

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	48.25	48.25	48.25	48.25	48.25	48.25	0.00	0.00%
Personal Services	4,117,859	3,397,769	3,509,851	3,545,338	7,515,628	7,055,189	(460,439)	(6.13%)
Operating Expenses	7,584,904	7,373,915	7,709,239	7,698,584	14,958,819	15,407,823	449,004	3.00%
Benefits & Claims	0	15,000,000	0	0	15,000,000	0	(15,000,000)	(100.00%)
Debt Service	3,657	13,066	3,657	3,657	16,723	7,314	(9,409)	(56.26%)
<b>Total Costs</b>	<b>\$11,706,420</b>	<b>\$25,784,750</b>	<b>\$11,222,747</b>	<b>\$11,247,579</b>	<b>\$37,491,170</b>	<b>\$22,470,326</b>	<b>(\$15,020,844)</b>	<b>(40.07%)</b>
General Fund	3,915,922	3,332,424	3,706,765	3,719,094	7,248,346	7,425,859	177,513	2.45%
State Special	379,129	353,658	328,659	329,834	732,787	658,493	(74,294)	(10.14%)
Federal Special	7,411,369	22,098,668	7,187,323	7,198,651	29,510,037	14,385,974	(15,124,063)	(51.25%)
<b>Total Funds</b>	<b>\$11,706,420</b>	<b>\$25,784,750</b>	<b>\$11,222,747</b>	<b>\$11,247,579</b>	<b>\$37,491,170</b>	<b>\$22,470,326</b>	<b>(\$15,020,844)</b>	<b>(40.07%)</b>

### Program Description

The Director's Office (office) provides overall policy development and administrative guidance for the department. Included in the Director's Office are the Deputy Director for Health Services, who also serves as the state Medicaid director, the Chief Operations Officer, legal affairs, personnel services, public information, the Prevention Resource Center including the AmeriCorps\*VISTA Program, the Office of Budget and Finance, and the Office of Planning, Coordination, and Analysis. The Office of Planning, Coordination and Analysis is responsible for management of the Medicaid Management Information System (MMIS). The Department of Public Health and Human Services Statewide Advisory Council, the Native American Advisory Council, and the Montana Health Coalition are administratively attached and the director serves on the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

Statutory authority is in Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

### Program Highlights

Director's Office HB 2 Budget Highlights	
♦	The Director's Office overall budget decreases 40.1 percent when compared to the 2009 biennium due primarily to the elimination of the HIFA waiver federal funds
♦	The legislature approved increased vacancy savings of 7 percent for the Director's Office
HB 645 Budget Highlights	
♦	The legislature included one-time only provider rate increase of 2 percent in the Director's Office to be allocated to the various divisions in DPHHS
♦	VISTA/AmeriCorp receives an additional federal grant of \$50,000

### Program Narrative

The legislature approved a 2011 biennium budget that declines 40.0 percent or \$15.0 million when compared to the 2009 biennium. The 2005 Legislature approved the Health Insurance Flexibility and Accountability (HIFA) waiver and

appropriated funds in anticipation of approval. HIFA waivers allow states to waive requirements of the Social Security Act in areas such as comparability of services, statewideness, early and periodic screening diagnostic and treatment services (EPSDT), and cost sharing. Waiving these provisions allows states to be creative in designing new health care programs to meet the needs of various uninsured populations. The 2007 Legislature also appropriated funds in anticipation of approval of the HIFA waiver during the 2009 interim. To date, while the Centers for Medicare and Medicaid (CMS) has not denied the request, the department has not received approval for any of the proposed populations included in the waiver. The legislature did not continue appropriations of \$30 million in additional federal funds for HIFA in the 2011 biennium budget.

Present law changes for the Director's Office are negative for both years of the 2011 biennium due to removal of department wide termination payouts of about \$1,187,000. Agencies pay accumulated annual leave and a portion of unused sick leave when employees retire or leave state employment. Termination payouts are recorded in the personnel program budget in the Director's Office and then removed from the base budget as a one-time expense. Funds are transferred from other divisions in DPHHS to pay termination costs. Increases in personal services and operating costs offset part of the reductions.

The legislature approved an increase of \$149,351 in FY 2010 and \$153,832 in FY 2011 in state special revenue fund support and \$304,228 in FY 2010 and \$312,325 in FY 2011 of federal special revenue fund support for indirect costs for the Healthy Montana Kids program. The indirect costs included in the Director's Office budget support indirect costs in the budgets of the Human and Community Services Division, the Director's Office, the Business and Financial Division, the Quality Assurance Division, the Technology Division, and the Health Resources Division. As the amounts of indirect costs for each division become clear throughout the 2011 biennium the Director's Office will shift budget authority to the appropriate divisions.

The legislature also approved increased vacancy savings for the Director's Office, increasing from 4 percent to 7 percent. The change results in \$99,963 in general fund savings and \$225,233 total funds over the biennium.

HB 645, which implement the American Recovery and Reinvestment Act of 2009 (ARRA), includes enhanced federal funding for VISTA/AmeriCorps of \$50,000 and total funds of \$39.5 million to support provider rate increases for services administered by the Human and Community Resources, Child and Family Services, Disability Services, Health Resources, Senior and Long Term Care, and Addictive and Mental Disorders divisions. General fund supports \$14.984 million of the increase with \$24.556 million funded with federal special revenues. The funding supports a 2 percent rate increase for providers.

#### *Purpose of Funds*

The ARRA, includes \$50,000 per year in funding for the Corporation for National and Community Service in Montana to support an expansion of AmeriCorps State and National and AmeriCorps VISTA programs. AmeriCorps State and National engages individuals (AmeriCorps members) in service to support thousands of local community organizations. The AmeriCorps members' service expands these organizations' capacity to achieve their missions and builds community involvement and support.

Provider rates are funded with general fund, state special revenues, and federal funds, which are predominately federal Medicaid matching funds. The appropriation supports a one-time 2 percent annual increase.

#### *Conditions and Limitations*

The federal funds provided in HB 645 for the AmeriCorps Program must be used under federal guidance for the program currently in place in Montana. The provider rate appropriation may be used only to fund provider rate increases for providers except physicians, psychiatrists, and podiatrists, whose rates are adjusted according to 53-6-125, MCA.

## Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table						
Director'S Office						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 3,915,922	33.5%	\$ 3,706,765	33.0%	\$ 3,719,094	33.1%
01100 General Fund	3,915,922	33.5%	3,706,765	33.0%	3,719,094	33.1%
02000 Total State Special Funds	379,129	3.2%	328,659	2.9%	329,834	2.9%
02099 69010-Vista-Community Cost Shr	77,246	0.7%	66,367	0.6%	66,283	0.6%
02377 02 Indirect Activity Prog 04	301,883	2.6%	262,292	2.3%	263,551	2.3%
03000 Total Federal Special Funds	7,411,369	63.3%	7,187,323	64.0%	7,198,651	64.0%
03072 69010-Cns-Grants-Vista	293,272	2.5%	293,383	2.6%	293,399	2.6%
03580 6901-93.778 - Med Adm 50%	9,843	0.1%	9,970	0.1%	10,033	0.1%
03583 93.778 - Med Ben Fmap	-	-	8,132	0.1%	24,537	0.2%
03594 03 Indirect Activity Prog 04	7,108,254	60.7%	6,875,838	61.3%	6,870,682	61.1%
Grand Total	\$ 11,706,420	100.0%	\$ 11,222,747	100.0%	\$ 11,247,579	100.0%

The Director's Office is funded through a combination of general fund, and state and federal special revenues. The majority of the functions are supported through cost allocations whereby the costs of the Director's Office are allocated to the other divisions within DPHHS. The department has a complex public assistance cost allocation plan reviewed by six federal agencies and approved by Montana's federal oversight agency. Federal indirect cost allocations make up 96.8 percent of the federal revenues in the 2011 biennium. Federal special revenues decrease 49.3 percent between the 2011 and 2009 biennia. The elimination of funding for the HIFA waiver accounts for the majority of the decrease in federal special revenues between the 2009 biennium and the 2011 biennium. The HIFA waiver is more fully described in the program narrative.

General fund supports about 33.1 percent of the Director's Office in the 2011 biennium budget, increasing 2.5 percent when compared to the 2009 biennium, due primarily to statewide present law adjustments.

Two state special revenue funds support the Director's Office: 1) cost allocations, budgeted at about \$260,000 annually; and 2) community cost shares for VISTA volunteers. The Prevention Resource Center administers the VISTA program, which is also supported by a federal grant.

## Budget Summary by Category

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

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	3,915,922	3,915,922	7,831,844	105.47%	11,706,420	11,706,420	23,412,840	104.19%
Statewide PL Adjustments	(206,482)	(200,167)	(406,649)	(5.48%)	(493,835)	(480,489)	(974,324)	(4.34%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(2,675)	3,339	664	0.01%	10,162	21,648	31,810	0.14%
<b>Total Budget</b>	<b>\$3,706,765</b>	<b>\$3,719,094</b>	<b>\$7,425,859</b>		<b>\$11,222,747</b>	<b>\$11,247,579</b>	<b>\$22,470,326</b>	

## Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2010-----					-----Fiscal 2011-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				(369,521)					(358,191)
Vacancy Savings				(149,930)					(150,384)
Inflation/Deflation				1,626					2,133
Fixed Costs				23,990					25,953
<b>Total Statewide Present Law Adjustments</b>	<b>(\$206,482)</b>	<b>(\$52,466)</b>	<b>(\$234,887)</b>	<b>(\$493,835)</b>		<b>(\$200,167)</b>	<b>(\$51,648)</b>	<b>(\$228,674)</b>	<b>(\$480,489)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$206,482)</b>	<b>(\$52,466)</b>	<b>(\$493,835)</b>	<b>0.00</b>	<b>(\$200,167)</b>	<b>(\$51,648)</b>	<b>(\$228,674)</b>	<b>(\$480,489)</b>

## New Proposals

New Proposals									
-----Fiscal 2010-----					-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13									
04	0.00	7,100	889	8,168	16,157	0.00	21,470	2,726	24,645
DP 6014 - Pay Plan Lump Sum Payment OTO									
04	0.00	3,308	554	3,870	7,732	0.00	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation									
04	0.00	36,822	6,782	55,115	98,719	0.00	31,927	5,880	47,787
DP 8101 - Increasing 4% Vacancy Savings to 7%									
04	0.00	(49,905)	(6,229)	(56,312)	(112,446)	0.00	(50,058)	(6,253)	(56,476)
<b>Total</b>	<b>0.00</b>	<b>(\$2,675)</b>	<b>\$1,996</b>	<b>\$10,841</b>	<b>\$10,162</b>	<b>0.00</b>	<b>\$3,339</b>	<b>\$2,353</b>	<b>\$15,956</b>

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Prgm Allocation - The Workers' Compensation Management Program at the Department of Administration was funded by the 2007 Legislature with a one-time-only (OTO) general fund appropriation. For the 2011 biennium and beyond, the bill provides funding for the program via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The bill provides an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

## Language and Statutory Authority

The legislature added the following language to HB 645:

"Provider Rate Increase may be used only to fund a provider rate increase. Funds may be allocated among programs. Provider Rate Increase may not be used to raise rates paid to providers pursuant to 53-6-125."