provide the required match. The state must maintain the level of state funding provided for MCH programs in fiscal 1989 - \$485,480. Table 16 shows the allocation of the MCH Block Grant. The legislature adopted the executive allocation of the MCH Block Grant.

Table 16 Maternal and Child Health and Preventive Health Block Grants Fiscal 1998 Base Expenditures and 2001 Appropriation				
Block Grant/Allocation	Fiscal 1998 Base	Legislative Appropriation		Percent of Total
		Fiscal 2000	Fiscal 2001	
Maternal & Child Health Block Grant				
Family/Community Health Bur.	\$1,354,210	\$1,383,233	\$1,381,797	52.40%
Children's Special Health Serv.	899,017	899,802	899,522	34.11%
MIAMI/Perinatal	127,687	284,662	284,641	10.79%
Family Planning	28,735	28,164	28,149	1.07%
Health Planning	23,111	18,764	18,713	0.71%
IDEA Data Integration	22,863	17,760	17,759	0.67%
Health Systems Bureau Admin.	7,432	6,525	6,498	0.25%
Cost Allocated Administration	\$110,457	Unknown	Unknown	N/A
Total Direct	<u>\$2,573,512</u>	<u>\$2,638,910</u>	<u>\$2,637,079</u>	100.00%
Preventive Health Block Grant				
Health Systems Bureau Admin.	\$342,477	\$300,680	\$299,467	27.22%
Emergency Medical Servs.	237,456	243,580	242,980	22.09%
Family Planning	194,924	190,169	190,063	17.28%
Sexual Assault/Rape Prevent.	113,950	116,022	115,931	10.54%
Chronic Disease	81,666	92,006	91,607	8.33%
Comm. Disease Bureau Admin.	71,969	82,517	82,221	7.47%
Tuberculosis	27,010	27,064	26,954	2.45%
Health Planning	23,109	18,764	18,712	1.70%
AIDS Prevention Grant	15,234	15,413	15,400	1.40%
Family/Community Health Bur.	11,718	12,052	12,039	1.09%
FOSB Data Integration	6,000	4,661	4,660	0.42%
Cost Allocated Administration	83,560	Unknown	Unknown	0.00%
Total Direct	<u>\$1,209,073</u>	<u>\$1,102,928</u>	<u>\$1,100,034</u>	100.00%
Total	<u>\$1,209,073</u>	<u>\$1,102,928</u>	<u>\$1,100,034</u>	

Montana receives about \$1.1 million annually for the Preventive Health Block Grant. No more than 10 percent of the block grant can be spent for administration. Funds must be used for sexual assault and rape prevention programs. Funds can be used to provide seed money for priority health programs that can be funded from other sources later and state-identified health problems and public health infrastructure for which there are no other funding sources. An advisory committee makes recommendations on the allocation of the Preventive Health Block Grant using criteria to rank the size and seriousness of a health problem, the effectiveness of intervention, and the availability of funding from other sources. Table 16 shows the allocation of the block grant. The legislature adopted the executive allocation of the MCH block grant.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			176,517			137,346
	Inflation/Deflation			16,486			13,859
	Fixed Costs			34,160			45,745
	Total Statewide Adjustments			\$227,163			\$196,950
Present Law Adjustments							
1	Medicaid Increases	.00	1,271,058	(2,251,963)	.00	2,661,067	2,958,600
2	Indian Health Services Increases	.00	0	10,394,230	.00	0	12,328,372
3	Medicare Buy-In Increases	.00	462,005	1,659,502	.00	722,432	2,654,050
5	HIV / AIDS Prevention	.00	0	300,000	.00	0	300,000
6	Drug Rebate System-PL	.00	(10,357)	(77,000)	.00	(9,569)	(77,000)
9	9 Mill Levy Income	.00	(495,945)	0	.00	0	0
30	Rate Reduction	.00	(4,675)	(9,350)	.00	(4,675)	(9,351)
	Total PL Adjustments	.00	\$1,222,086	\$10,015,419	.00	\$3,369,255	\$18,154,671
	Present Law Adjustments Total			\$10,242,582			\$18,351,621

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - Medicaid Increases - The legislature approved present law adjustments of \$3.9 million general fund over the biennium (\$700,000 total funds) for Medicaid primary care (hospital and non-hospital) services caseload and utilization increases. This increase was \$7.9 million total funds (\$2.2 million general fund) less than the executive request. Statistics and mathematical trends relating to monthly eligibility, type of provider, number of services, cost per service, and health care inflation are taken into account in the executive projections.

The present law adjustment includes more general fund than total funds because of an accounting error that inadvertently recorded excess federal funds in the base budget for this Medicaid benefit. Since there are excess federal funds, the present law adjustment reduces federal funds to the correct funding mix for the 2001 biennium.

DP 2 - Indian Health Services Increases - The legislature approved the executive request to add \$22.7 million additional federal funds for increased caseload for Indian Health Services (IHS) over the biennium. Part of the increase (\$13.2 million) is needed to account for expenditures in fiscal 1998 that were incorrectly recorded in the primary care Medicaid program. The balance of the increase is due to caseload growth. The Montana Indian Health Services is making a concerted effort to identify all Medicaid eligible persons who are also IHS recipients and to bill appropriately for services. As a result this program has had substantial growth in the past and is expected to continue to grow through the next biennium. This program is mandated by federal law and is funded from federal funds.

DP 3 - Medicare Buy-In Increases - The legislature approved the executive request for \$4.3 million total funds, including \$1.2 million general fund, for increased premium costs for the Medicare Buy-In program to pay Medicare premiums for indigent Medicare beneficiaries. The total increase for this program is based on the expected increase in premiums, which are established by the federal government. The executive request based premium increases on information from a report from the National Governor's Association, which indicates that premiums for Part B will increase by 53 percent over the next four years with an average increase of 13.25 percent per year. Premiums for Medicare Part A are projected to increase by an average of 1.25 percent per year. The number of clients in the program is not expected to change as the number of persons eligible has been static over the last several years.

DP 5 - HIV/AIDS Prevention - The legislature approved \$600,000 federal funds to pay for HIV services and treatment for Montana residents who do not have other resources. Types of services include: 1) case management services to locate proper medical treatment, find adequate housing, and encourage appropriate nutritional management; and 2) funding for newly developed treatments for those who have developed resistance to current treatments. DPHHS has not yet received the grant award, but is estimating the amount based on congressional appropriations.

DP 6 - Drug Rebate System-PL - The legislature accepted the executive proposal to reduce total net costs by \$154,000, including \$20,000 general fund, through the recovery of outpatient drug costs from rebate agreements with manufacturers. This adjustment also includes \$50,000 per year to fund contracted services for system support. Expected savings are \$127,000 per year.

DP 9 - 9 Mill Levy Income - The legislature appropriated the fund balance in the state special revenue account for the 9-mill levy remitted by state assumed counties and reduced general fund. Total funds do not change, but general fund appropriations were reduced \$495,945 in fiscal 2000. Property tax changes adopted by the legislature reduced the income that the department will receive from the 9-mill levy by \$1.5 million over the biennium. However, the legislature did not reduce the 9-mill levy appropriation to reflect the impact of tax law changes.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds	
2 SB81 - CHIP Federal Match	4.00	0	15,116,017	4.00	0	15,248,042	
4 Foodborne Illness Surveillance	.00	0	127,308	.00	0	127,050	
6 Abstinence Education	.00	0	185,614	.00	0	185,315	
7 Women's Health Educator	.00	0	37,235	.00	0	36,976	
8 Chronic Disease Epidemiologist	1.00	0	40,675	1.00	0	36,396	
9 Diabetes Control	.00	0	294,481	.00	0	294,481	
11 Trauma System Development	1.00	0	239,093	1.00	0	238,770	
12 EMS Quality Improvement	.00	0	132,881	.00	0	132,881	
13 Medicaid Provider Rate Increase	.00	168,810	606,358	.00	333,373	1,224,734	
14 Hospital DRG Rebase	.00	371,200	1,333,333	.00	362,933	1,333,333	
15 Ambulatory Surgical Centers	1.00	(47,288)	(205,375)	1.00	(47,867)	(209,634)	
16 Integrated Data for Evaluation & As	.00	0	750,000	.00	0	750,000	
19 Drug Rebate System-NP	1.00	14,775	29,549	1.00	14,674	29,349	
20 SEARCH Grant	.00	0	115,941	.00	0	115,941	
22 Mortality & Morbidity Review Grant	.00	0	150,000	.00	0	150,000	
23 WIC Grant Increase	.00	0	790,998	.00	0	688,938	
24 Health Svcs for Low-Income Children	.00	100,000	100,000	.00	100,000	100,000	
25 Tobacco Prevention and Control	2.00	0	504,465	2.00	0	499,968	
26 Expanded Tobacco Prevention/Control	3.00	3,500,000	3,500,000	3.00	3,500,000	3,500,000	
Total New Proposals	13.00	\$4,107,497	\$23,848,573	13.00	\$4,263,113	\$24,482,540	

New Proposals

DP 2 - SB81 - CHIP Federal Match - The legislature added \$30.4 million federal funds for the Children's Health Insurance Program (CHIP) and anticipated Medicaid expansion due to CHIP outreach. The state matching funds - \$8 million over the biennium - are appropriated in SB 81, which authorizes the CHIP program in statute. SB 81 also directs that tobacco settlement proceeds must be deposited to the general fund and specifies that the \$8 million in matching funds is

appropriated from tobacco settlement proceeds.

CHIP was started as a pilot program December 1998, covering about 940 children. The number of children covered by CHIP is estimated to increase to 10,184 during the 2001 biennium. This funding also supports 4.0 new FTE to administer the expanded program.

The state and federal funds appropriated for CHIP include \$9.5 million total funds over the biennium for the cost of Medicaid increases projected due to CHIP outreach. The state match for the Medicaid increase - \$2.6 million over the biennium is appropriated in SB 81. The department estimated that an additional 3,375 children would be determined eligible for Medicaid due to CHIP outreach. Children who are eligible for Medicaid cannot be covered by CHIP.

The state will purchase insurance through private companies to cover children enrolled in CHIP. The annual cost of an insurance policy is expected to be about \$1,156. Families will pay an annual deductible of \$200 and a one-time enrollment fee.

DP 4 - Foodborne Illness Surveillance - The legislature added \$254,000 federal funds from the Centers for Disease Control to conduct foodborne illness surveillance. This grant started in fiscal 1999 and was authorized with a budget amendment. The grant is expected to last five years. DPHHS received the grant because Montana has a high incidence of E. coli. Grant funds would be used initially to study E. coli and enhance laboratory capabilities to detect E. coli, but workloads will be evaluated to determine if other foodborne illnesses can be included. The department withdrew its request for an FTE in this new proposal.

DP 6 - Abstinence Education - The legislature approved the executive request for \$371,000 federal funds to continue the abstinence education project started through a budget amendment in fiscal year 1998. DPHHS is using the current grant to fund development and implementation of a statewide abstinence education program. The legislature added language to HB 2 requiring the department to report on activities, outcomes, and plans for the grant.

DP 7 - Women's Health Educator - The legislature approved the executive request for \$74,000 federal funds to provide health education. A 1989 DHHS federal audit of the Family Planning Program recommended that a full-time position be added to the program to be responsible for education services, community outreach and marketing, and evaluating education services in local family planning programs. Funding restricted for the position has been included in the annual Title X funding award to Family Planning since the 1989 federal audit. Until last year, this position was filled by contract staff, but was switched to a modified position in fiscal 1998. It will continue as a modified position FTE.

DP 8 - Chronic Disease Epidemiologist - The legislature approved \$77,000 federal funds and 1.00 FTE for chronic disease epidemiology and data analysis services. The legislature added language to HB 2 specifying that if the federal grants supporting this position declined or ended, the department could not request continued funding of the FTE.

This FTE was authorized by the 1997 legislature on a "one-time-only" basis pending receipt of permanent federal funding for the position. DPHHS allocated federal grant increases and reallocated some federal funding to support the position. It is funded equally from the following federal grants: Behavioral Risk Factor Surveillance; Diabetes Control; Tobacco Control; and Tumor Registry.

DP 9 - Diabetes Control - The legislature approved the executive request for \$589,000 federal funds over the biennium from the Centers for Disease Control to expand the Montana Diabetes Project. The project supports the work of local health care providers, assists community efforts, and raises public awareness of the seriousness of this disease. In Montana, approximately \$13,000 is spent each year in direct and indirect costs per person with diagnosed diabetes.

DP 11 - Trauma System Development - The legislature approved \$478,000 federal funds, including 1.00 FTE, from the Centers for Disease Control to implement a system for the care of trauma patients. The funds will be used to improve management of trauma patients by developing and implementing protocols for pre-hospital care, inter-facility transfers, and trauma team activation. The legislature adopted language stating that if federal funding for the system was

eliminated, continued funding for the FTE could not be requested.

DP 12 - EMS Quality Improvement - The legislature approved the executive request for \$266,000 federal Emergency Medical Services (EMS) Data Injury funds to increase funding for ongoing support, training, and assistance to local EMS units. Patient collection software has been provided to most Montana ambulance services. Ongoing support and assistance would be used to train local EMS units to use this software, evaluate the reports, and make changes in the service delivery based on their local data. This data would also be used for statewide epidemiology and injury prevention.

DP 13 - Medicaid Provider Rate Increase - The legislature approved a 1 percent provider increase for all Medicaid non-hospital services for a total cost of \$1.2 million total funds and \$0.5 million state general fund. The legislature funded the hospital DRG rebase in lieu of a provider rate increase for hospitals. The legislature added language directing that the provider rate increase be used to phase in the RBRVs - a reimbursement system for non-hospital providers.

DP 14 - Hospital DRG Rebase - The legislature approved the executive request for \$2.7 million total funds (\$734,000 general fund) to rebase reimbursement rates for inpatient hospital services to account for changes in medical practice, medical technology, service delivery, and hospital costs that have occurred over the last three years. The Montana Medicaid DRG system was last rebased on July 1, 1996 and will be rebased again on July 1, 1999. Current payments are estimated to be about 88 percent of the costs incurred by hospitals. The legislature approved the DRG rebase but not the 1 percent provider rate increase for hospitals that was also included in the Executive Budget.

DP 15 - Ambulatory Surgical Centers - The legislature approved funding for 1.0 FTE to manage the ambulatory surgical center program. Implementation of the program is expected to generate Medicaid savings by reimbursing outpatient services in ambulatory surgical centers at a lower cost than similar hospital care. The net change over the biennium is a reduction of \$415,000 total funds (\$95,000 general fund).

DP 16 - Integrated Data for Evaluation and Assessment - The legislature approved the executive request for \$1.5 million federal funds over the biennium to continue integration of various public health county and state systems to enhance efficiency and eliminate duplication of computer systems and applications used by public health staffs. In the 1999 biennium, the Integrated Data for Evaluation and Assessment (IDEA) project completed its first phase, which was the development of a comprehensive and user-friendly data system for use at local public health departments. In the coming biennium, IDEA is scheduled to complete a Common Local Intake for use at the local level. The Common Local Intake is a system that will link the Public Health Data System with the other health data systems used at the local level to share client demographic information among the linked systems and eliminate duplicative input and interviewing. In addition, a state data warehouse will be developed, that will combine extracts of de-identified information for reporting and analysis.

DP 19 - Drug Rebate System-NP - The legislature appropriated \$29,000 general fund (\$59,000 total funds) for 1.00 FTE to continue DPHHS efforts to maximize the savings to the Medicaid program through the collection of drug rebates. The 1997 legislature authorized funding for the position as a one-time-only cost. Over the past several years collections of drug rebates steadily increased - about 7 percent per year. Since hiring this position, the average quarterly rebate collections have increased \$162,703 or 10.2 percent. Cost savings of about \$206,000 due to continuation of this position are included in the Medicaid primary care appropriation.

DP 20 - SEARCH Grant - The legislature approved the executive request for \$232,000 federal funds over the biennium to contract with MSU for student/resident community health experience and rotations in medically underserved, community-oriented, primary care areas. Funds will support the cost for medical students to come to Montana to learn about primary care services in a rural area. Students will work with local doctors, who will donate their teaching time.

DP 22 - Mortality and Morbidity Review Grant - The legislature approved \$300,000 federal funds to implement a state mortality and morbidity review support program to improve the health of women, infants, and children. The funds will be used to support state and local reviews of fetal, infant, and child deaths in Montana and to develop and recommend policies that prevent further occurrences.

DP 23 - WIC Grant Increase - The legislature added \$1.5 million federal funds over the biennium for anticipated increases in the Women, Infants, and Children grant.

DP 24 - Health Services for Low-Income Children - The legislature adopted the executive request to add \$100,000 general fund each year of the biennium for health services for children in families with incomes less than 185 percent of the federal poverty level (\$25,050 for a family of 4 in 1999). The legislature added language to HB 2 specifying that the funds must be used to contract with public or private entities for the administration and provision of primary and preventive health care benefits to children who are uninsured and not eligible for Medicaid benefits. Funds may be allocated only to those programs that have established a statewide network of medical providers who have agreed to accept reimbursement at a rate lower than would normally be charged for their services. Funds may not be used to pay the state share of CHIP costs.

DP 25 - Tobacco Prevention and Control - The legislature appropriated \$1 million in federal funds and 2.0 FTE to expand tobacco use prevention activities directed toward youth, Native Americans, and women of childbearing age. DPHHS will increase the number of communities receiving funding, school-based prevention programs, and public awareness activities. Cancer control and tobacco use prevention have been identified as priority public health concerns by DPHHS, as described in "Montana Health Agenda", April 1998.

DPHHS expects to receive a five-year grant award to support this expansion, beginning in fiscal 2000. The FTE are currently on board and accounted for as modified (not permanent) FTE. The FTE: manage grants to 13 community based coalitions; provide support and funding oversight for grants for youth programs and Native America projects; provide public education and training; and provide staff support to a statewide tobacco prevention coalition.

The legislature designated this funding as a new proposal rather than a present law adjustment and added language to HB 2, stating that new funds are to be used for grants to communities.

DP 26 - Expanded Tobacco Prevention/Control - The legislature appropriated \$3.5 million general fund each year for tobacco prevention and control programs for Montana citizens. The funding comes from tobacco settlement funds deposited to the general fund. The appropriation supports 3.0 FTE and about \$1.7 million in grants to communities and other local entities for tobacco cessation and prevention programs.

Language

"The department is authorized to use up to \$50,000 of general fund money from other appropriations within the department for expenditures related to disease outbreaks and other public health emergencies that may occur during the 2001 biennium."

"The department shall provide detailed information on the services provided and results of MIAMI programs on reservations to the appropriate legislative committee by September 1, 2000."

"The department shall prepare and present a report to the appropriate legislative committee on activities funded by the federal abstinence education grant. The department should present the report at the first committee meeting convened after the end of fiscal year 2000. The report must: (1) enumerate and explain how grant funds were expended by type of expenditure in fiscal year 1999 and fiscal year 2000; (2) explain the status of training for communities and other entities; (3) explain other information pertinent to federal grant requirements and outcomes; and (4) identify measurable program goals and objectives for fiscal year 2001 and the 2003 biennium."

"Item [Health Policy Services Division] includes \$62,899,987 in fiscal year 2000 and \$63,781,717 in fiscal year 2001 for Medicaid-funded hospital services."

"Funds in item [Health Care Services for Low-Income Children] must be used to contract with public or private entities for the administration and provision of primary and preventive health care benefits to children who are uninsured and not eligible for Medicaid benefits. To qualify, the family income may be no greater than 185% of the federal poverty level.

Funds in item [Health Care Services for Low-Income Children] may be allocated only to those programs that have established a statewide network of medical providers who have agreed to accept reimbursement at a rate lower than would normally be charged for their services. Funds in item [Health Care Services for Low-Income Children] may not be used to pay the state share of Children's Health Insurance Program costs."

"Item [SB 81 - Establish Children's Health Insurance Program (CHIP)] is contingent on passage and approval of Senate Bill No. 81."

"Implementation of the resource-based relative value scale (RBRVS) provider rate system must be phased in over the 2001 biennium. The department shall use funds in item [Medicaid Provider Rate Increase] to raise rates paid to those codes that are paid the lowest percentage of Medicare reimbursement. The department shall freeze reimbursement for all other procedure codes previously decreased under the phasein of the RBRVS reimbursement system at the fiscal year1999 level of reimbursement."

"The department shall use \$430,000 of funds each year of the biennium in item [Tobacco Prevention and Control] to increase grants to local governments and communities."

"Item [Chronic Disease Epidemiologist] includes funds for a chronic disease epidemiologist FTE. If the federal grant funds supporting this position decline or are eliminated, the department shall reduce the FTE from its budget request for the 2003 biennium. Federal grants supporting this position include the behavioral risk surveillance grant, the diabetes control grant, the tobacco control grant, and the tumor registry grant."

"If federal grant funds supporting item [Trauma System Development] decline or are discontinued, the department shall remove funding for the FTE supported by this federal grant in its 2003 biennium budget request."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	107.00	.00	(1.00)	106.00	.00	(1.00)	106.00	106.00
Personal Services	3,794,643	288,686	(31,827)	4,051,502	262,929	(31,609)	4,025,963	8,077,465
Operating Expenses	1,328,307	39,445	0	1,367,752	56,147	0	1,384,454	2,752,206
Equipment	6,472	0	0	6,472	0	0	6,472	12,944
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$5,129,422	\$328,131	(\$31,827)	\$5,425,726	\$319,076	(\$31,609)	\$5,416,889	\$10,842,615
General Fund	1,238,141	34,281	(10,244)	1,262,178	28,307	(10,174)	1,256,274	2,518,452
State/Other Special	373,658	35,177	(4,052)	404,783	42,004	(4,024)	411,638	816,421
Federal Special	3,517,623	258,673	(17,531)	3,758,765	248,765	(17,411)	3,748,977	7,507,742
Total Funds	\$5,129,422	\$328,131	(\$31,827)	\$5,425,726	\$319,076	(\$31,609)	\$5,416,889	\$10,842,615

Program Description

The Quality Assurance Division provides a comprehensive and coordinated quality assurance program and evaluates services provided by DPHHS to the citizens of Montana. Functions include: fair hearings; facility management; contract and financial audits; ongoing reviews to monitor the appropriate use of the Medicaid program by both recipients and providers; estate recovery and cost avoidance recovery; fraud recovery; quality control samples for compliance with federal and state eligibility rules; performance measures and bench marking; certification of health care facilities and clinical laboratories; and inspection and licensure of health care providers and other facilities or services licenses issued by the department.

Statutory References: 42 U.S.C. 1818 and 42 U.S.C. 1919; 45 U.S.C; Title 50, Chapter 5, parts 1 and 2, MCA; Title 50, Chapter 5, part 11, MCA; Title 53, Chapter 2, section 501, MCA; CFR 21, CFR 49, CFR 10; P.L. 102-539 (10-27-92); Title 52, Chapter 2, part 7, MCA.

Program Reorganization

The Child Care Licensing function was moved from the Child and Family Services Division to the Quality Assurance Division during fiscal 1998. The reorganization reallocated 12.0 FTE, \$50,000 general fund, and about \$450,000 Child Care Development Fund block grant federal funds. Two of the FTE are located in the central office in Helena and provide program oversight and 10.0 of the FTE are located throughout the state and license, register, and monitor about 2,000 child care facilities.

Funding

General fund provides the match for eligible Medicaid program costs and the balance of division costs that are not funded from other sources. State special revenue includes: 1) alcohol taxes allocated to the Department of Public Health and Human Services; and 2) county funds. Alcohol taxes fund staff and contracted services for chemical dependency program licensure. County funds are from property tax revenues and pay the county share of costs for fair hearings for the Medicaid, Food Stamp, and FAIM programs.

Federal funds include Medicaid, Food Stamps, Temporary Assistance for Needy Families Block Grant, Medicare, Child Care Development Fund block grant, and mammography funds. Medicaid, Food Stamps, Temporary Assistance for Needy Families Block Grant, and Child Care Development Fund support the federal share of costs for fair hearings for those programs. Medicaid and Medicare funds support a share of certification costs for health care providers and facilities and the nurse aide registry. Medicaid also supports a portion of the lien and estate recovery program, third party (insurance and private pay) recovery, and the Department of Justice fraud investigation contract. The mammography funds support the cost of certifying mammography equipment.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			288,686			262,929
	Inflation/Deflation			21,494			17,423
	Fixed Costs			16,475			21,248
	Total Statewide Adjustments			\$326,655			\$301,600
Present Law Adjustments							
1	DOJ Transfer	.00	0	29,553	.00	0	29,553
2	Lien and Estate	.00	0	75,596	.00	0	91,596
3	Medical Savings Account	.00	(50,000)	(100,000)	.00	(50,000)	(100,000)
30	Rate Reduction	.00	(1,142)	(3,673)	.00	(1,142)	(3,673)
	Total PL Adjustments	.00	(\$51,142)	\$1,476	.00	(\$51,142)	\$17,476
	Present Law Adjustments Total			\$328,131			\$319,076

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - DOJ Transfer - The legislature approved the executive request for an additional \$59,000 federal Medicaid funds over the biennium for an increase in the contract with the Department of Justice for welfare fraud investigations for the Temporary Assistance for Needy Families Block Grant, Food Stamp, and Medicaid programs. DPHHS passes the federal funds through to the Department of Justice. The Department of Justice provides the required 50 percent general fund match for these funds. During the 1999 biennium, the annual budget for the contract was \$210,137.

DP 2 - Lien and Estate - The legislature approved the executive request for \$167,000 state special revenue and federal funds over the biennium for an increase in the contract to recover funds from the estates and property of recipients who received Medicaid funded nursing home services. State special revenue is funds collected from estates and provides the required match for federal Medicaid funds. The increase in funding is tied to an estimated increase in collections.

The Medicaid Lien and Estate Recovery program contracts for recovery of funds from the estates and property of some Medicaid recipients who have received nursing home services. The contractor for this program recovered \$798,637 in fiscal 1997 and \$1,146,708 in fiscal 1998. The amount of liens and claims pending and the increase in the rate of filing liens and claims indicate the trend of increasing recoveries will continue. The department projects the contractor will recover approximately \$1,536,082 in fiscal 2000 and \$1,618,557 in fiscal 2001.

DP 3 - Medical Savings Account - The legislature reduced \$100,000 general fund (\$200,000 total funds) over the biennium to remove startup costs for the Medicaid Medical Savings Account initiative from the base budget. The initiative would have expired December 2000, but was extended by SB 62. The initiative started July 1995 and will end October 2001. The department did not request funds to administer the ongoing program.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1	Eliminate Funds for 1.0 Vacant FTE	(1.00)	(10,244)	(31,827)	(1.00)	(10,174)	(31,609)
	Total New Proposals	(1.00)	(\$10,244)	(\$31,827)	(1.00)	(\$10,174)	(\$31,609)

New Proposals

DP 1 - Eliminate Funds for 1.0 Vacant FTE - The legislature eliminated funding for 1.0 FTE that had been vacant for at least 10 months. This change reduced general fund about \$20,400 over the biennium and total funds about \$63,400.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	134.00	.00	6.00	140.00	.00	6.00	140.00	140.00
Personal Services	4,429,664	342,813	148,805	4,921,282	312,794	147,819	4,890,277	9,811,559
Operating Expenses	19,098,977	1,351,936	232,411	20,683,324	1,372,814	187,023	20,658,814	41,342,138
Equipment	234,217	0	12,000	246,217	0	0	234,217	480,434
Debt Service	506,754	53,000	0	559,754	51,800	0	558,554	1,118,308
Total Costs	\$24,269,612	\$1,747,749	\$393,216	\$26,410,577	\$1,737,408	\$334,842	\$26,341,862	\$52,752,439
General Fund	9,679,962	404,749	81,334	10,166,045	422,457	76,049	10,178,468	20,344,513
State/Other Special	1,871,666	431,322	61,868	2,364,856	402,390	49,153	2,323,209	4,688,065
Federal Special	12,717,984	911,678	250,014	13,879,676	912,561	209,640	13,840,185	27,719,861
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$24,269,612	\$1,747,749	\$393,216	\$26,410,577	\$1,737,408	\$334,842	\$26,341,862	\$52,752,439

Program Description

Operations and Technology Division provides support services for the Department of Public Health and Human Services. Fiscal functions include preparation and management of the executive budget and budget planning, financial and accounting services, and cost projections for benefit programs such as Medicaid. Development and operation of internal computer systems, telecommunications, security, and internal support services such as purchasing, leasing, and mailroom comprise the division's administrative functions.

The division manages contracts for the four DPHHS computer systems: The Economic Assistance Management System (TEAMS), the System for Enforcement and Recovery of Child Support (SEARCHS), the Montana Medicaid Information System (MMIS), and the Child & Adult Protective Services System (CAPS).

The division also manages vital records and statistics, and microbiology and chemistry laboratory services.

Funding

Funding for the Operations and Technology Division is unique to the services provided:

Computer support is charged to the responsible division and funded according to the corresponding funding source:

- 1) SEARCHS (Child Support Enforcement) -- 67 percent federal and 33 percent general fund
- 2) MMIS - (Medicaid) --25 percent general fund and 75 percent federal funds
- 3) TEAMS (FAIM public assistance) -- 44.6 percent general fund, 50 percent federal funds, and 5.4 percent state special revenues
- 4) CAPS (Child and Family Services, foster care) -- 54 percent general fund and 46 percent federal funds.

Administrative and fiscal support are charged on a department-wide cost allocation formula. Laboratory services are funded with state special revenues generated through fee-for-service activities. The Vital Statistics Bureau is funded with 44 percent general fund, 38 percent federal funds, and 18 percent state special revenues.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			283,813			254,088
	Inflation/Deflation			(644,217)			(576,384)
	Fixed Costs			1,587,365			1,396,439
	Total Statewide Adjustments			\$1,226,961			\$1,074,143
Present Law Adjustments							
1	CAPS Ops & Audit Compliance	.00	131,760	244,000	.00	144,372	267,356
2	MMIS FM Ops Contract	.00	56,477	225,909	.00	81,605	326,418
3	Environmental Lab Equip Financing	.00	0	33,000	.00	0	40,500
4	Environmental Lab Equipment Replace	.00	0	20,000	.00	0	11,300
5	State Motor Pool Vehicles	.00	10,104	28,067	.00	18,599	51,664
6	Fiscal Personal Svs Changes	.00	24,332	59,000	.00	24,210	58,706
7	Tumor Registry Funding Correction	.00	(110,732)	0	.00	(146,957)	0
30	Rate Reduction	.00	(42,005)	(89,188)	.00	(43,751)	(92,679)
	Total PL Adjustments	.00	\$69,936	\$520,788	.00	\$78,078	\$663,265
	Present Law Adjustments Total			\$1,747,749			\$1,737,408

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - CAPS Ops & Audit Compliance - The legislature approved \$511,356 for the biennium, including \$276,132 general fund, for improvements to CAPS.

The CAPS facilities management contract expires June 30, 1999. Requests for proposals have been distributed, but a final contract has not been negotiated. Actual contract costs for the next biennium are not available. This budget is based on anticipated cost increases for inflation, the addition of programming staff to work on the system, \$20,000 for travel to conduct training, and \$20,000 for temporary staff for system testing.

DP 2 - MMIS FM Ops Contract - The legislature approved this present law adjustment of \$552,327 for the biennium, including \$138,082 general fund, for increased operating costs for the MMIS. Inflation and additional costs for the voice response system and mailing manuals to providers has caused contract services to increase.

Contract services costs for MMIS in 1998 totaled \$3,363,129 and are projected to increase 6.7 percent in fiscal 2000 and 9.7 percent in fiscal 2001.

DP 3 - Environmental Lab Equip Financing - The legislature approved state special revenue of \$104,800 for the biennium for replacing equipment by financing purchases over three years. Financing costs would be funded from laboratory fees. Nine pieces of equipment would be purchased under contract ranging in cost from \$1,500 to \$39,000.

According to the division, the high cost of the equipment makes outright purchases cost prohibitive in a single year. Using financing would build equipment replacement costs into the laboratory rate structure and provide \$50,000 annually in the base budget for a planned replacement program.

DP 4 - Environmental Lab Equipment Replace - This present law adjustment has been combined with DP 3 above.

DP 5 - State Motor Pool Vehicles - The net of this adjustment is \$79,731 for the biennium, including \$28,703 general fund. The legislature approved \$113,991 to lease vehicles from the Department of Transportation's Motor Pool, which is

offset with decreased gasoline (\$23,460) and reduced passenger vehicle costs (\$10,800). This request is for eight vehicles in fiscal 2000 and an additional eight in fiscal 2001.

DP 6 - Fiscal Personal Services Changes - The legislature approved \$117,706 for the biennium, including \$48,542 general fund, for salary adjustments not included in the personal services base. Five positions were reclassified after the base personal services costs were calculated. Reclassification resulted in annual personal services increases of \$59,000.

DP 7 - Tumor Registry Funding Correction - The Executive Budget assumed that no additional Tumor Registry Grant would be received in the 2001 biennium and used additional general fund to meet the demands of the program. The legislature reduced general fund and increased federal funds by \$110,732 in fiscal 2000 and by \$146,957 in fiscal 2001, due to new information that the grant may be continued in the 2001 biennium.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 Fiscal Staff Audit Compliance	5.00	56,334	136,559	5.00	51,049	123,745
2 SEARCHS FM Contract	.00	0	64,928	.00	0	89,781
3 Legacy System Renovation	.00	25,000	165,483	.00	25,000	95,242
4 Environmental Lab Seasonal Staff	1.00	0	26,246	1.00	0	26,074
Total New Proposals	6.00	\$81,334	\$393,216	6.00	\$76,049	\$334,842

New Proposals

DP 1 - Fiscal Staff Audit Compliance - The legislature approved \$260,304 for the biennium, including \$107,383 general fund, for 5.0 FTE to respond to current workload demands and responsibilities, including findings from the department's recent Legislative Financial Compliance Audit.

Following reorganization of DPHHS in 1996, adequate support staff was anticipated to be available from existing positions. The department states that existing staff has not been able to manage the workload. The complexity of funding sources is often cited as the reason support staff efficiencies have not been realized in the accounting area. Modified FTE were hired to handle workload demands in 1998 and 1999.

DP 2 - SEARCHS FM Contract - The legislature approved \$154,709 federal funds for the biennium for increased contract services for operation of the SEARCHS database. No general fund was approved in this new proposal, but over \$700,000 general fund is in the base each year as the division shifted over \$700,000 from state special revenue to general fund in 1998.

DP 3 - Legacy System Renovation - The legislature approved \$260,725 total funds as a biennial one-time-only appropriation, including \$50,000 general fund, to rewrite and consolidate major department computer systems for efficiency and compliance with MTPRRIME and Year 2000.

According to the division, staff has been unable to keep up with work requests, enhancements, and compliance changes required for Year 2000 and MT PRRIME on the TEAMS, CAPS, SEARCHS, and MMIS systems. There are an estimated 175 work requests requiring 16,000 hours of work backlogged and there may be as many work requests that have not been formally submitted.

The department has identified two critical projects that require completion in the 2001 biennium.

1) Re-write systems running on the Department of Corrections AS/400 computer to remove DPHHS programs and eliminate the need for AS/400 programming and operations support.

2) Complete Year 2000 and MTPRRIME modifications.

DP 4 - Environmental Lab Seasonal Staff - The legislature approved \$52,320 for the biennium to hire 1.0 FTE seasonal staff for the Environmental Laboratory during the summer workload peak. This increase would be funded with laboratory fees. The legislature specified that laboratory fees shall not be increased to fund this request or present law adjustments 3 and 4.

Language

"If the federal tumor registry grant is not received, it is the intent of the legislature that no general fund money be approved for tumor registry and that the general fund appropriation in item 7 [Operations & Technology Division] be reduced by \$77,810 in fiscal year 2000 and \$77,810 in fiscal year 2001."

"Item 7 [Operations & Technology Division] includes \$676,680 in fiscal year 2000 and \$676,343 in fiscal year 2001 for laboratory services. It is the intent of the legislature that the department not increase fees if revenue is not sufficient to fund the amounts appropriated."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	640.98	.00	(3.17)	637.81	.00	(32.77)	608.21	608.21
Personal Services	20,396,136	847,463	(33,773)	21,209,826	724,317	(687,082)	20,433,371	41,643,197
Operating Expenses	4,592,413	227,785	54,450	4,874,648	367,197	54,450	5,014,060	9,888,708
Equipment	113,707	25,920	0	139,627	19,000	0	132,707	272,334
Grants	36,075	0	0	36,075	0	0	36,075	72,150
Benefits & Claims	57,313,877	1,927,809	11,278,351	70,520,037	1,935,547	16,677,916	75,927,340	146,447,377
Transfers	0	0	0	0	0	0	0	0
Debt Service	55,796	0	0	55,796	0	0	55,796	111,592
Total Costs	\$82,508,004	\$3,028,977	\$11,299,028	\$96,836,009	\$3,046,061	\$16,045,284	\$101,599,349	\$198,435,358
General Fund	39,474,390	746,568	930,582	41,151,540	472,549	1,735,914	41,682,853	82,834,393
State/Other Special	62,503	10,188	0	72,691	10,051	0	72,554	145,245
Federal Special	42,971,111	2,272,221	10,368,446	55,611,778	2,563,461	14,309,370	59,843,942	115,455,720
Total Funds	\$82,508,004	\$3,028,977	\$11,299,028	\$96,836,009	\$3,046,061	\$16,045,284	\$101,599,349	\$198,435,358

Program Description

Disability Services Division assists Montanans with disabilities in living, working, and participating in their communities. The division provides or contracts for institutional care, residential services, home-based services to families, case management, and a variety of employment outcome-related services. These services include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement and supported employment. Disability Services Division is responsible for medical adjudication of all claims for Social Security Disability and Supplemental Security Income. The Developmental Disabilities Planning and Advisory Council (DDPAC) is administratively attached.

Vocational rehabilitation serves individuals with orthopedic, mental, visual, hearing, brain, and other disabilities. Developmentally disabled include individuals with mental retardation, epilepsy, autism, or other neurological conditions that require treatment similar to those required by someone with mental retardation. The developmental disability must have originated before age 18 and have resulted in a substantial handicap for indefinite duration.

Funding

The Disability Services Division funding sources vary depending on the services provided:

- 1) Disability determination services are 100 percent federally funded.
- 2) DDPAC is federally funded except for the donated dental services program that receives general fund.
- 3) Montana Development Center in Boulder is funded with 99.6 percent general fund and 0.4 percent state special revenues. Eastmont Human Services Center is funded with 99.97 percent general fund and 0.03 percent state special revenues. Medicaid reimbursement, which pays for a number of services at these two institutions, is deposited directly to the general fund.
- 4) Developmental disabilities program is funded with 41.1 percent general fund, 58.8 percent federal funds, and 0.1 percent state special revenues. Medicaid (Title XIX) and the Social Services Block Grant (Title XX) are the major sources of federal funds.
- 5) Vocational rehabilitation program is funded with 23.3 percent general fund, 76.5 percent federal funds, and 0.2 percent state special revenues.

The table below shows the various funding sources of the division for the base year and each year of the 2001 biennium. In comparison to the base year, the percent of general fund has decreased slightly as federal funds have increased.

Table 17 Disability Services Division Funding Summary				
Fund Source	Fiscal 1998 Base Actual	Legislative Action		2001 Biennium Percent of Total
		2000	2001	
General Fund	\$39,474,390	\$41,151,540	\$41,682,853	41.74%
Percent of Total	47.84%	42.50%	41.03%	
State Special Revenue				
MDC Vocational	\$25,192	\$26,177	\$26,071	0.03%
DDP Conference	33,576	42,560	42,546	0.04%
Donated Funds - MDC	2,812	2,920	2,907	0.00%
Donations - Eastmont	923	1,034	1,030	0.00%
Subtotal State Special Revenue	\$62,503	\$72,691	\$72,554	0.07%
Percent of Total	0.08%	0.08%	0.07%	
Federal Funds				
Social Security Trust funds	\$35,767	\$275,767	\$275,767	0.28%
Migrant Farmworkers Grant	102,221	102,221	102,221	0.10%
Independent Living	254,350	243,836	243,647	0.25%
Independent Living Services - Older Blind Pers.	134,657	134,657	134,657	0.14%
Grants for Infants & Families w/Disabilities	1,407,598	1,807,676	1,807,350	1.82%
Supported Empl. for Persons w/Severe Handicaps	300,000	300,000	300,000	0.30%
Grants for Assistive Technology	293,804	753,840	753,832	0.76%
Rehab Training - Continuing Education	39,747	39,943	39,899	0.04%
DDPAC - Admin.	428,091	415,672	414,739	0.42%
Social Services Block Grant	6890151	6,890,838	6,890,838	6.95%
Medical Assistance Program	100,746	43,230	43,000	0.04%
Medical Benefits FMAP	19,124,854	29,389,004	33,261,691	31.57%
Disability Determination Admin	3,177,400	3,450,685	3,591,631	3.55%
Indirect Cost Allocation	2,036,144	2,407,687	2,396,282	2.42%
Rehab Services - Vocational Rehab Grants	8,645,581	9,356,722	9,588,388	9.55%
Subtotal Federal Funds	\$42,971,111	\$55,611,778	\$59,843,942	58.18%
Percent of Total	52.08%	57.43%	58.90%	
Total Funds	<u>\$82,508,004</u>	<u>\$96,836,009</u>	<u>\$101,599,349</u>	100.00%

The table below presents the division's biennial budget by fund type in six service areas: 1) developmental disabilities; 2) Montana Development Center; 3) Eastmont Human Services Center; 4) vocational rehabilitation; 5) disability determination; and 6) the Developmental Disabilities Planning and Advisory Council (DDPAC). The legislature approved an overall \$13.9 million increase from fiscal year 1998 to fiscal year 2000 and an additional \$4.8 million from fiscal year 2000 to fiscal year 2001. The largest increases are seen in the vocational rehabilitation and developmental disabilities service areas. Developmental disabilities increased approximately 22 percent from the 1998 base mainly due to new proposals that: 1) take general fund that becomes available in the 2001 biennium due to a waiver and use the general fund to leverage additional Medicaid dollars. These funds will provide individuals on the waiting list with additional services (see new proposal 3); and 2) increase direct care workers' wages (see new proposals 6 and 13). Vocational rehabilitation increased by approximately 29 percent over the 1998 base mainly due to provider rate increases (see new proposal 1) and a federal funding increase for grants (see new proposal 9).

Table 18
HB 2 Appropriation by Service Area

Service Area	Fiscal 1998 Adj. Base Expenditures				Fiscal 2000 Legislative Appropriation				Fiscal 2001 Legislative Appropriation			
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total
Developmental Disabilities	\$20,415,241	\$36,075	\$30,370,938	\$50,822,254	\$21,369,273	\$36,075	\$39,027,880	\$60,433,228	\$21,646,304	\$36,075	\$42,724,412	\$64,406,791
Montana Development Center	11,154,286	29,097	0	11,183,383	11,581,811	29,097	0	11,610,908	11,508,502	28,978	0	11,537,480
Eastmont Human Services Center	3,727,605	1,034	0	3,728,639	3,815,979	1,034	0	3,817,013	3,800,414	1,030	0	3,801,444
Vocational Rehabilitation	3,408,102	0	9,995,492	13,403,594	4,317,700	0	12,617,699	16,935,399	4,661,165	0	13,014,059	17,675,224
Disability Determination	0	0	3,215,739	3,215,739	0	0	3,450,685	3,450,685	0	0	3,591,631	3,591,631
DDPAC	0	6,485	415,672	422,157	25,000	6,485	415,672	447,157	25,000	6,474	414,739	446,210
Total Division	\$38,705,234	\$72,691	\$43,997,841	\$82,775,766	\$41,109,763	\$72,691	\$55,511,936	\$96,694,390	\$41,641,385	\$72,554	\$59,744,841	\$101,458,780

Note: Totals will not equal amounts in the main table as cost allocation amounts are not included in this table.

Present Law Adjustments	Fiscal 2000 FTE	Fiscal 2000 General Fund	Fiscal 2000 Total Funds	Fiscal 2001 FTE	Fiscal 2001 General Fund	Fiscal 2001 Total Funds
Statewide Present Law						
Personal Services			357,012			222,028
Inflation/Deflation			19,494			17,842
Fixed Costs			29,875			25,572
Total Statewide Adjustments			\$406,381			\$265,442
Present Law Adjustments						
1 DSD Annualize Provider Rate Increas	.00	439,690	745,871	.00	437,522	745,871
2 Annualize FY99 VR Tuition Increases	.00	28,885	135,611	.00	28,885	135,611
3 DD Annualize Community Services	.00	465,558	1,039,739	.00	460,625	1,039,739
4 DDS Workload Increase	.00	0	159,071	.00	0	310,553
5 MDC Personal Services Adjustments	.00	452,923	452,923	.00	452,923	452,923
6 EHSC Base Adjustments	.00	91,374	91,374	.00	97,023	97,023
7 DDP Base Adjustments	.00	0	4,968	.00	0	5,862
30 Rate Reduction	.00	(1,483)	(6,961)	.00	(1,483)	(6,963)
Total PL Adjustments	.00	\$1,476,947	\$2,622,596	.00	\$1,475,495	\$2,780,619
Present Law Adjustments Total			\$3,028,977			\$3,046,061

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - DSD Annualize Provider Rate Increase - The legislature approved \$1,491,742 for the biennium, including \$877,212 general fund to annualize 1.5 percent provider rate increases given in fiscal year 1999 and not reflected in the fiscal 1998 base.

DP 2 - Annualize FY99 VR Tuition Increases - The legislature approved \$271,222 for the biennium, including \$57,770 general fund, to fund a 6 percent vocational rehabilitation tuition increase given in fiscal year 1999. An increase was approved for both years of the current biennium, but the fiscal 1998 base does not reflect the 1999 fiscal year increase.

The funds would be used to pay for increased tuition rates charged by colleges, technical schools, and universities that furnish services to vocational rehabilitation clients.

DP 3 - DD Annualize Community Services - The legislature approved \$2,079,478 for the biennium, including \$926,183 general fund, to annualize an increase authorized by the 1997 legislature for community services to approximately 42

individuals. Services began at various times during fiscal years 1998 and 1999, so total costs were not reflected in the base budget.

DP 4 - DDS Workload Increase - The legislature approved a \$469,624 base increase, funded with 100 percent federal funds. The Social Security Administration and Congress increased the number of required continuing disability reviews. Over 1,000 additional cases will be processed each year of the 2001 biennium. Increased funds are requested in overtime, consultant professional services, and travel.

DP 5 - MDC Personal Services Adjustments - Personal services costs not included in the base for Montana Development Center were approved to be added. This adjustment is \$905,846 general fund for the 2001 biennium. Costs, budgeted at 1998 levels, include overtime, differential pay required by union contracts, holiday-worked pay, shift differential for on-call nurses, and benefits on overtime pay.

DP 6 - EHSC Base Adjustments - The legislature approved an increase of \$188,397 general fund for the biennium. Adjustments include a \$248,122 biennial decrease in personal services for salary adjustments to the fiscal 1998 base. Additional increases are for normal costs for a 24-hour-per-day, 7 days-per-week operation, which includes overtime, differential pay required by union contracts, holiday worked and additional day off pay, and benefits on overtime pay. Additional equipment costs which the legislature approved as one-time only, include minor equipment purchases of \$32,760 for the biennium and larger equipment items totaling \$44,920 for the biennium.

DP 7 - DDP Base Adjustments - The legislature approved \$10,830 for the biennium, with no general fund, for increased administrative costs in the Developmental Disabilities Program. Present law adjustments include increased costs for the billing service contract, the contract for evaluating persons being admitted to Montana Development Center, and salaries.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 DSD Provider Rate	.00	303,934	548,982	.00	611,225	1,108,943
2 VR 4% Tuition Increase	.00	27,723	130,153	.00	57,108	268,114
3 Refinance to Reduce Wait List	(7.00)	0	7,569,447	(36.60)	0	10,648,578
4 VR Caseload Increase	2.00	45,279	212,579	2.00	57,967	272,146
5 DD Emergency Capacity	.00	25,000	86,820	.00	25,000	86,820
6 Direct Care Salary Increase	.00	149,181	292,613	.00	298,265	589,908
7 Donated Dental	.00	25,000	25,000	.00	25,000	25,000
8 DDS Request for 2.0 Adtn'l FTE	2.00	0	75,875	2.00	0	75,344
9 Federal Funding Increase for Grants	.00	0	1,700,000	.00	0	1,700,000
12 Extended Employment	.00	65,570	65,570	.00	65,570	65,570
13 Direct Care Workers Wage Incr. #2	.00	314,293	617,387	.00	621,010	1,230,092
20 Eliminate Funding for 2 Vacant FTE	(.17)	(25,398)	(25,398)	(.17)	(25,231)	(25,231)
Total New Proposals	(3.17)	\$930,582	\$11,299,028	(32.77)	\$1,735,914	\$16,045,284

New Proposals

DP 1 - DSD Provider Rate - The legislature approved \$1,657,925 for the biennium, including \$915,159 general fund, for a 1 percent provider rate increase.

DP 2 - VR 4% Tuition Increase - The legislature approved \$398,267 for the biennium, including \$84,831 general fund, to pay 4 percent college tuition increases for individuals attending college as part of their vocational rehabilitation plan. The increase is 4 percent in fiscal 2000 and an additional 4 percent in fiscal 2001.

DP 3 - Refinance to Reduce Wait List - The legislature approved \$18.2 million for the biennium to: 1) increase services to individuals waiting for services or to expand services to existing clients; and 2) move individuals from institutions to communities. Approximately \$3.9 million general fund will be available over the biennium due to a waiver which allows the division to finance work/day services with Medicaid dollars and approximately \$780,000 general fund will be

available over the biennium due to moving individuals out of institutions.

The department will use the \$3.9 million general fund to leverage additional Medicaid dollars to provide individuals with a variety of services, depending on their needs. The department estimates that 350 individuals on the waiting list would be served with these dollars.

In addition, the population at Eastmont Human Services Center will be reduced by 12 and the Montana Development Center population will be reduced by 20. Reallocating general fund resources by moving these 32 individuals into the community and matching the general fund with Medicaid will allow the department to serve the 32 individuals and an additional 25 individuals from the community waiting list.

If Title XX cuts occur, the legislature approved language that would authorize up to \$2.3 million general fund from Medicaid appropriations in the department and \$2.8 million TANF funds to offset the cuts.

DP 4 - VR Caseload Increase - The legislature approved \$484,725 for the biennium, including \$103,246 general fund, for additional vocational rehabilitation field staff (2.0 FTE) in Helena and Billings, plus additional benefits for individuals the new positions would serve.

A 1.5 FTE counselor position and a 0.5 FTE support staff would be located in the Helena vocational rehabilitation office. The division indicated there has been an unexplained 63 percent increase in referrals. A 0.5 FTE counselor position would be added in the Billings regional office where caseloads have increased 47 percent.

In addition to positions and salaries, the proposal includes increased operating and service costs. Travel and normal operating costs are estimated at \$9,000 each year for the 2.0 FTE, and approximately \$344,000 in vocational rehabilitation benefits are included for the 65 additional people who would be served.

DP 5 - DD Emergency Capacity - The legislature approved \$173,640 for the biennium, including \$50,000 general fund, to assist families in the event of an emergency or crisis. The legislature approved \$48,519 less general fund than in the executive request, but approved the full amount requested by the executive in the event the department could identify the funds within the department.

DP 6 - Direct Care Salary Increase - The legislature approved a 1.0 percent increase in direct care staff salaries each year of the biennium. Funds requested total \$882,521 for the biennium, including \$447,446 general fund.

Direct care employees assist individuals with developmental disabilities in all activities of daily living, such as training, feeding, and bathing. The division expressed concern that these employees of private, nonprofit corporations, who serve persons in community-based settings, are paid substantially less than state employees working in direct care staff positions at the two state institutions -- \$6.24 per hour compared to \$6.81 per hour (state employees receive greater benefits). A 1.0 percent increase would bring direct care staff salaries to \$6.30 per hour or \$13,104 annually.

DP 7 - Donated Dental - The legislature approved \$50,000 one-time-only general fund for the biennium to continue the donated dental program. This program coordinates donated dental services with prospective patients. Funds would pay for the coordinator's salary, travel expenses, rent, and other operational expenses. All dental services are donated. This program provided \$240,000 worth of free dental treatment to developmental disabled individuals. Dental is not a service provided by the state. The 1997 legislature approved the program on a one-time-only basis because it was the first year of the program and its effectiveness was uncertain.

DP 8 - DDS Request for 2.0 Additional FTE - The legislature approved funding for 2.0 FTE or \$151,219 for the biennium. The department states that there is an increased caseload due to continuing disability reviews as required by the Social Security Administration. The division projects receiving an additional 1,000 cases per year and the 2.0 FTE would process the cases and reduce the number of pending cases.

DP 9 - Federal Funding Increase for Grants - The legislature approved additional federal authority be given to the division in the event increased federal grants to provide services to individuals with disabilities become available during the biennium. Federal spending authority approved is \$3.4 million for the biennium, with no general fund commitments.

The \$3.4 million is comprised of: 1) \$2 million for the development disabilities program from federal Part H and Medicaid funds; 2) \$920,000 federal authority for the Assistive Technology Grant if received. Funds would purchase technological devices to assist people with disabilities in securing and holding jobs; and 3) social security funds of \$480,000, in the event that social security funds are reimbursed for fiscal 1998.

DP 12 - Extended Employment - The legislature approved \$131,140 general fund for the biennium to serve individuals on a waiting list for extended employment. This request was not included in the Executive Budget.

DP 13 - Direct Care Workers Wage Incr. #2 - The legislature approved an additional amount for direct care workers' salaries in addition to what was requested in the Executive Budget. This increase of \$1,847,479 total funds for the biennium, including \$935,303 general fund, which would provide direct personal care staff an additional \$0.25 per hour in fiscal 2000 and an additional \$0.25 per hour in fiscal 2001.

DP 20 - Eliminate Funding for 2 Vacant FTE - The legislature eliminated funding for two positions that had been vacant for at least 10 months. This resulted in a reduction in general fund of \$50,629 for the biennium.

Language

"The Disability Services Division is authorized to pursue up to \$2.0 million in federal funding over the biennium to enhance and improve services to persons with developmental disabilities. These additional federal funds may be expended by the division on services as long as those actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated for the 2001 biennium by the legislature for the developmental disabilities community."

"Item 8 [Disability Services Division] contains an appropriation of \$7,581,094 in federal funds each year of the biennium for the Title XX grant. If the department receives less funds in the Title XX grant than the appropriated amount, the department shall transfer up to \$2.3 million in general fund money over the biennium from Medicaid appropriations in the department to the Disability Services Division. General fund money transferred to offset the Title XX shortfall must be used to serve individuals being moved from state institutions to community services and individuals from the community waiting list."

"Item 8 [Disability Services Division] contains an appropriation of \$7,581,094 in federal funds each year of the biennium for the Title XX grant. If the department receives less funds in the Title XX grant than the appropriated amount, up to \$2.8 million in TANF funds for the biennium must be transferred to the Disability Services Division. The TANF funds transferred to offset the Title XX shortfall must be used to serve individuals being moved from state institutions to community services and individuals from the community waiting list. The department shall use all of the \$2.3 million in general fund money that the department is directed to transfer from Medicaid appropriations in the department to the disability services division before using any transferred TANF funds."

"Item 8 [Disability Services Division] contains an appropriation of \$7,581,094 in federal funds each year of the biennium for the Title XX grant. If the department receives less funds in the Title XX grant than the appropriated amount, \$43,000 in general fund money is appropriated for fiscal year 2001 to implement a means test for TANF eligibility determination."

"Provider, consumer, and department representatives of the Strategic Planning Across Montana follow-up committee shall provide a written report every six months to the Legislative Fiscal Division on the progress of the design and implementation of the individualized community support approach to service delivery in the developmental disabilities system."

"The Disability Services Division is directed to develop a proposal by June of 2000 to be reviewed by the children,

families, health, and human services committee that considers the following options:

- 1) moving individuals from the Montana Developmental Center and Eastmont Human Services Center to community settings if it is determined that a person may benefit from services in a community setting and if the services appropriate for the person's needs are available;
- 2) based on the population remaining at both institutions, determine if an institution could be closed;
- 3) if an institution is proposed to be closed, explore and recommend alternative uses for that institution; and
- 4) develop a reduction in force plan that takes into consideration a reasonable way to reduce the staff at the institutions through normal attrition and planned layoffs and calculate the cost of paying out sick leave, vacation, and severance pay."

"Item 8 [Disability Services Division] contains a general fund appropriation of \$27,723 in fiscal year 2000 and \$57,108 in fiscal year 2001 for anticipated increases by the board of regents in tuition of 4 percent. If the board of regents approves college tuition increases of less than 4 percent, the general fund appropriation is reduced a proportionate amount."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	125.19	.00	5.35	130.54	.00	5.35	130.54	130.54
Personal Services	3,858,046	199,985	220,479	4,278,510	173,680	218,972	4,250,698	8,529,208
Operating Expenses	2,079,856	151,481	1,145,266	3,376,603	166,392	1,173,837	3,420,085	6,796,688
Equipment	98,986	(31,500)	18,378	85,864	(31,500)	(13,899)	53,587	139,451
Grants	5,401,814	(99,526)	216,711	5,518,999	(99,526)	440,463	5,742,751	11,261,750
Benefits & Claims	136,913,663	3,917,137	7,048,740	147,879,540	6,486,490	13,859,931	157,260,084	305,139,624
Transfers	0	0	0	0	0	0	0	0
Debt Service	2,699	0	0	2,699	0	0	2,699	5,398
Total Costs	\$148,355,064	\$4,137,577	\$8,649,574	\$161,142,215	\$6,695,536	\$15,679,304	\$170,729,904	\$331,872,119
General Fund	39,844,384	(1,005,988)	2,191,883	41,030,279	(1,200,009)	4,256,542	42,900,917	83,931,196
State/Other Special	2,557,338	35,579	115,592	2,708,509	36,868	90,389	2,684,595	5,393,104
Federal Special	105,953,342	5,107,986	6,342,099	117,403,427	7,858,677	11,332,373	125,144,392	242,547,819
Total Funds	\$148,355,064	\$4,137,577	\$8,649,574	\$161,142,215	\$6,695,536	\$15,679,304	\$170,729,904	\$331,872,119

Program Description

The Senior and Long Term Care Division plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through five major programs: 1) the Office on Aging provides meals, transportation, public education, information and assistance, and other services; 2) the Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid eligible individuals as an alternative to nursing home care; 3) the Medicaid Nursing Facility Program pays for care to Medicaid eligible individuals in Montana's 98 nursing homes; 4) skilled nursing facility care is provided to veterans at the 90-bed Montana Veteran's Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veteran's Home in Glendive; and 5) the State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults); 52-3-501 et seq., MCA, (Montana Older Americans Act); 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act); P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401, MCA, (authorizes and establishes Montana Veteran's Homes); 53-1-202, MCA, (Eastern Montana Veteran's Home); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

Program Narrative

The division budget increases \$35.2 million, including \$4.2 million general fund over the biennium. Present law adjustments add \$10.8 million over the biennium and new proposals add \$24.3 million. Federal funds comprise the bulk of the increase because the federal matching rate for Medicaid benefits is higher in the 2001 biennium than in fiscal 1998. The increase in federal match rate reduces the general fund match cost for Medicaid benefits about \$9.3 million over the biennium.

The Executive Budget included the change in the federal Medicaid matching rate in the adjusted base budget, masking the general fund increases requested in present law adjustments. For example, the main division budget table shows a reduction of \$1 million general fund in the present law base budget, while the present law adjustment table shown later in the narrative shows a \$1.4 million increase in general fund.

The significant increases for this division are:

- direct care worker wage increases that add \$12.5 million total funds over the biennium (\$3.8 million general fund);

- present law Medicaid caseload adjustments that add \$10.4 million total funds over the biennium (\$3.5 million general fund);
- a 1 percent provider rate increase of \$4.1 million over the biennium (\$1.1 million general fund);
- a new proposal to increase the Medicaid Community Based Waiver by 0.75 FTE and \$3.2 million total funds over the biennium (\$0.9 million general fund);
- \$2.1 million federal funds over the biennium to comply with a legislative audit recommendation;
- \$1.5 million federal funds over the biennium to “refinance” eligible services provided from 100 percent general fund appropriated for aging services with federal matching Medicaid funds; and
- 3.0 adult protective services FTE and \$680,000 over the biennium, including \$518,000 general fund, and funds for direct services to adult protective services clients.

Appropriation increases were offset by about \$2 million in reductions. The most significant reductions include:

- \$1.5 million in federal Medicaid funds due to estimated reductions in reimbursements to state institutions;
- \$246,000 of one-time lien and estate state special revenue authority for Medicaid services; and
- about \$200,000 general fund to increase the base budget reduction for general fund transferred from aging services to the Medicaid funded services.

Table 19
Senior and Long-Term Care Division Summary
2001 Biennium Appropriation Comparison to Fiscal 1998 Base

Item	Fiscal 1998 Base Budget				Fiscal 2000 Appropriation				Fiscal 2001 Appropriation				Percent of Total
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	
ADMINISTRATION													
State Administration	\$157,664	\$91,631	\$94,410	\$343,705	\$194,810	\$93,579	\$102,344	\$390,733	\$191,612	\$93,048	\$101,435	\$386,095	0.23%
Medicaid Admin.	632,393	0	818,810	1,451,202	656,718	0	869,953	1,526,671	654,812	0	867,627	1,522,438	0.89%
Aging Services Admin.	96,273	0	415,714	511,987	281,597	0	435,513	717,110	284,914	0	433,828	718,742	0.42%
Veterans' Homes	0	2,333,227	1,399,466	3,732,693	0	2,614,930	2,494,232	5,109,162	0	2,591,547	2,508,247	5,099,794	2.99%
Subtotal Administration	<u>\$886,330</u>	<u>\$2,424,858</u>	<u>\$2,728,400</u>	<u>\$6,039,587</u>	<u>\$1,133,125</u>	<u>\$2,708,509</u>	<u>\$3,902,042</u>	<u>\$7,743,676</u>	<u>\$1,131,336</u>	<u>\$2,684,595</u>	<u>\$3,911,137</u>	<u>\$7,727,068</u>	4.53%
Percent of Total	2.22%	94.82%	2.58%	4.07%	2.76%	100.00%	3.32%	4.81%	2.64%	100.00%	3.13%	4.53%	
GRANTS/BENEFITS													
Medicaid													
Nursing Homes	\$28,318,169	\$0	\$66,611,254	\$94,929,423	\$27,691,591	\$0	\$71,390,406	\$99,081,997	\$28,292,056	\$0	\$75,241,724	\$103,533,780	60.64%
Home Based Services	5,530,073	0	13,011,729	18,541,801	5,880,385	0	15,241,689	21,122,074	6,499,593	0	17,378,406	23,877,998	13.99%
Community Waiver Servs.	3,443,348	132,480	8,288,236	11,864,064	4,491,528	0	12,391,835	16,883,363	4,869,141	0	13,768,959	18,638,100	10.92%
Institutions	0	0	10,745,375	10,745,375	0	0	9,859,106	9,859,106	0	0	10,177,206	10,177,206	5.96%
Aging Grants	833,465	0	4,568,349	5,401,814	950,650	0	4,568,349	5,518,999	1,175,790	0	4,566,961	5,742,751	3.36%
Protective Services Benefits	0	0	0	0	50,000	0	50,000	100,000	100,000	0	100,000	200,000	0.12%
State Supplemental Payment	<u>833,000</u>	<u>0</u>	<u>0</u>	<u>833,000</u>	<u>833,000</u>	<u>0</u>	<u>0</u>	<u>833,000</u>	<u>833,000</u>	<u>0</u>	<u>0</u>	<u>833,000</u>	0.49%
Subtotal Grants/Benefits	<u>\$38,958,055</u>	<u>\$132,480</u>	<u>\$103,224,943</u>	<u>\$142,315,477</u>	<u>\$39,897,154</u>	<u>\$0</u>	<u>\$113,501,385</u>	<u>\$153,398,539</u>	<u>\$41,769,580</u>	<u>\$0</u>	<u>\$121,233,255</u>	<u>\$163,002,835</u>	95.47%
Percent of Total	97.78%	5.18%	97.42%	95.93%	97.24%	0.00%	96.68%	95.19%	97.36%	0.00%	96.87%	95.47%	
DIVISION TOTAL	\$39,844,384	\$2,557,338	\$105,953,342	\$148,355,064	\$41,030,279	\$2,708,509	\$117,403,427	\$161,142,215	\$42,900,917	\$2,684,595	\$125,144,392	\$170,729,904	100.00%
Annual Percent Change from Fiscal 1998					1.48%	2.91%	5.26%	4.22%	2.49%	1.63%	5.71%	4.79%	

Table 19 shows the fiscal 1998 base budget compared to the legislative appropriation by major service. Medicaid and aging benefits and grants appropriations are 95 percent of the total appropriation and 97 percent of the general fund appropriation in fiscal 2001. The single largest appropriation in the division budget is for nursing homes, accounting for 61 percent of the total. Home-based Medicaid services account for 14 percent of the total. Community Waiver services rise from 8 percent of total division expenditures in fiscal 1998 to 11 percent of the fiscal 2001 appropriation. Veterans' services account for 3 percent of the total fiscal 2001 appropriation. Administration, including all veterans' services, accounts for about 5 percent of the total 2001 biennium appropriation.

General fund rises 1.5 percent annually from fiscal 1998 to fiscal year 2000 and increases 2.5 percent annually from fiscal 1998 to 2001. Total funds increase about 4.2 percent annually and 4.8 percent annually over the same time periods. General fund grows more slowly than total funds and comprises a lower share of the 2001 biennium budget than of the base budget because of the increase in the federal Medicaid benefit match rate.

Administration

State administration includes staff and resources that provide overall direction, leadership, fiscal, and policy services for all programs administered by the division. The \$40,000 annual increase includes statewide adjustments for rent and data network services and an increase in the cost charged by the federal Social Security Administration to include the state supplemental payment in SSI checks.

Medicaid administration funds the staff and resources that administer Medicaid programs. The \$50,000 annual increase is related to statewide adjustments for position upgrades, annualization of the 1999 pay plan and data network services.

Aging services administration funds staff and resources that administer the state Office on Aging and grants to the 11 Area Agencies on Aging. The legislature approved annual increases of about \$200,000 for 3.0 adult protective services workers. The adult protective services program is administered by the Child and Family Services Division, but will be transferred to the Senior and Long-Term Care Division during the 2001 biennium.

Veterans' Homes

Montana owns the two veterans' nursing homes. The MVH is operated with state staff, while the EMVH is operated under contract. The veterans' homes are funded with a portion of the state cigarette tax, private insurance, payments from veterans and their spouses, and Medicaid and Veterans' Administration reimbursements. The \$1.3 million annual increase results from including the federal Veterans' Administration pass-through funding (\$1 million) as a budgeted rather than non-budgeted expense, annualization of the 1999 pay plan increase, and funding for equipment, maintenance, and an increase in direct care staff for the domiciliary unit.

Grants and Benefits

Grants and benefits comprise about 95 percent of the total division budget. About 97 percent of the total general fund is appropriated for grants and benefits. The grants and benefits category includes Medicaid funded services, supplemental security income payments, and the aging services program.

More than half of the increase in grants and benefits appropriations is due to direct care worker wages and the 1 percent provider rate increases requested by the executive and approved by the legislature. Total grants and benefits appropriations for the 2001 biennium are \$31.8 million greater than the fiscal 1998 base. Direct care worker wage and provider rate increases account for \$16.6 million or 52 percent of that increase. Table 20 shows the allocation of direct care worker wage and provider rate increases by service category.

Increase/Service	Fiscal 2000		Fiscal 2001		Percent of Total
	General Fund	Total	General Fund	Total	
Direct Care Worker Wage Increase					
Nursing Homes	\$795,676	\$2,858,031	\$1,594,999	\$5,859,658	69.48%
Home Based Services	169,627	609,291	367,868	1,351,460	16.02%
Community Based Waiver	121,585	436,729	242,511	890,928	10.56%
Aging Services	462,533	462,533	331,566	331,566	3.93%
Subtotal Direct Care	\$1,249,421	\$4,066,584	\$2,536,944	\$8,433,612	100.00%
Provider Rate Increase					
Nursing Homes	\$265,226	\$952,677	\$523,848	\$1,924,495	69.48%
Home Based Services	56,542	203,097	120,819	443,862	16.02%
Community Waiver Servs.	40,528	145,576	79,648	292,609	10.56%
Aging Services	54,178	54,178	108,897	108,897	3.93%
Subtotal Provider Increase	\$416,474	\$1,355,528	\$833,212	\$2,769,863	100.00%
Total Wage/Provider Increase					
Nursing Homes	\$1,060,902	\$3,810,708	\$2,118,847	\$7,784,153	69.48%
Home Based Services	226,169	812,388	488,687	1,795,322	16.02%
Community Waiver Servs.	162,113	582,305	322,159	1,183,537	10.56%
Aging Services	216,711	216,711	440,463	440,463	3.93%
Total Wage/Prov. Incre.	\$1,665,895	\$5,422,112	\$3,370,156	\$11,203,475	100.00%
Total Grants/Benefits Increase					
Above FY98 Base	\$939,099	\$11,083,062	\$2,811,525	\$20,687,358	
Wage/Rate Increase as a Percent of					
Total Grants/Benefits Increase		48.92%		54.16%	

Direct care worker wage increases add \$12.5 million total funds (\$3.8 million general fund) to the division Medicaid benefits appropriation over the biennium, compared to the fiscal 1998 base budget. The largest share of direct care wage increases goes to nursing home services, which accounts for almost 70 percent of the amount.

The 1 percent provider rate increase adds \$4.1 million total funds including \$1.2 million general fund over the biennium. Again nursing homes receive about 70 percent of the total provider rate appropriation.

Medicaid Benefits - Medicaid benefits in this division include nursing, community programs, and payments to state institutions. Medicaid benefits are funded from state general fund and state special revenue for Medicaid eligible veterans' home costs and matched with federal Medicaid funds.

Medicaid Nursing Home Services - This benefit pays for short and long-term nursing care for Medicaid eligible persons. The growth in nursing home expenditures is largely due to direct care worker wage and the 1 percent provider rate increases authorized by the legislature. These two increases account for \$11.6 of the \$12.8 million biennial increase in

nursing home appropriations. Without those two increases, Medicaid nursing home costs are projected to increase only 0.5 percent annually instead of the compounded annual 2 percent increase between the fiscal 1998 base and fiscal 2000 and the 4.5 percent increase between fiscal 2000 and fiscal 2001.

HB 2 also includes language that appropriates up to \$1 million state matching funds annually to this service area. The one-time appropriation is from the general fund share collected from the lien and estate recoveries in excess of the first \$600,000 and matching federal funds (about \$2 million annually). Half of this appropriation is allocated to nursing homes and the other 50 percent is appropriated, also on a one-time basis, to the Medicaid home and community waiver program. Lien and estate funds appropriated for nursing home services are to be used for staff related costs such as bonuses or training.

Medicaid Home Based Services - This service area provides payment for in-home services that help Medicaid-eligible senior citizens and people with disabilities to remain in their own homes. These services include personal care; home health, such as skilled nursing and home health aide services; home dialysis; and hospice. Personal care, home dialysis, and hospice services are not federally-mandated services. They are optional services allowed by federal law and funded by the Montana legislature. Home health services are federally-mandated services.

Unlike nursing home services caseload growth accounts for most of the increase in the 2001 biennium appropriation for home based services. The total biennial increase is \$7.9 million, and direct care worker and provider increases account for \$2.6 million or about one-third of the total.

Medicaid Community Waiver Services - This service area provides home and community based services to those Medicaid-eligible persons who are eligible for nursing home or hospital level of care but prefer and are selected to receive services in their homes or in community settings. This service area is not an entitlement and the number of persons served is constrained by the amount of available funds. There were 1,382 persons served by this program in fiscal 1998 at a cost of approximately \$11.8 million.

The legislature approved two expansions in waiver services – annualization of the fiscal 1999 increase (\$5.7 million total funds including \$1.6 million general fund) and an increase of 130 slots in fiscal 2001 (\$3.2 million total funds including \$0.9 million general fund). The annualized cost of the 2001 biennium expansion will be about \$2.5 million, which is \$1.5 million greater than the fiscal 2000 base amount. The number of slots available in the waiver program may be expanded above 130 in fiscal 2001 because the legislature appropriated \$1.5 million in federal Medicaid matching funds if the Area Agencies on Aging opt to transfer the general fund match to provide services through Medicaid instead of using only general fund.

Direct care worker wage increases and the provider rate increase raised 2001 biennium appropriations \$1.8 million total funds (\$0.5 million general fund) over the biennium.

As noted previously, language in HB 2 appropriates, on a one-time basis, up to \$1 million annually from the general fund share of lien and estate collections in excess of \$600,000. The \$1 million is allocated 50 percent to the community services program and 50 percent to the nursing home program. Federal matching funds of about \$2 million annually are also appropriated.

Medicaid State Institution Reimbursement - This service area provides federal Medicaid reimbursement to state institutions including the Montana Developmental Center, Eastmont Human Services Center, and the Montana Veterans' Home. (The federal Medicaid funds reimbursed for the Montana Development Center and Eastmont Human Services Center are ultimately deposited to the state general fund because the operating budgets of these institutions are funded up-front with general fund.) The legislature reduced the institution reimbursement program by \$1.5 million over the biennium because it projected lower reimbursements.

Until April 1, 1997, Medicaid reimbursements were also provided to the Montana State Hospital and the Montana Mental Health Nursing Care Center. After that date, these two institutions were moved into the mental health managed care

system and budgeted directly from general fund and matching federal Medicaid funds. The Public Health and Human Services Joint Appropriations Subcommittee directed legislative staff to include in the 2003 biennium budget analysis the option of funding all state institutions eligible for Medicaid reimbursement using federal matching funds as part of the institution budget and foregoing the transfer to the general fund.

Aging Grants - Aging grants fund contracts with the 11 Area Agencies on Aging. General fund and federal funds support these grants. Primary services include senior centers, transportation, home chore services, congregate meals, meals on wheels, homemaker services, and information and referral services. Aging grants are budgeted to increase slightly in the 2001 biennium due to annualization of the 1999 provider rate increase funded by the 1997 legislature. The rate increase is supported entirely by general fund because federal grants are capped.

Fund Source	Actual FY 1998	Legislative Action FY 2000	FY 2001	Percent of Total
General Fund	\$39,844,384	\$41,030,279	\$42,900,917	25.13%
Percent of Total Funds	26.86%	25.46%	25.13%	
State Special Revenue				
Private Ins./Medicaid Reimb.	\$1,617,998	\$1,680,266	\$1,674,467	0.98%
Vets - Int./Income Lease	6,687	6,389	6,374	0.00%
Cigarette Tax Revenue	785,859	982,172	964,135	0.56%
Over \$600,000 Lien/Estate	132,480	0	0	0.00%
Vets Canteen	14,314	15,682	15,619	0.01%
Match - Private Funds	0	24,000	24,000	0.01%
Subtotal SSR	\$2,557,338	\$2,708,509	\$2,684,595	1.57%
Percent of Total Funds	1.72%	1.68%	1.57%	
Federal Funds				
EMVH V-A Reimbursement	\$0	\$1,045,095	\$1,064,066	0.62%
Vets V-A Reimbursement	1,241,280	1,284,294	1,279,917	0.75%
Vets Domiciliary Care	158,186	164,843	164,264	0.10%
Elderly Feeding	656,612	656,420	656,420	0.38%
Elder Abuse	23,660	23,653	23,653	0.01%
Ombudsman Activity	21,893	21,887	21,887	0.01%
Preventive Health	79,074	79,051	79,051	0.05%
Aging Supp. & Training	1,514,126	1,521,840	1,520,862	0.89%
Aging Meals	2,395,884	2,402,183	2,401,292	1.41%
Health Info. Counseling	118,318	118,794	118,731	0.07%
Alzheimer's Demonstration	152,231	152,192	152,191	0.09%
Medicaid Administration	889,708	956,144	952,010	0.56%
Medicaid Benefits	98,657,149	108,931,745	116,664,772	68.33%
Frail Elderly	45,224	45,286	45,276	0.03%
Subtotal Federal	\$105,953,342	\$117,403,427	\$125,144,392	73.30%
Percent of Total Funds	71.42%	72.86%	73.30%	
Total Funds	\$148,355,064	\$161,142,215	\$170,729,904	100.00%
Annual Rate of Change from Base		4.22%	5.95%	

Protective Services Benefits – The legislature approved the executive request for \$300,000 total funds (\$150,000 general fund) over the biennium to fund benefits for seniors at risk of abuse and neglect. Funds will pay for services such as home cleaning and emergency shelter. This appropriation represents a service expansion as there was no funding designated for direct services to seniors at risk of abuse and neglect. Services were provided by adult protective services workers or through other sources when funding was available and seniors were eligible.

State Supplemental Payments - These benefits are 100 percent general fund and supplement federal Social Security Supplemental Income (SSI) payments to SSI eligible individuals who reside in designated residential care facilities. There is no change in the 2001 biennium appropriation.

Funding

The Senior and Long-Term Care Division is funded primarily by federal funds (see Table 21). Federal funds rise from 71 percent of the division budget in fiscal 1998 to 73 percent in fiscal 2001. Two significant changes in federal funds account for the increase: 1) a legislative audit recommendation that Eastern Montana Veteran's Home federal reimbursement be recorded as a budgeted expenditure rather than non-budgeted; and 2) an increase in the federal match rate for Medicaid benefits. Medicaid benefit funding is by far the most significant funding source in the division budget, accounting for 68 percent of the total appropriation in fiscal 2001. Other federal funding sources support aging services and federal Veterans'

Administration funds. Some of the federal grants supporting aging services require a 25 percent match.

General fund comprises about 25 percent of the division 2001 biennium appropriation and supports all division functions except for veterans' homes and services. General fund pays the state match for the Medicaid program, provides a "block grant" for aging services, and fully supports monthly state supplement payments for SSI Medicaid eligible persons. State special revenue provides about 2 percent of total division funding. All state special revenue shown in Table 21 for the 2001 biennium appropriation, except \$48,000, supports the two veterans' homes. The single largest source of state special revenue funds is payments from veterans and their spouses for care at the veterans' homes. The 1997 legislature appropriated Medicaid lien and estate recovery proceeds above \$600,000 to the division in the 1999 biennium. Fiscal 1998 expenditures from lien and estate recovery were \$132,480 and were removed from the 2001 biennium because the appropriation was designated one-time-only. The legislature added a similar language appropriation for up to \$1 million for the 2001 biennium, which is discussed in the "Language" section.

Federal funds provide nearly three quarters of division funding. Medicaid services matching funds are the single most significant funding source for the division, providing 68 percent of the total. Federal funds that support meal services for senior citizens are the second most significant federal source providing about 1.5 percent of total division funding. Combined, the three federal sources for veterans' services also provide about 1.5 percent of total funding.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			117,716			91,411
	Inflation/Deflation			3,559			3,014
	Fixed Costs			10,496			12,530
	Total Statewide Adjustments			\$131,771			\$106,955
Present Law Adjustments							
1	HCBS Waiver Adjustment	.00	786,796	2,826,135	.00	769,254	2,826,060
2	Nursing Home Adjustment	.00	201,543	341,866	.00	332,604	820,204
3	Community Services Adjustment	.00	490,872	1,763,190	.00	962,548	3,536,180
5	MVH Op Exp Adjustment	.00	0	149,989	.00	0	163,411
8	Increased Institutional Caseload	.00	0	(886,269)	.00	0	(568,169)
9	RPO position upgrades	.00	0	20,424	.00	0	20,424
10	Social Security Contract Increase	.00	30,188	30,188	.00	30,188	30,188
11	Aging Benefits Base Adjustment	.00	(99,526)	(99,526)	.00	(99,526)	(99,526)
12	Lien/Estate Base Adjustment	.00	0	(132,480)	.00	0	(132,480)
13	MVH Indirect Op Expense Adjustment	.00	0	(5,775)	.00	0	(5,775)
30	Rate Reduction	.00	(754)	(1,936)	.00	(754)	(1,936)
	Total PL Adjustments	.00	\$1,409,119	\$4,005,806	.00	\$1,994,314	\$6,588,581
	Present Law Adjustments Total			\$4,137,577			\$6,695,536

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 1 - HCBS Waiver Adjustment - The legislature approved the executive request to add \$5.7 million total funds, including \$1.6 million general fund, for expansions of the Medicaid Community Services Waiver (HCBS) program approved by the 1997 legislature. The present law base adjustment is the difference between the fiscal 1998 waiver expenditures and projected annualized expenditures for fiscal 1999. The adjustment includes the provider rate increase funded in fiscal 1999, anticipated transfers from the aging services program and home based services Medicaid program, and service expansions funded by the 1997 legislature.

DP 2 - Nursing Home Adjustment - The legislature added \$1.2 million total funds (\$534,000 general fund) over the biennium for growth in the Medicaid nursing home program of 0.5 percent in each year of the 2001 biennium and for the 1.5 percent rate increase in fiscal 1999 approved by the 1997 legislature. The growth in Medicaid nursing home bed days has stabilized in the past several years, largely due to the growth of privately funded levels of care such as assisted living. Expansions in Medicaid home based and community waiver services also provide alternatives for some Medicaid eligible persons who might otherwise be placed in nursing homes.

DP 3 - Community Services Adjustment - The legislature approved the executive request to add \$5.3 million total funds (\$1.5 million general fund) for growth in the Medicaid community services program. The annual rate of increase from fiscal 1998 is about 6 percent in fiscal 2000 and 9 percent in fiscal 2001.

DP 5 - MVH Op Exp Adjustment - The legislature approved the executive request for \$313,000 from cigarette tax funds over the biennium for increased operating costs at the Montana Veterans' Home. Operating cost increases cover: 1) expenditures for laundry and food services; 2) services costs for the Columbia Falls sewer and water system; 3) overtime and holiday pay; 4) professional service contract increases; and 5) an adjustment for bed taxes paid on each nursing bed. Energy savings from a recent retrofit offset some cost increases.

DP 8 - Increased Institutional Caseload - This adjustment reduces federal Medicaid funds by \$1.5 million over the biennium due to estimated reductions in the number of Medicaid eligible persons served at the state institutions. Several facilities administered by DPHHS are fully or partially funded from the general fund. DPHHS receives reimbursement for the cost of care for Medicaid eligible recipients, which is deposited to the general fund to offset the cost of care. This appropriation is used to record expenditures in the appropriate federal funding source.

DP 9 - RPO Position Upgrades - The legislature added \$41,000 federal funds over the biennium to fund an upgrade for regional program officers (RPO) effective July 18, 1998. The legislature removed \$20,400 general fund requested by the executive. Regional program officers are located in eight locations around the state. They: provide policy direction and guidance to providers; evaluate and analyze regional service delivery; conduct provider compliance audits; evaluate the need for and provide training to providers; and resolve disputes between providers, consumers, and other state agencies.

DP 10 - Social Security Contract Increase - The legislature added \$60,000 general fund for the increased cost of the Social Security Administration adding the state supplement amount to federal SSI payments. This service allows SSI recipients to receive one check that includes the federal payment and state supplement. The cost increase for this service was passed in federal legislation. The cost is based on an average monthly caseload of 925 at a monthly cost of \$8.50 for each eligible person.

DP 11 - Aging Benefits Base Adjustment - The legislature reduced general fund in the aging services program by a net \$199,052. Aging services general fund was transferred to the Medicaid Community Based Services Waiver to fund expanded Medicaid services as approved by the 1997 legislature. An increase of \$81,417 for the fiscal 1999 provider rate increase offsets a portion of the general fund transfer.

DP 12 - Lien/Estate Base Adjustment - This present law adjustment removes \$264,960 state special revenue of expenditures funded by a one time only appropriation of lien and estate collections. The adjustment reflects only the state special revenue reduction because the federal Medicaid matching funds were not included in the base budget. Total annual costs supported by lien and estate recoveries were \$450,000. The legislature continued language in HB 2 to allow up to \$1 million of lien and estate collections to be used to match federal Medicaid funds for one-time expenditures. The language directs that lien and estate funds expended for nursing home services must be directed toward one-time costs such as staff training or staff bonuses.

DP 13 - MVH Indirect Op Expense Adjustment - The legislature approved the executive request to reduce \$12,000 cigarette tax funds to account for adjustments to the indirect operational expenditures at the Montana Veterans' Home.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds	
1 Increase Medicaid Waiver Services	.75	293,905	1,029,060	.75	600,568	2,179,809	
2 Nursing Home Rate Increase	.00	265,226	952,677	.00	523,848	1,924,495	
3 Home & Community Provider Rate Incr	.00	56,542	203,097	.00	120,819	443,862	
4 Area Agency on Aging Funds for Medi	.00	0	750,000	.00	0	750,000	
5 Adult Protective Services Staff	3.00	232,083	287,715	3.00	285,818	391,565	
6 MVH Domiciliary Direct Care Staff	1.60	0	36,781	1.60	0	36,550	
7 MVH Equipment	.00	0	(25,727)	.00	0	(30,349)	
8 EMVH Maintenance Fund	.00	0	24,000	.00	0	24,000	
9 EMVH Equipment	.00	0	31,450	.00	0	11,450	
12 Waiver Provider Rate Increase	.00	40,528	145,576	.00	79,648	292,609	
13 Aging Provider Rate Increase	.00	54,178	54,178	.00	108,897	108,897	
14 EMVH VA Funding	.00	0	1,045,095	.00	0	1,064,066	
15 Direct Care Worker Wage Incr.	.00	1,249,421	4,066,584	.00	2,536,944	8,433,612	
16 Offset Vacancy Savings Direct Care	.00	0	49,088	.00	0	48,738	
Total New Proposals	5.35	\$2,191,883	\$8,649,574	5.35	\$4,256,542	\$15,679,304	

New Proposals

DP 1 - Increase Medicaid Waiver Services - The legislature added \$3.2 million total funds (\$894,500 general fund) and 0.75 FTE for additional home and community based Medicaid services to 66 persons in fiscal 2000 and 130 persons in fiscal 2001. Legislative action was \$159,000 general fund less over the biennium than the executive request. Funds will provide additional assisted living for the elderly, supported living services, and basic services for individuals with traumatic brain injuries, and other severe physical disabilities. Additional slots will allow DPHHS to provide these services under three different scenarios: a group living situation for people who are ventilator dependent; a group living situation for individuals with a traumatic brain injury; and independent or shared apartment living for individuals with severe disabilities. The department estimated that annualized cost of the increase for the 2003 biennium will be about \$2.5 million - \$1.5 million greater than the amount appropriated for the fiscal 2000 base budget year.

DP 2 - Nursing Home Rate Increase - The legislature approved a 1 percent provider rate increase that adds \$2.9 million total funds (\$0.8 million general fund) over the biennium for a 1 percent increase each year to private providers of Medicaid nursing homes services.

DP 3 - Home and Community Provider Rate Increase - The legislature added \$647,000 total funds (\$177,000 general fund) for a 1 percent increase each year to the private providers of community-based Medicaid services for the aging.

DP 4 - Area Agency on Aging Funds for Medicaid - The legislature approved the executive request for \$1.5 million federal authority over the biennium to expand Medicaid services for senior citizens. The 1997 legislature gave DPHHS the approval to use some of the general fund appropriated for contracts with the Area Agencies on Aging as state matching funds to increase services under the Medicaid Community Services Waiver, continuing a policy implemented during the 1999 biennium. About \$99,000 in general fund was reallocated in fiscal 1998, which generated almost \$249,000 in additional federal Medicaid funding for community based services to an estimated 82 senior citizens at risk of placement in a nursing home. The average cost per recipient was \$4,244.

DP 5 - Adult Protective Services Staff - The legislature funded 3.0 FTE and approved \$679,000 over the biennium, including \$518,000 general fund, for additional Adult Protective Services staff and for services for adults at risk of abuse and neglect. Legislative action reduced the executive request by 3.0 FTE and \$123,000 general fund over the biennium. The Adult Protective Service program is administered by the Child and Family Services Division, but will be transferred to the Senior and Long-Term Care Division.

DP 6 - MVH Domiciliary Direct Care Staff - The legislature approved the executive request to add 1.6 FTE and \$73,000 cigarette tax funds for a direct care staff person to assist and supervise veterans living in the domiciliary unit at the Montana Veterans' Home. Over the past several years the characteristics of the residents of the domiciliary unit have

changed. Domiciliary residents today have a greater need for mental health or substance abuse services and/or need more assistance with activities such as dressing, bathing, and other self-care behaviors. There are currently no direct care staff assigned to work in the domiciliary on a full-time basis. When a resident requires routine assistance with self-care, he/she must move to the nursing care unit in the Montana Veteran's Home, at a significantly higher cost. The new FTE will assist residents to complete basic activities of daily living such as bathing, dressing, grooming, hygiene, and in addition, make more opportunities for structured activities available to residents of the domiciliary

DP 7 - MVH Equipment - The legislature accepted the executive proposal to reduce \$56,000 cigarette tax funds for the Montana Veterans' Home, leaving an equipment budget of about \$65,000 over the biennium. Planned equipment purchases are less than base expenditures for equipment. Planned purchases include: a sara-lift; a station wagon; a commercial dryer; a commercial washer; 2 full electric beds; and some kitchen equipment and window blinds.

DP 8 - EMVH Maintenance Fund - The legislature approved the executive request for \$48,000 from rent reimbursement for repair and maintenance costs at the Eastern Montana Veterans' Home. The amount collected for rent will be segregated into its own state special revenue account for repair of the home. Because the nature and cost of repairs of the facility are unknown and vary from year to year, it is requested that language be added to HB 2 that allows the expenditure rent funds for repairs at the home. The contractor was not charged any rent because of the low facility occupancy during the initial start-up phase. As occupancy has risen and the need for ongoing repair and maintenance has increased, the Executive Budget proposed charging rent and using it to fund facility repairs, and the legislature concurred.

DP 9 - EMVH Equipment - The legislature accepted the executive proposal for \$43,000 cigarette tax funds for equipment at the Eastern Montana Veterans' Home. Planned equipment purchases include three geri-chairs, a sara-lift, a maxi-lift, and an accessible van.

DP 12 - Waiver Provider Rate Increase - The legislature added \$438,000 over the biennium (\$120,000 general fund) for a 1 percent increase each year to the private providers of Medicaid Home and Community Based waiver services.

DP 13 - Aging Provider Rate Increase - The legislature approved \$163,000 general fund for a 1 percent increase each year to the private providers of aging services.

DP 14 - EMVH Veterans' Administration Funding - The legislature adopted the executive request to add \$2.1 million of federal Veterans' Administration reimbursements for the Eastern Montana Veteran's Home to comply with a legislative auditor recommendation that these pass-through federal funds be budgeted expenditures. The reimbursement must be paid to the State of Montana in compliance with Veterans' Administration regulations. Funds are passed through to the contractor that operates the facility for the state. DPHHS received a budget amendment in fiscal 1998 to comply with the legislative audit recommendation.

DP 15 - Direct Care Worker Wage Increase - The legislature approved \$12.5 million total funds including \$3.8 million general fund over the biennium for wage increases for direct care workers in nursing homes, community and home based services, and aging community services. The budgeted amounts are based on estimates of providing each direct care worker a 25 cents per hour increase in fiscal 2000 and another 25 cents per hour increase in fiscal 2001 (a total of 50 cents per hour in fiscal 2001). The appropriation also includes funds to pay benefits estimated to be 28 percent of wages. The legislature added language to HB 2 directing the department to provide reasonable assurance that the funds are used solely for direct care wage and benefit increases. The language also specifies that not all providers must receive the same rate of increase each year of the biennium.

DP 16 - Offset Vacancy Savings Direct Care - The legislature added about \$98,000 of state special revenue from the cigarette tax to offset vacancy savings costs for direct care staff at the Columbia Falls veterans' homes. Since the department cannot leave the positions vacant, the legislature restored funds removed for vacancy savings.

Language

"Up to \$1 million of the general fund share from lien and estate recoveries pursuant to Title 53, chapter 6, part 1, in excess of the first \$600,000, and up to \$2 million in federal funds, is appropriated over the biennium on a one-time basis in the amount of 50% to the Medicaid home and community waiver program and 50% to the Medicaid nursing home program. Lien and estate funds allocated to the Medicaid nursing home program must be used for staff training, bonuses for direct care staff, or other one-time benefits for staff."

"The department may supplement funds appropriated for nursing home rate increases with funds appropriated for increased nursing home bed days in order to address the increased staffing needs associated with caring for a more difficult nursing home patient population and to avoid inappropriate decreases in the department's current nursing home reimbursement formula, as long as total program expenditures do not exceed the appropriation for nursing homes."

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	647.42	(100.00)	4.00	551.42	(100.00)	4.00	551.42	551.42
Personal Services	21,255,588	(1,714,785)	124,578	19,665,381	(1,845,087)	123,727	19,534,228	39,199,609
Operating Expenses	6,789,403	(595,036)	2,785,023	8,979,390	(595,199)	2,791,700	8,985,904	17,965,294
Equipment	308,910	(158,260)	0	150,650	(158,260)	0	150,650	301,300
Local Assistance	3	0	0	3	0	0	3	6
Grants	3,752,236	2,159,463	151,610	6,063,309	2,159,934	153,236	6,065,406	12,128,715
Benefits & Claims	73,335,695	1,410,334	251,264	74,997,293	3,782,838	504,101	77,622,634	152,619,927
Transfers	0	0	0	0	0	0	0	0
Debt Service	109,771	0	0	109,771	0	0	109,771	219,542
Total Costs	\$105,551,606	\$1,101,716	\$3,312,475	\$109,965,797	\$3,344,226	\$3,572,764	\$112,468,596	\$222,434,393
General Fund	44,888,301	280,303	190,074	45,358,678	888,159	447,837	46,224,297	91,582,975
State/Other Special	21,487,273	(3,045,559)	1,342	18,443,056	(3,493,959)	1,376	17,994,690	36,437,746
Federal Special	39,176,032	3,866,972	3,121,059	46,164,063	5,950,026	3,123,551	48,249,609	94,413,672
Total Funds	\$105,551,606	\$1,101,716	\$3,312,475	\$109,965,797	\$3,344,226	\$3,572,764	\$112,468,596	\$222,434,393

Program Description

The Addictive and Mental Disorders Division (AMDD) is responsible for providing alcohol and drug prevention, treatment and aftercare services, and mental health treatment services. Alcohol and drug services are provided through inpatient and outpatient settings. Direct inpatient services are provided at the 76 bed Montana Chemical Dependency Center (MCDC) in Butte. Other inpatient, outpatient, and prevention services are provided through contracts with community-based programs around the state.

Mental health services are provided through Medicaid, state general fund, and two state institutions. Montana State Hospital (MSH) at Warm Springs (135 beds) and the Montana Mental Health Nursing Care Center (MMHNCC) at Lewistown (165 beds) contract with the managed care organization to provide services to individuals needing these more intensive levels of care. Both facilities continue to serve individuals who are not the responsibility of the managed care program.

The mental health system is authorized in Title 53, Chapter 21, Parts 1 through 5 and Part 64, MCA and Public Law 102-321, CFR. The chemical dependency program is authorized in Title 53, Chapters 1, 24 and 26, MCA and Part C, Title XIX of the Social Security Act.

Program Narrative

The division budget increases \$11.3 million total funds over the biennium compared to the fiscal 1998 base budget. Present law adjustments account for \$4.4 million of the increase and new proposals account for \$6.9 million. General fund rises by a net \$1.8 million over the biennium. Federal funds rise by \$16 million and state special revenue declines by \$6.5 million.

The decline in state special revenue is due to lower anticipated reimbursements from the mental health managed care company for state institution services. The Executive Budget anticipated continuation of the mental health managed care contract and budgeted for a reduction of the number of managed care clients receiving state institution services. The legislature declined to continue funding for the contract and the department terminated the managed care contract effective fiscal 2000. However, the legislature did not remove the state special revenue appropriation for managed care reimbursements. If the department re-contracts for mental health care management during the 2001 biennium, the appropriation authority remains in the division budget to accommodate such payments.

The total division appropriation increase is offset by a net decrease of 96 FTE and operating cost reductions of \$7.5 million due to downsizing the state hospital. The most significant biennial increases are:

- increases in two federal chemical dependency grants for prevention and treatment - \$10.4 million and 4 new FTE;
- mental health services increases - \$5.2 million;
- overtime, differential, and holiday pay at state facilities - \$1.4 million;
- provider rate increases - \$.7 million; and
- federal Medicaid matching funds for pilot outpatient community chemical dependency programs - \$.3 million.

General fund increases by a net of \$1.8 million over the biennium compared to the fiscal 1998 base budget. Eliminating one-time costs for the purchase of computer software, removing costs for the maintenance and insurance of the Galen campus, and other small changes offset total general fund increases by \$1.3 million over the biennium. An additional offset of \$2.6 million general fund is due to an increase the federal matching rate for the Medicaid funded portion of mental health services. Major components of the general fund increase are:

- annualization of the fiscal 1999 provider rate increase for general fund supported mental health services for low-income Montanans - \$1 million;
- an increase in funding for Medicaid mental health services - \$.9 million;
- a 1 percent provider rate increase - \$.7 million; and
- population and overtime, shift differential, and holiday pay adjustments for the general fund supported services at the state mental health facilities - \$0.5 million.

Staffing decreases by a net 96 FTE and personal services costs decrease by about \$1.7 million each year of the 2001 biennium compared to the fiscal 1998 budget. Downsizing the state hospital reduces FTE by 100 and the legislature approved funding for 4 new FTE from federal chemical dependency grants. The 4 FTE are funded as a one-time-only expenditure.

The total FTE reduction due to downsizing the state hospital was 120.5 FTE. However, in fiscal 1998, 20.5 FTE were transferred from MSH to other programs within DPHHS. Legislative action funded the transfer for a net reduction of 100 FTE.

Table 22 shows the division 2001 biennium appropriation by major function, compared to fiscal 1998 base expenditures. Total funds increase about 2 percent annually from fiscal 1998 through fiscal 2001, while general fund increases 1 percent annually. General fund declines from 43 percent of the total budget in fiscal 1998 to 41 percent in fiscal 2001 because of the increase in the federal Medicaid matching rate and because of significant increases in federal chemical dependency grants.

Function	Fiscal 1998 Base				Fiscal 2000				Fiscal 2001				Percent of Total
	General Fund	SSR	Federal	Total Funds	General Fund	SSR	Federal	Total Funds	General Fund	SSR	Federal	Total Funds	
Division Administration	\$607,743	\$46	\$323,885	\$931,674	\$500,316	\$0	\$309,948	\$810,264	\$498,036	\$0	\$309,006	\$807,042	0.72%
Mental Health	44,069,462	19,091,864	35,440,203	98,601,529	44,644,469	15,845,005	37,124,639	97,614,113	45,511,154	15,384,459	39,212,124	100,107,737	89.01%
Chemical Dependency	211,096	2,395,363	3,411,944	6,018,403	213,893	2,598,051	8,729,476	11,541,420	215,107	2,610,231	8,728,479	11,553,817	10.27%
Total	\$44,888,301	\$21,487,273	\$39,176,032	\$105,551,606	\$45,358,678	\$18,443,056	\$46,164,063	\$109,965,797	\$46,224,297	\$17,994,690	\$48,249,609	\$112,468,596	100.00%
Percent of Total	42.53%	20.36%	37.12%	100.00%	41.25%	16.77%	41.98%	100.00%	41.10%	16.00%	42.90%	100.00%	
Compounded Annual Rate of Change from 1998					0.52%	-7.35%	8.55%	2.07%	0.98%	-5.74%	7.19%	2.14%	

The mental health function is the largest component of the budget, accounting for 89 percent of the fiscal 2001 appropriation. The fiscal 2001 appropriation for the chemical dependency function increases almost 200 percent from the fiscal 1998 base budget. The growth is due to increases in two federal grants for prevention and treatment activities.

Federal funds increase about 7 percent annually from the base through fiscal 2001.

Table 23 shows the division 2001 biennium appropriation compared to base budget expenditures for each category of administration, and benefits and grants.

Function	Fiscal 1998 Base				Fiscal 2000				Fiscal 2001				Percent of Total
	General Fund	SSR	Federal	Total Funds	General Fund	SSR	Federal	Total Funds	General Fund	SSR	Federal	Total Funds	
Administration													
Division Administration	\$586,443	\$46	\$319,165	\$905,654	\$500,316	\$0	\$305,228	\$805,544	\$498,036	\$0	\$304,286	\$802,322	0.71%
Mental Health	5,402,156	19,091,864	376,809	24,870,829	5,949,327	15,845,005	432,308	22,226,640	6,222,840	15,384,459	487,857	22,095,156	19.65%
Chemical Dependency	50,096	2,395,363	271,095	2,716,554	49,941	2,598,051	3,225,019	5,873,011	49,495	2,610,231	3,223,352	5,883,078	5.23%
Total Administration	\$6,038,695	\$21,487,273	\$967,069	\$28,493,037	\$6,499,584	\$18,443,056	\$3,962,555	\$28,905,195	\$6,770,371	\$17,994,690	\$4,015,495	\$28,780,556	25.59%
Percent of Total	13.45%	100.00%	2.47%	26.99%	14.33%	100.00%	8.58%	26.29%	14.65%	100.00%	8.32%	25.59%	
Grants													
Chemical Dependency													
SAPT Block Grant	\$0	\$0	\$3,138,989	\$3,138,989	\$0	\$0	\$5,349,117	\$5,349,117	\$0	\$0	\$5,349,588	\$5,349,588	4.76%
Low-Income Children	161,000	0	0	161,000	162,610	0	0	162,610	164,236	0	0	164,236	0.15%
Services													
Pilot Programs - CD	0	0	0	0	0	0	150,000	150,000	0	0	150,000	150,000	0.13%
Other Services	21,300	0	6,580	27,880	0	0	6,580	6,580	0	0	6,580	6,580	0.01%
Mental Health - PATH	98,751	0	296,252	395,002	98,751	0	296,252	395,002	98,751	0	296,252	395,002	0.35%
Total Grants	\$281,051	\$0	\$3,441,821	\$3,722,871	\$261,361	\$0	\$5,801,949	\$6,063,309	\$262,987	\$0	\$5,802,420	\$6,065,406	5.39%
Percent of Total	0.63%	0.00%	8.79%	3.53%	0.58%	0.00%	12.57%	5.51%	0.57%	0.00%	12.03%	5.39%	
Benefits													
Mental Health Services													
Medicaid	\$14,409,376	\$0	\$33,895,606	\$48,304,982	\$13,707,042	\$0	\$35,528,023	\$49,235,065	\$14,047,644	\$0	\$37,560,158	\$51,607,802	45.89%
Low-Income Services	24,159,179	0	871,537	25,030,716	24,890,691	0	871,537	25,762,228	25,143,295	0	871,537	26,014,832	23.13%
Total Benefits	\$38,568,555	\$0	\$34,767,143	\$73,335,698	\$38,597,733	\$0	\$36,399,560	\$74,997,293	\$39,190,939	\$0	\$38,431,695	\$77,622,634	69.02%
Percent of Total	85.92%	0.00%	88.75%	69.48%	85.09%	0.00%	78.85%	68.20%	84.78%	0.00%	79.65%	69.02%	
Total Division	\$44,888,301	\$21,487,273	\$39,176,032	\$105,551,606	\$45,358,678	\$18,443,056	\$46,164,063	\$109,965,797	\$46,224,297	\$17,994,690	\$48,249,609	\$112,468,596	100.00%

Administrative functions account for 26 percent of the total fiscal 2001 appropriation. The total general fund supporting administrative costs rises from 13 percent of the base budget to 15 percent in fiscal 2001 due to increases in the mental health function. Federal funds supporting administrative functions rise from 2.5 percent of the total base budget to 8 percent of the fiscal 2001 appropriation.

Grants account for about 5 percent of the fiscal 2001 appropriation while benefits comprise the largest share of the fiscal 2001 appropriation, accounting for 69.0 percent. Medicaid mental health services are the single largest component of the division appropriation at 46 percent of the total. Mental health services account for 85 percent of the total general fund appropriation for the division in fiscal 2001.

Administration

Division administration represents the resources allocated to management of all division programs. Total division administration is less than 1 percent of the fiscal 2001 appropriation. General fund declines due to the sale of the Galen facility for a total reduction in operating costs of about \$103,000 each year. Other increases for annualization of the fiscal 1999 pay plan, rent, and statewide cost adjustments offset the reduction.

Mental health administration includes operating costs for MSH and MMHNCC, as well as administration for community

mental health and Medicaid services. Total appropriations decline by \$5.4 million from the 1998 base, while the general fund cost rises about \$1.4 million. General fund increases for mental health administration include: overtime, shift differential, and holiday pay at MSH and MMHNCC, and statewide adjustments including annualization of the fiscal 1999 pay plan.

The reduction in total mental health administration appropriation authority is due to reductions in state special revenue authority. State special revenue funds represented payments from the mental health managed care contractor to the department for state institution services during the 1999 biennium. The department canceled the managed care contract effective fiscal 2000, but the legislature left the state special revenue appropriation intact in the event the department contracts for care management during the 2001 biennium.

Chemical dependency administration includes MCDC operating costs and division administrative staff and resources to administer contracts for chemical dependency community services. Chemical dependency functions are funded primarily from federal grants and state liquor license and excise taxes. The significant increase in federal funds is due to large increases in two federal grants and the increase in state special revenue is due to operating cost increases at MCDC.

Grants

Substance Abuse Prevention and Treatment (SAPT) Block Grant – The department receives a federal block grant to fund chemical dependency treatment. The amount Montana receives increased \$2.2 million annually. The department contracts with approved chemical dependency programs to provide prevention and treatment services. Community programs charge fees based on a sliding fee scale and supplement costs with block grant funds. The state must use 35 percent of the block grant for drug related programs and 65 percent for alcohol related programs. Within that distribution, 20 percent must be used for prevention and 10 percent must be used for programs targeted to pregnant women.

The department funds chemical dependency treatment for low-income children with \$161,000 general fund each year. The increase in the 2001 biennium, from the base, is for a 1 percent provider rate increase.

The legislature appropriated \$300,000 federal Medicaid matching funds over the biennium for pilot chemical dependency outpatient programs managed by community providers. Currently the state limits Medicaid reimbursement for outpatient programs to those administered by hospitals. Local funds will provide the required matching funds (about \$129,000 over the biennium). The legislature required the department to provide an evaluation and outcome measures for the pilot programs.

Other chemical dependency grants include contracts for computer data entry and system support for collection of chemical dependency data and for maintenance of the Galen campus. As noted previously, the appropriation to continue funding for maintenance of Galen was discontinued, resulting in the general fund reduction.

PATH/Homeless Grant – The department receives a federal grant to fund outreach and identification of homeless mentally ill adults and to help locate housing for those individuals. Some temporary, short-term housing may also be provided, subject to funding availability. The grant, which totals \$395,002, is funded 25 percent general fund and 75 percent federal funds.

Benefits

Mental health services are the single largest component of the division budget. Medicaid services include appropriations for mental health services for Medicaid eligible individuals. The general fund and a small federal grant fund services for Montanans with incomes below 150 percent of the federal poverty level (\$25,050 for a family of four in 1999) and who are seriously mentally ill (adults) or seriously emotionally disturbed (children). The state uses the federal Mental Health Block Grant to fund some of the services provided to low-income Montanans. During the 1999 biennium, some of the funds supporting low-income services were used to pay MSH and MMHNCC costs for persons eligible for low-income services and some of the funds listed in Medicaid benefits were used to pay MMHNCC costs. Such payments were

recorded as state special revenue for the state institutions.

Increases in the Medicaid funded portion of mental health services include adjustments for increases in the number of persons expected to be eligible for the program and in the average cost for each of those persons. The increases in the low-income services benefits include annualization of the fiscal 1999 provider rate increase and a 1 percent provider rate increase authorized for the 2001 biennium.

Mental Health Services Budget

The legislature appropriated \$197.8 million over the biennium for mental health services. Table 24 shows the allocation of the appropriation among mental health services components.

Item	1998 Base Budget				Fiscal 2000 Appropriation				Fiscal 2001 Appropriation				Percent of Total
	General Fund	SSR	Federal Funds	Total	General Fund	SSR	Federal Funds	Total	General Fund	SSR	Federal Funds	Total	
Administration	\$81,103	\$36,549	\$376,809	\$494,461	\$362,566	\$1,280	\$432,308	\$796,154	\$419,381	\$1,280	\$487,857	\$908,518	0.91%
Montana State Hospital	5,069,091	13,347,137	0	18,416,228	5,339,239	9,848,626	0	15,187,865	5,556,269	9,407,435	0	14,963,704	14.95%
Nursing Care Center	251,962	5,708,178	0	5,960,140	247,522	5,995,099	0	6,242,621	247,190	5,975,744	0	6,222,934	6.22%
Medicaid	14,409,376	0	33,895,606	48,304,982	13,705,700	0	35,524,543	49,230,243	14,046,268	0	37,556,479	51,602,747	51.55%
State Services	24,159,179	0	871,537	25,030,716	24,890,691	0	871,537	25,762,228	25,143,295	0	871,537	26,014,832	25.99%
PATH (Homeless)	98,751	0	296,252	395,002	98,751	0	296,252	395,002	98,751	0	296,252	395,002	0.39%
Grant													
Total	\$44,069,462	\$19,091,864	\$35,440,203	\$98,601,529	\$44,644,469	\$15,845,005	\$37,124,639	\$97,614,113	\$45,511,154	\$15,384,459	\$39,212,124	\$100,107,737	100.00%
Annual Compounded Rate of Change from Fiscal 1998					0.65%	-8.90%	2.35%	-0.50%	1.08%	-6.94%	3.43%	0.51%	

Over half of the mental health appropriation is for Medicaid funded services, while about one quarter of the appropriation supports services for low-income Montanans with incomes below 150 percent of the federal poverty level. Together appropriations for the state institutions for mental diseases makes up about one-fifth of the appropriation.

The legislature accepted the executive budget request for mental health, which was based on continuation of the managed care contract, with one exception. The department requested \$770,000 general fund in fiscal 2000 to fund increased costs for the MSH due to delays in construction of the new state hospital. Instead, the legislature directed the department and the Department of Administration to pursue allowable penalties in the construction contract and appropriated up to \$700,000 in state special revenue to cover the cost of construction delays. The legislature passed HB 470, which appropriated up to \$1 million in general fund from fiscal 1999 reversions from the department to fund additional MSH costs.

The Executive Budget included \$31.2 million in state special revenue over the biennium for anticipated payments from the managed care company for state institution services. Since the managed care contract was terminated, state institutions will be funded directly from general fund and Medicaid funds instead of the state special revenue, unless (and until) the department negotiates a new managed care contract and continues a funding mechanism similar to that for the 1999 biennium. Therefore, Table 24 does not accurately portray how the department will fund MSH and MMHNCC costs. Table 24 shows that most of the services will be funded from state special revenue funds.

MSH services will be funded predominantly from general fund, since Medicaid will not reimburse services provided in a state institution for mental disease to persons ages 21 through 65. More of the MMHNCC services will likely be funded through Medicaid, since most patients are over the age of 65.

General fund to cover MSH and MMHNCC costs will be shifted from the state services benefit item shown in Table 24. Preliminary estimates are that state funding for low-income services to the 150 percent of poverty population will be reduced at least \$11.9 million in fiscal 2000 and \$10.5 million in fiscal 2001 from the amounts shown in Table 24 to cover state institution costs. As noted previously, during the base year some low-income services funding paid for state institutions services provided for eligible persons and some Medicaid benefits funds reimbursed services provided by MMHNCC.

If the department is unable to lower the MSH population to the levels projected for the 2001 biennium, the shift of general fund from low-income services will be even greater than the preliminary estimates. Table 25 shows the anticipated average daily population at both institutions for the 2001 biennium. The population at MSH on May 25, 1999, was 169, which is 34 greater than the population projected beginning July 1.

Institution	Fiscal 1998 Base			Estimated Fiscal 2000			Estimated Fiscal 2001		
	Forensic	Other	Total	Forensic	Other	Total	Forensic	Other	Total
MSH	58	126	184	79	56	135	76	59	135
Percent of Total	31.52%	68.48%	100.00%	58.52%	41.48%	100.00%	56.30%	43.70%	100.00%
MMHNCC		138	138		165	165		165	165
Percent of Total	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%	100.00%	100.00%

Legislative appropriation committees discussed the projected MSH population. Legislators were concerned that the department would not be able to lower the MSH population to estimated levels. The additional appropriation in HB 470 (\$1 million from general fund reversions in fiscal 1999) was made to alleviate potentially higher than estimated population costs at MSH and to cover the anticipated cost increases due to construction delays at the new state hospital.

Funding

The division is funded from general fund, state special revenue, federal block grants, and federal Medicaid funds. Alcohol and drug services are funded with general fund, earmarked alcohol tax, and federal block grant funds. The mental health system is funded with state general fund, state special revenue, federal Medicaid funds, and federal block grant funds.

The two state operated facilities that provide mental health services (MSH and MMHNCC) are funded with state general fund. As discussed previously, state special revenue represents payments for services purchased by contractors that operate the mental health managed care program. Since the managed care contract was terminated, the department will not receive any reimbursements for this state special revenue source unless it issues new contracts. The department will fund state institution costs from general fund and may use federal Medicaid funds if services and clients served are Medicaid eligible. Medicaid funding will be a much more significant source of funds for MMHNCC than MSH because Medicaid will not reimburse state institutions mental health services for persons between the ages of 21 and 65.

Table 26 shows the funding for the 2001 biennium appropriation compared to fiscal 1998 expenditures. General fund supports 41 percent of the fiscal 2001 budget. About \$28.8 million of the total general fund is used to match Medicaid benefits and administrative costs over the biennium.

Table 26
Addictive and Mental Disorders Division Funding Summary

Fund Source	Fiscal 1998	Appropriation		Percent of Total
	Actual	2000	2001	
General Fund	\$44,888,301	\$45,358,678	\$46,224,297	41.10%
Percent of Total	42.53%	41.25%	41.10%	
State Special Revenue				
Managed Care Rev. - MSH	\$13,955,322	\$9,720,241	\$9,279,048	8.25%
Managed Care Rev. - MMHNCC	5,001,521	5,989,943	5,970,590	5.31%
Earmarked Alcohol Funds	2,395,363	2,598,051	2,610,231	2.32%
MSH Canteen	125,939	125,939	125,939	0.11%
MMHNCC Donations	5,156	5,156	5,156	0.00%
MSH Donations	2,646	2,446	2,446	0.00%
Conference Donations	1,280	1,280	1,280	0.00%
Cost Allocation Funds	46	0	0	0.00%
Subtotal State Special Revenue	\$21,487,273	\$18,443,056	\$17,994,690	16.00%
Percent of Total	20.36%	16.77%	16.00%	
Federal Funds				
Medicaid Benefits	\$33,895,606	\$35,678,617	\$37,711,352	33.53%
Substance Abuse Block Grant	3,411,944	5,579,548	5,578,326	4.96%
Youth CD Prevention - CSAP	0	2,996,448	2,996,474	2.66%
Mental Health - Homeless	296,251	296,251	296,251	0.26%
Mental Health Block Grant	871,537	871,537	871,537	0.77%
Medicaid Administration	376,809	431,714	486,663	0.43%
SAMSA Data Contract	4,757	4,757	4,757	0.00%
Misc. Mental Health Funds	51,840	0	0	0.00%
Cost Allocation Funds	267,288	305,191	304,249	0.27%
Subtotal Federal Funds	\$39,176,032	\$46,164,063	\$48,249,609	42.90%
Percent of Total	37.12%	41.98%	42.90%	
Total Funds	\$105,551,606	\$109,965,797	\$112,468,596	100.00%
Annual Rate of Change from 1998		2.07%	2.14%	

Federal funds support about 43 percent of the total budget, with Medicaid benefit funding being the single largest source. Two federal Block Grants for prevention of youth chemical dependency and chemical dependency (Substance Abuse Prevention and Treatment) block grant are the other large federal funding sources, together accounting for 8 percent of the fiscal 2001 appropriation.

State special revenue is 16 percent of the fiscal 2001 budget. Payments from mental health managed care contractors for state hospital and nursing center charges are the largest portion of state special revenue, nearly 14 percent of total funding. State special revenue declines about \$3 million annually in the 2001 biennium compared to the fiscal 1998 base budget.

The largest reduction is due to the downsizing of the state hospital and the anticipated declines in the MSH population that would have been eligible for managed care services if the contract continued.

Alcohol funds appropriated to DPHHS provide the state funding for the Montana Chemical Dependency Center and other miscellaneous activities. The legislature makes appropriations from the DPHHS alcohol tax allocation while the balance of the earmarked account is statutorily appropriated for distribution to counties. The distribution to counties is estimated to be slightly more than \$1 million annually during the 2001 biennium (see Table 27). The \$1.9 million distribution in fiscal 1998 was made to comply with a legislative audit finding. DPHHS had not distributed the full remaining balance in the earmarked account in previous years, creating a fund balance of about \$800,000 more than the historical distribution to counties.

Table 27 Earmarked Alcohol Tax Fund Revenue and Expenditures Fiscal Year 1998 Base Compared to 2001 Biennium				
	Fiscal 1998	Fiscal 1999*	Fiscal 2000**	Fiscal 2001**
Beginning Balance	\$755,472	\$784	(\$0)	\$0
Revenues				
1. Beer Tax	\$773,160	\$777,000	\$784,000	\$791,000
2. Wine Tax	497,128	518,000	543,000	569,000
3. Cost Recovery for MCDC***	66,335	67,000	67,000	67,000
4. Liquor License	2,665,862	2,775,000	2,804,219	2,845,975
Total Revenue	\$4,002,485	\$4,137,000	\$4,198,219	\$4,272,975
Annual Percent Change		3.36%	1.48%	1.78%
Total Funds Available	\$4,757,957	\$4,137,784	\$4,198,219	\$4,272,975
Disbursements				
1. CD Operations	\$13,184	\$47,627	\$54,991	\$54,601
2. Cost Allocated Administration***	75,850	77,746	80,079	82,481
3. MCDC	2,382,179	2,419,393	2,543,060	2,477,886
4. Distribution to Counties****	1,949,999	1,201,277	1,107,895	1,248,470
4. State Prison/Swan River/WCC	0	0	0	0
5. Pine Hills	25,523	25,614	25,523	25,523
6. Justice-Breathalyzer Test/Purchase	256,122	256,122	303,205	300,912
7. Quality Assurance - Licensure	59,099	58,131	65,343	65,014
8. Dept of Commerce-CD Board	57,983	51,874	18,123	18,088
Total Disbursements	\$4,819,939	\$4,137,784	\$4,198,219	\$4,272,975
Adjustments	\$62,766	\$0	\$0	\$0
Ending Balance	\$784	(\$0)	\$0	\$0
*Fiscal 1999 appropriated or estimated **Fiscal 2000 and 2001 show legislative appropriations and revenue estimates. ***Fiscal 1999, 2000, and 2001 estimated at base expenditure amount plus inflation increase. ****Distribution to counties is estimated to be total funds available after all other costs are paid in each fiscal year.				

Mental Health Managed Care

Late in the 1997 biennium, the department initiated a contract for management of mental health services with a single company. The department initially contracted with CMG Health, which was subsequently sold to Merit Behavioral Health and then again to Magellan Behavioral Health Services (Magellan). The contract was continued throughout the 1999 biennium.

The contract had undergone a number of difficulties, including a notice to terminate by Magellan that was later withdrawn. Magellan reported a loss of \$15 million in the first year of operation and was incurring an estimated \$10 to \$12 million annual loss when the legislature convened. The department made several changes to the contract, including lowering income eligibility standards for services. Initially, mentally ill adults and seriously emotionally disturbed children with family incomes up to 200 percent of the poverty level (\$33,400 annually for a family of four in 1999) could receive services. Eligibility was lowered to 150 percent of the federal poverty level (\$25,050 for a family of four). The company also made changes in service levels in order to curtail financial losses.

The legislature did not appropriate funds to continue the contract and made funding for mental health services during the 2001 biennium contingent on the cancellation of the contract. The department cancelled the contract with Magellan effective June 30, 1999. The federal Health Care Financing Administration also rescinded the waiver that allowed the department to limit freedom of choice for Medicaid recipients and direct them to receive mental health services through a managed care contractor. Therefore, the department could not continue the managed care program that had been in place. Even if the waiver were continued, it would have been very difficult for the department to find another contractor to begin administration of the program in the short time from notification of contract cancellation and June 30.

The department will re-institute a fee-for-service reimbursement program for all mental health services. The department estimated that the cost to revert to a fee-for-service program would result in a shortfall of about \$2.9 million general fund each year of the biennium. The shortfall is a result of several factors including: 1) loss of flexibility to use Medicaid funding to support a variety of community services under managed care that will not be Medicaid reimbursable under fee-for-service; 2) cost over-runs in the managed care program that the contractor had been absorbing; and 3) increased administrative costs for utilization review contracts and data processing. So, the department made several changes in services and reimbursements to contain costs with the most significant being elimination of payment for 24-hour acute care hospitalization for the low-income services (150 percent of poverty) population.

The legislature took several actions that impact future mental health managed care programs. It passed SB 534 and HJR 35 and added language to HB 2.

SB 534

Development of Delivery System - SB 534 generally revises laws regarding public mental health service delivery. The bill implements several requirements if the department contracts for management of mental health services. Some of the requirements were imposed to help prevent problems encountered in the mental health managed care contract let during the 1999 biennium. The bill requires the department to incrementally implement a managed care system.

The department is directed to develop a delivery system of mental health managed care that includes the following elements: 1) a fixed monetary or capitated payment system; 2) local advisory councils that report to and meet on a regular basis with the statewide advisory council; 3) a grievance procedure that provides for consumer appeals at the local level; and 4) documentation that evidences a contractor's ability to provide services through an adequate provider network. SB 534 also requires that a successful bidder for mental health managed care shall, prior to final award of the contract, enter into a contract with MSH and MMHNCC that includes financial incentives for development and use of community based services. The department shall implement, for services for children who need mental health services, substantive interagency agreements between state agencies responsible for addictive and mental disorders, foster care, children with developmental disabilities, special education, and juvenile corrections. SB 534 limits the term of a mental health managed care contract to not more than 5 years.

Evaluation - SB 534 requires that the department formally evaluate mental health managed care contract performance with regard to specific outcome measures. The department must explicitly identify performance and outcome measures that contractors are required to achieve in order to comply with contract requirements and to continue the contract. The contract must provide for progressive intermediate sanctions that may be imposed for nonperformance. The department must evaluate contractor performance at least annually.

Compliance - SB 534 requires that a public mental health managed care contractor that assumes some of the contract risks comply with Medicaid mental health managed care laws.

Service Limits - Services may be more limited for non-Medicaid eligible individuals than services provided to Medicaid-eligible individuals. SB 534 also provides that a person covered under the state services category (150 percent of poverty group) may not be eligible for Medicaid.

Consultant Reports - The department shall contract with an independent professional consulting firm that is knowledgeable and experienced in developing managed mental health care systems. The department shall require, as part of the contract, that the consulting firm make regular reports to the Legislative Finance Committee and any other appropriate legislative interim committee. Reports must be made at least every six months and must include information about the development and implementation of the new mental health managed care system

Oversight - SB 534 establishes an advisory council. One-half of the members must be consumers of mental health services, including immediate family members of recipients of mental health services. Geographic representation must be considered when appointing members. The advisory council shall provide to the Legislative Finance Committee and any other designated appropriate interim committee a summary of each meeting and a copy of any recommendations made to the department.

Inpatient Youth Psychiatric Hospitalization - SB 534 allows the department to authorize inpatient youth psychiatric facilities to participate in the Medicaid program for acute care inpatient hospital services. Payments made by the department for such services must comply with statutory requirements, including determination of medical necessity for services, diagnostic-related group rates established by the department, and exclusion of services not covered by the Medicaid program. The 1991 legislature did not continue funding for inpatient youth psychiatric services, so the department eliminated those services from the Medicaid program. The services had been reimbursed under the managed care contract with Magellan, so the legislature allowed the department discretion to add those services to the Medicaid program.

Ombudsman - SB 534 creates the office of a mental health managed care ombudsman and attaches the office to the Mental Disabilities Board of Visitors, which is attached to the Governor's Office. The ombudsman is appointed by the Governor for a term of four years. The ombudsman shall represent the interest of consumers of services with the department and any contractor. The legislature funded the ombudsman position by reducing and transferring appropriation authority from the division budget.

HB 2

HB 2 makes additional requirements regarding administration of mental health services during the 2001 biennium. The department must institute copayments for persons served in any mental health managed care program. The department must provide for consumer involvement and input in developing requests for proposals, evaluating proposals, and implementing mental health managed care contracts. The department must establish a process for public input that specifies defined times and opportunities for public input so that interested persons may comment on mental health managed care policies, transition to the mental health managed care program, and implementation and oversight of the new program.

The department may spend no more for mental health services than is appropriated in HB 2.

HB 2 requires that the department explicitly identify, in its mental health managed care plan, how MSH will be funded and how rates and charges will be established for all services at MSH. The department is required to provide this MSH information to the Legislative Finance Committee and other appropriate interim committees no later than July 1, 1999.

HJR 35

HJR 35 assigns the Legislative Finance Committee to study and oversee the privatization of managed mental health care. The interim study may include: 1) review of any contracts or contract amendments for public mental health services; 2) review of plans for readiness testing for and implementation of any new contracts; 3) provision of a public forum for interested persons to voice their opinions and concerns regarding public mental health services; 4) review of any budget proposals that require shifting of funds appropriated by the legislature; 5) review of contingency plans; 6) review of outcome measures, performance standards, and quality assurance plans and contract enforcement of these measures, standards, and plans; and 7) other topics identified by Legislative Finance Committee.

The Legislative Finance Committee is directed to work closely with the Legislative Audit Committee and other appropriate interim committees in fulfilling the requirements of HJR 35. The Legislative Finance Committee may appoint members of interim committees as voting members of any subcommittee assigned to complete HJR 35 assignments.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			524,447			368,944
	Inflation/Deflation			6,760			5,932
	Fixed Costs			(3,499)			1,339
	Total Statewide Adjustments			\$527,708			\$376,215
Present Law Adjustments							
1	Annualize FY99 MHAP Fixed Contract	.00	485,070	485,070	.00	485,070	485,070
6	MSH MHAP Population Adjustment	(65.00)	0	(2,736,096)	(65.00)	0	(2,809,343)
7	MSH Non-MHAP Population Adjustment	(35.00)	95,057	(992,528)	(35.00)	41,944	(1,031,203)
8	MMHNCC MHAP Population Adjustment	.00	0	119,930	.00	0	119,930
9	MMHNCC Non-MHAP Population Adjustme	.00	(10,743)	4,997	.00	(2,536)	4,997
10	OT,DIFF, Holiday Pay MHAP	.00	0	476,419	.00	0	476,419
11	OT,Diff, Holiday Pay - NON- MHAP	.00	181,393	181,393	.00	181,393	181,393
12	MCDC PL Inflation	.00	0	60,932	.00	0	86,382
13	TIER Software OTO	.00	(153,408)	(153,408)	.00	(153,408)	(153,408)
14	Galen Sale	.00	(102,698)	(102,698)	.00	(102,698)	(102,698)
16	MHAP Capitation Adjustment	.00	257,594	925,264	.00	897,653	3,297,768
18	MHAP Professional Services	.00	62,500	125,000	.00	116,250	232,500
21	Substance Abuse Prevention Increase	.00	0	2,180,763	.00	0	2,181,234
30	Rate Reduction	.00	(1,030)	(1,030)	.00	(1,030)	(1,030)
	Total PL Adjustments	(100.00)	\$813,735	\$574,008	(100.00)	\$1,462,638	\$2,968,011
	Present Law Adjustments Total			\$1,101,716			\$3,344,226

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Budget adjustments approved by the legislature were based on continuation of the managed care contract that was terminated effective June 30, 1999. The contract administered the Mental Health Access Plan, which provided services to Medicaid eligible persons and to low-income seriously emotionally disturbed children and seriously mentally ill adults. The department obtained a waiver of federal Medicaid regulations to operate MHAP. The waiver was rescinded when the contract was cancelled.

The department will return to a fee-for-services mental health program. It will operate a mental health services program that offers an array of services to two groups of persons. The Medicaid portion of the program will fund services for persons who are Medicaid eligible and the program will be funded from federal Medicaid funds and general fund matching state funds. The second program component will offer a separate set of services to low-income Montanans (persons with incomes below 150 percent of the federal poverty level - \$25,050 for a family of four in 1999) and is funded from general fund and a small federal block grant (about \$872,000 annually).

Present law changes and new proposals related to mental health services were designed to continue the managed care contract that was operated during the 1999 biennium, but that will cease in fiscal 2000. The legislature did not authorize funding for continuation of the contract, but did accept the executive budget request that was based on continuation of the managed care. So, budget changes frequently include state special revenue funding that represented payments by the managed care company to the department for MSH and MMHNCC services. The legislature did not remove the state special revenue authority in the event the department establishes a new contract for management of mental health services and wishes to institute a payment system similar to the 1999 biennium contract.

DP 1 - Annualize FY99 MHAP Fixed Contract - The legislature approved \$485,070 general fund each year of the biennium to fund the fiscal 1999 rate increase, approved by the 1997 legislature, for the non-Medicaid population fixed funding pool for mental health services. Although the managed care contract was terminated, the legislature continued the mental health appropriations to support community services for low-income Montanans who are not eligible for Medicaid.

DP 6 - MSH MHAP Population Adjustment - The legislature accepted the executive request to reduce 65 FTE, operating costs, and state special revenue by \$5.5 million over the biennium due to the construction of the new state hospital, which will have fewer beds than the current hospital. State special revenue represents income received from the managed care provider. The legislature retained the state special revenue in the event the department was able to contract for care management with one or more other firms and wished to arrange a similar funding structure to MHAP.

DP 7 - MSH Non-MHAP Population Adjustment - The legislature approved the executive request to reduce 35 FTE, increase general fund \$137,001, and reduce \$2 million total funds over the biennium due to the downsizing of MSH. The other funds reduction is in state special revenue - payments by the managed care company for MSH services for managed care clients. The legislature accepted the executive request, which estimated that a managed care entity would be able to provide community services that would help lower the number of Montanans requiring institutional care.

DP 8 - MMHNCC MHAP Population Adjustment - The legislature approved \$240,000 in state special revenue over the biennium to fund the increase in MHAP eligible clients expected at the Montana Mental Health Nursing Care Center (MMHNCC). Operating costs increase \$119,930 annually, variable costs (food, drugs, laundry) increase \$51,229 annually, and medical expenses increase \$65,219 annually. The legislature accepted the executive request, which estimated that a managed care entity would place additional persons in the MMHNCC. During fiscal 1998, MMHNCC served an average of about 138 clients per month. The department estimated the 2001 biennium population to increase to 165 per month.

DP 9 - MMHNCC Non-MHAP Population Adjustment - The legislature approved the executive request to reduce general fund \$13,279 over the biennium and increase total funds by \$9,994 due to the shift in population at the MMHNCC. The department estimated that more clients at the MMHNCC would be eligible for managed care services in the event the department negotiates new managed care agreements.

DP 10 - Overtime, Differential and Holiday Pay MHAP - The legislature approved the executive request for nearly \$1 million in state special revenue to pay overtime, differential pay, and holidays worked at MSH and MMHNCC. The request is funded by income expected to be received if the state returns to contracting for management of mental health care services.

DP 11 - Overtime, Differential and Holiday Pay - Non- MHAP - The legislature approved the executive request for \$362,786 general fund over the biennium to pay overtime, differential pay, and holidays worked at MSH and MMHNCC. General fund pays the portion of personnel costs attributable to the institution population that would not be eligible for managed care.

DP 12 - MCDC Inflation - State special revenue from alcohol funds increases \$147,000 over the biennium to pay for contracted food service and building rent at the Montana Chemical Dependency Center (MCDC). At the request of the executive this adjustment was raised \$73,000 over the biennium to fund overtime, holiday, and differential pay that had been inadvertently omitted from the Executive Budget.

DP 13 - TIER Software OTO - The legislature accepted the executive proposal to reduce general fund \$306,816 over the biennium to remove a one-time-only cost for software. The division purchased integrated software for the three facilities it manages to improve the division management information system and enable the facilities to improve management of respective client information systems. The amount expended in fiscal 1998 was \$165,408. An increase for software support of \$12,000 per year results in the net annual decrease of \$153,408.

DP 14 - Galen Sale - General fund is reduced \$102,698 each year of the biennium because the department anticipates selling the Galen facility and it will no longer pay insurance and maintenance costs for the facility. Galen housed the state inpatient chemical dependency program until it was transferred to Butte. The 1997 legislature encouraged the division to sell or transfer the property.

DP 16 - MHAP Capitation Adjustment - The legislature approved the executive request for \$4.2 million total funds (\$1.2 million general fund) over the biennium for increased costs of the Medicaid portion of the former MHAP contract. The adjustment is comprised of two components: 1) changes in Medicaid caseload; and 2) changes in the capitation rate (monthly payment for each Medicaid eligible recipient). The legislative funding level is \$771,000 general fund lower than the executive request over the biennium.

DP 18 - MHAP Professional Services - The legislature approved the executive request for \$178,750 general fund and an equal amount in matching federal Medicaid funds over the biennium to increase contracted services for assistance in managing and oversight of managed care contracts and for the calculation of capitation rates for Medicaid services. The division is requesting \$125,000 for management and oversight contract assistance. The division spent about \$121,000 in fiscal 1998, which does not appear in the base budget because the cost was offset by sanctions imposed on and paid by the managed care company. The present law adjustment includes \$107,500 in fiscal 2001 for the contract to develop capitation rates for the managed care contracts in the 2003 biennium. The cost is not included in the base year.

DP 21 - Substance Abuse Prevention Increase - The legislature approved an increase of \$4.4 million in federal funds over the biennium for the Substance Abuse Prevention and Treatment (SAPT) block grant. The majority of the increase is due to a federal reallocation of grant funds among states, which increased the Montana allocation by about \$1.8 million annually. Funds support community programs for prevention and treatment for alcohol and drug abuse.

DP 30 - Rate Reduction - The legislature reduced rental rates and ISD data network service rates.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds	
2	Provider Rate Inc-CD Youth Svcs:Med	.00	0	4,822	.00	0	5,055
3	Provider Rate Inc-Inpatient CD:Adol	.00	1,610	1,610	.00	3,236	3,236
4	Provider Rate Inc-PASARR	.00	198	792	.00	398	1,592
6	Provider Rate Inc-MHAP Fixed Fund	.00	246,442	246,442	.00	499,046	499,046
13	State Incentive Grant	4.00	0	2,996,448	4.00	0	2,996,474
16	HB 69--Tobacco Ed Fees	.00	750	750	.00	750	750
17	Fed. Medicaid Match-Comm. CD Pilot	.00	0	150,000	.00	0	150,000
18	SB 534 - Ombudsman Managed Care	.00	(58,926)	(88,389)	.00	(55,593)	(83,389)
Total New Proposals		4.00	\$190,074	\$3,312,475	4.00	\$447,837	\$3,572,764

New Proposals

DP 2 - Provider Rate Increase-CD Youth Services: Medicaid - The legislature approved \$2,718 state special revenue from the alcohol tax and \$7,159 federal Medicaid funds over the biennium for rate increases to Medicaid funded chemical dependency providers who serve youth. The proposal includes funding for a 25 percent rate increase in fiscal 2000 to achieve rate parity with similar chemical dependency services and a 1 percent provider rate increase in fiscal 2001.

DP 3 - Provider Rate Increase-Inpatient CD: Adolescents - The legislature approved \$4,846 general fund for a 1 percent provider rate increase each year of the biennium for inpatient chemical dependency service providers. Children served in this program are not Medicaid eligible, so the rate increase is funded from general fund.

DP 4 - Provider Rate Increase-PASARR - The legislature approved \$596 general fund and \$2,384 total funds over the biennium for a 1 percent annual provider rate increase for the administration of the PASARR survey. The survey is given to persons in nursing home care and those entering nursing home care to assess whether they have dementia.

DP 6 - Provider Rate Increase-MHAP Fixed Fund - The legislature approved \$745,488 general fund over the biennium for a 1 percent rate increase each year of the biennium for mental health services provided to persons who are not eligible for Medicaid, but whose income is less than 150 percent of federal poverty level (\$25,050 for a family of four in 1999).

DP 13 - State Incentive Grant - The legislature approved 4.0 FTE and \$3 million federal funds each year of the biennium to continue a state incentive grant from SAMHSA received in fiscal 1998. The appropriation and funding for the FTE are approved as a one-time-only appropriation. The majority of the grant (85 percent) is distributed to Montana communities to develop effective, broad-based, primary prevention programs for substance abuse among Montana youth.

DP 16 - HB 69--Tobacco Education Fees - HB 69 eliminated the statutory appropriation of tobacco education fees and de-earmarked the fees to the general fund. This adjustment adds \$1,500 general fund for the biennium.

DP 17 - Federal Medicaid Match-Community Chemical Dependency Pilot - The legislature approved \$300,000 federal funds for the biennium to be used to fund pilot community outpatient chemical dependency Medicaid programs. The pilot projects will expand the availability of Medicaid funding for chemical dependency services by funding outpatient programs other than those operated by a hospital.

Local entities will provide the matching funds for the pilot programs. The legislature added language requiring the department to evaluate and report on outcomes of the pilot program. The appropriation may only be used for the chemical dependency pilot program and is a biennial appropriation.

DP 18 - SB 534 - Ombudsman Managed Care - SB 534 created an ombudsman position attached to the Mental Disabilities Board of Visitors, which is attached to the Governor's Office. The legislature funded the position by reallocating funds from the Addictive and Mental Disorders Division. The legislature reallocated \$114,519 general fund and \$57,259 federal funds over the biennium.

Language

“Because of the elimination of the statutory appropriation of tobacco education fees and the de-earmarking of the fees to the general fund by House Bill No. 69, item [Addictive and Mental Disorders Division] has been increased by \$750 in general fund money in fiscal year 2000 and by \$750 in general fund money in fiscal year 2001. If House Bill No. 69 is not passed and approved in a form that eliminates the statutory appropriation and de-earmarks the fees, then the general fund amounts in item [Addictive and Mental Disorders Division] are reduced by \$750 in fiscal year 2000 and by \$750 in fiscal year 2001.

Money appropriated in item [Mental Health Managed Care Contracts] may not be expended unless the department has given the 180-day notice of termination provided in the mental health access plan contract.

Money appropriated in item [Mental Health Managed Care Contracts] may be used only to implement the mental health care plan provided for in Senate Bill No. 534, contingent on passage and approval of Senate Bill No. 534.

If Senate Bill No. 534 is not passed and approved, item [Addictive and Mental Disorders Division] is increased by \$58,926 in general fund money and \$29,463 in federal special revenue funds in fiscal year 2000 and \$55,593 in general fund money and \$27,796 in federal special revenue funds in fiscal year 2001.

Funds in item [Medicaid Matching Funds – Community CD Pilot Programs (Restricted/Biennial)] must be used to fund pilot community outpatient chemical dependency Medicaid programs. Funds in item 10d may not be used for another purpose or transferred to other programs. The department shall provide an evaluation and documentation to the Legislative Finance Committee no later than September 1, 2000.”

“The department shall incrementally implement Senate Bill No. 534, contingent on passage and approval of Senate Bill No. 534.”

The department shall institute copayments for persons served in the mental health managed care program as allowed under 53-6-131(10).”

“The department shall encourage successful contractors to also serve persons who need mental health services but who are not eligible for services under the state mental health managed care plan. The department shall encourage successful contractors to establish fee schedules at the discretion of the contractor to serve persons ineligible for services under the state mental health managed care plan.

The department shall provide for consumer involvement and input in developing requests for proposals, evaluating proposals, and implementing the mental health managed care contracts.

The department shall establish and include outcome measures in the mental health managed care contracts.

The department shall explicitly identify in its mental health managed care plan how the Montana state hospital will be integrated into the regional mental health managed care contracts, how all services provided by the Montana state hospital will be funded, and how rates and charges for all services at the Montana state hospital will be established. The department shall provide this information to the legislative finance committee and other appropriate legislative committees no later than July 1, 1999.”

The department shall establish a process that allows for public input and comment. The process must specify defined times and opportunities for public input when interested persons may comment on the request for proposals for the mental health managed care program, related contracts that the department may let, state mental health managed care policies, transition to the mental health managed care program, implementation of the new program, and oversight of the program. The department shall consider public comment and input that it receives.

The department shall provide biweekly reports to interested persons and the public on the transition to the new system of

mental health managed care.

The office of the governor shall provide oversight of the implementation of Senate Bill No. 534, contingent on passage and approval of Senate Bill No. 534.

In accordance with 17-8-103, the department may not spend more general fund money for mental health managed care services than was appropriated in [this act]."

"If the occupancy date for the new Montana state hospital is delayed beyond October 1, 1999, the department and the Department of Administration shall pursue the assessment of any penalties allowable under the construction contract because of contractor liability for delays. The department is appropriated up to \$700,000 in state special revenue funds over the biennium from penalties collected from the contractor."