

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	76.50	76.50	76.50	79.50	76.50	79.50	3.00	3.92%
Personal Services	3,706,204	3,903,305	3,854,174	4,025,057	7,609,509	7,879,231	269,722	3.54%
Operating Expenses	5,867,559	5,674,246	5,780,376	5,363,322	11,541,805	11,143,698	(398,107)	(3.45%)
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Debt Service	32,585	67,714	32,585	32,585	100,299	65,170	(35,129)	(35.02%)
Total Costs	\$9,606,348	\$9,645,265	\$9,667,135	\$9,420,964	\$19,251,613	\$19,088,099	(\$163,514)	(0.85%)
General Fund	4,081,256	3,963,507	3,674,226	3,563,438	8,044,763	7,237,664	(807,099)	(10.03%)
State Special	1,044,315	975,246	1,120,606	1,126,764	2,019,561	2,247,370	227,809	11.28%
Federal Special	4,480,777	4,706,512	4,872,303	4,730,762	9,187,289	9,603,065	415,776	4.53%
Total Funds	\$9,606,348	\$9,645,265	\$9,667,135	\$9,420,964	\$19,251,613	\$19,088,099	(\$163,514)	(0.85%)

Program Description

Mission Statement: The mission of the Business & Financial Services Division (BFSD) is to provide professional services in operational areas critical to the efficient and effective management of the Montana Department of Public Health and Human Services.

BFSD provides support services for the department, including financial and accounting oversight, cash management, preparation and filing of federal reports, purchasing supplies and equipment, payroll processing, audit coordination, lease management, mail handling, management of vital records and statistics, property management, and records management. BFSD also provides leadership and guidance in the development and implementation of accounting policies and procedures and best business practices.

The division's funding is a complex mixture of state and federal funds determined by ratios associated with total departmental funding. Approximately 50 percent of the funding comes from federal sources.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, and Title 50 Chapter 15 MCA.

Program Highlights

Business and Financial Services Division HB 2 Budget Highlights	
◆	The 2011 biennium total budget is \$163,514 less than the 2009 biennium total budget primarily due to: <ul style="list-style-type: none"> ● A reduction to the base budget of over \$0.6 million general fund ● An increase in vacancy savings from 4 to 7 percent that reduced general fund by \$0.1 million and total funds by \$0.2 million
◆	The legislature approved increases for the biennium of over \$0.7 million primarily for: <ul style="list-style-type: none"> ● Statewide and present law adjustments - \$0.4 million total funds ● 3.00 new FTE in FY2011 - \$206,322 total funds ● HB 13 Pay Plan and one-time lump sum benefits - \$132,932 total funds

HB 645 Budget Highlights
<ul style="list-style-type: none"> ◆ The division is to receive American Reinvestment and Recovery Act Funds for cost allocated administrative costs

Summary of Legislative Action

The legislature approved a \$19 million budget for the 2011 biennium that is \$163,514 lower than the 2009 biennium budget primarily due to reductions in general fund.

Reductions to the Budget

Major reductions over the biennium include:

- Remove remodel and relocation funds from the base - \$640,000 general fund
- Increasing the 4 percent vacancy savings to 7 percent - \$111,568 general fund; \$245,768 total funds

Additionally, the legislature approved a 2 percent division-wide general fund reduction of about \$7.2 million and allowed DPHHS to allocate the reduction among all divisions. At the time of this writing, the BFSB share is not known.

Increases to the Budget

The majority of the increases are the result of statewide and present law adjustments for personal services costs offset by overall general fund reductions for a net of \$421,917 total funds.

Other increases over the biennium support:

- 3.00 FTE in FY 2011 - \$109,660 general fund; \$132,932 total funds (1.00 FTE in the reimbursement section and 2.00 FTE in the internal controls section)
- Health insurance contributions and one-time payment of \$450 for employees earning less than \$45,000 approved in HB 13 - \$63,025 in general fund; \$132,932 total funds

Program Discussion

Recommendations to the LFC

The following is the goal, objective, and measurement for the 2011 biennium that the legislature recommends be tracked and reported to the Legislative Finance Committee over the interim.

Goal: Continuous improvement in the department's internal control environment by:

- Maintaining an internal control environment that promotes efficient and documented compliance with applicable laws and regulation
- Encouraging business processes that enhance the effectiveness and efficiency of department operations

Objective: To continually work to maintain an effective fiscal control environment in the department by completing an annual risk assessment of major financial processes in the department and conducting mitigation activities on 100% of identified high risk components

Measurements: Identification of major financial processes at the beginning of the 2011 biennium, and conducting a risk assessment and mitigation process each year; the objective is met when 100 percent of identified, major financial processes are assessed and mitigation activities are completed

Reporting: The subcommittee noted that reports would specify the major financial risks identified, discuss the mitigation activities and progress toward their completion, and reflect any major current or estimated expenses or cost savings.

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	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2008	FY 2008	FY 2010	FY 2010	FY 2011	FY 2011
01000 Total General Fund	\$ 4,081,256	42.5%	\$ 3,674,226	38.0%	\$ 3,563,438	37.8%
01100 General Fund	4,081,256	42.5%	3,674,226	38.0%	3,563,438	37.8%
02000 Total State Special Funds	1,044,315	10.9%	1,120,606	11.6%	1,126,764	12.0%
02382 6901-02 Indrct Activty Prog 06	636,985	6.6%	700,869	7.3%	704,065	7.5%
02419 Vital Statistics	407,330	4.2%	419,737	4.3%	422,699	4.5%
03000 Total Federal Special Funds	4,480,777	46.6%	4,872,303	50.4%	4,730,762	50.2%
03591 6901-03 Indrct Activty Prog 06	4,480,777	46.6%	4,872,303	50.4%	4,730,762	50.2%
Grand Total	\$ 9,606,348	100.0%	\$ 9,667,135	100.0%	\$ 9,420,964	100.0%

The division is funded with general fund, state special revenue, and federal funds based upon a complex federally approved cost allocation plan, often referred to as indirect activity. For the 2011 biennium, indirect activity represents 100 percent of the federal funding and 7 percent of state special revenue. Federal funding comprises 50.2 percent of the total biennium budget, while general fund comprises 37.8 percent and state special revenue 12.0 percent.

Vital Statistics Program

The vital statistics state special revenue fund comes from fees paid by the public for certificates or services related to vital records, most of which are birth and death certificates.

In FY 2007 the vital statistics revenue represented 65 percent of the budget and general fund represented 35 percent of the budget. In FY 2008 the ratio changed to 52.3 percent vital statistics and 47.7 percent general fund. This ratio is projected for the 2011 biennium. Should the revenue generated by the vital statistics fees drop, general fund would increase and would need to be reallocated from other parts of the budget.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 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	4,081,256	4,081,256	8,162,512	112.78%	9,606,348	9,606,348	19,212,696	100.65%
Statewide PL Adjustments	(56,639)	(288,139)	(344,778)	(4.76%)	451,220	(25,386)	425,834	2.23%
Other PL Adjustments	(615)	(706)	(1,321)	(0.02%)	(1,824)	(2,093)	(3,917)	(0.02%)
New Proposals	(349,776)	(228,973)	(578,749)	(8.00%)	(388,609)	(157,905)	(546,514)	(2.86%)
Total Budget	\$3,674,226	\$3,563,438	\$7,237,664		\$9,667,135	\$9,420,964	\$19,088,099	

Other Legislation

HB 645 – Implementation of the American Reinvestment and Recovery Act (ARRA) of 2009

Administrative ARRA funding from throughout DPHHS programs is allowed go to BFSB through the cost allocation process. The department has not estimated the amount at the time of this writing.

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					380,029	0.00				399,654
Vacancy Savings					(163,450)	0.00				(164,232)
Inflation/Deflation					40,457	0.00				43,098
Fixed Costs					194,184	0.00				(303,906)
Total Statewide Present Law Adjustments		(\$56,639)	\$84,682	\$423,177	\$451,220	0.00	(\$288,139)	\$64,029	\$198,724	(\$25,386)
					0	0.00				0
DP 7101 - Fuel Inflation Reduction										
	0.00	(615)	(207)	(1,002)	(1,824)	0.00	(706)	(238)	(1,149)	(2,093)
					0	0.00				0
Total Other Present Law Adjustments	0.00	(\$615)	(\$207)	(\$1,002)	(\$1,824)	0.00	(\$706)	(\$238)	(\$1,149)	(\$2,093)
					0	0.00				0
Grand Total All Present Law Adjustments	0.00	(\$57,254)	\$84,475	\$422,175	\$449,396	0.00	(\$288,845)	\$63,791	\$197,575	(\$27,479)

The \$303,906 decrease shown in the fixed costs category of the present law adjustments table in FY 2011 reflects the biennial legislative audit appropriation that is anticipated to be spent in FY 2010.

DP 7101 - Fuel Inflation Reduction - The legislature reduced funding for gasoline and diesel by the amount the two expenditure categories were increased in the statewide present law adjustment for inflation. No inflation adjustment is applied to these expenditure categories.

New Proposals

New Proposals	-----Fiscal 2010-----					-----Fiscal 2011-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2011 Biennium Pay Plan - HB 13											
06	0.00	11,704	3,329	10,126	25,159	0.00	37,144	10,265	31,540	78,949	
DP 6014 - Pay Plan Lump Sum Payment - OTO											
06	0.00	14,177	4,017	10,630	28,824	0.00	0	0	0	0	
DP 8101 - Increasing 4 Percent Vacancy Savings to 7 Percent											
06	0.00	(55,657)	(15,530)	(51,405)	(122,592)	0.00	(55,911)	(15,601)	(51,664)	(123,176)	
DP 60003 - Reimbursement Section FTE											
06	0.00	0	0	0	0	1.00	47,964	0	0	47,964	
DP 60004 - Internal Controls FTE											
06	0.00	0	0	0	0	2.00	61,830	23,994	72,534	158,358	
DP 60010 - Remove Remodel and Relocation Funds from the Base											
06	0.00	(320,000)	0	0	(320,000)	0.00	(320,000)	0	0	(320,000)	
Total	0.00	(\$349,776)	(\$8,184)	(\$30,649)	(\$388,609)	3.00	(\$228,973)	\$18,658	\$52,410	(\$157,905)	

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. These amounts represent this program's allocation of costs to fund this pay plan.

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

DP 60003 - Reimbursement Section FTE - The legislature provided \$47,964 general fund for FY 2011 to fund 1.00 FTE in the reimbursement section of BFSD to supervise and assist with the financial investigation and collection processes for residents at the DPHHS institutions.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, with editing by LFD staff for brevity and to include any legislative changes.

Justification: This position is needed to supervise and assist with the financial investigation and collection processes for residents at the DPHHS Institutions (Montana State Hospital MSH, Montana Developmental Center MDC, Montana Chemical Dependency Center MCDC, Mental Health Nursing Care Center MHNCC, and Montana Veteran's Home in Columbia Falls). The additional 1.00 FTE is expected to provide an effective return on investment through follow-up with residents to gather and analyze financial information; determine ability to pay by the residents or their resources; interface with the Institutional Reimbursement Section's billing staff to bill Medicare, Medicaid, insurance and other resources of the residents. The Institutional Reimbursement Section generates approximately \$19 - \$20 million annually in reimbursements that are used in part to make payments on MSH and MDC bonds, and to deposit the balance received as revenue to the general fund.

Goal: Improve the effectiveness and timeliness of the financial investigation and collection processes for residents at the DPHHS Institutions.

Performance Criteria: 1) The determination of a resident's ability to pay through private insurance, Medicaid, Medicare, Disability Social Security, or Veteran's benefits, and billing the resident should be completed within 90 days; and 2) Responding to questions from the institutions mentioned above regarding a resident's statement or claim should be completed within 30 days.

Milestones: Activities will be measured at the end of each fiscal year beginning with FY 2009.

Risk: The risk would be the potential loss of general fund revenue to fund costs at the DPHHS's institutions.

DP 60004 - Internal Controls FTE - The legislature provided total funding of \$158,358 in FY 2011 for:

- \$82,469 in salaries for 2.00 FTE in the business services bureau to enhance internal controls over the fiscal operations of the department;
- \$70,339 in contracted services for an internal audit review of the internal control structure and data systems, to provide training to department staff in internal controls and fraud detection, and for assistance in preparing a continuous improvement plan for managing collections and receivables activities; and
- \$5,550 for equipment and computer hardware.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. It was submitted by the agency, with editing by LFD staff for brevity and to include any legislative changes.

Justification: One FTE would be lead accountant over the accounts receivable section to enhance internal controls over collections, receivables, and department assets. This position would provide for greater separation of duties over receipting, depositing, recording, reporting and reconciling in the accounts receivable section.

One FTE will provide internal controls over system development. This position would participate in the design, development and enhancement of department database systems by providing guidance on effective internal controls, including adequate documentation trails for audit purposes, budgeting and expenditure processing, reporting and reconciliation with department subsystems, and coordinating payment and receipting features in the systems with other department systems and SABHRS.

Contracted services would: 1) obtain internal audit review of the division's internal control structure and data system; 2) provide training to department staff in internal controls and fraud detection; and 3) obtain assistance in preparation of a continuous improvement plan for managing collections and receivables activities.

Goal: Enable continuous improvement in the DPHHS internal control environment by maintaining an internal control structure that promotes efficient and documented compliance with applicable laws and regulations and encouraging business processes that enhance the effectiveness and efficiency of department operations.

Performance Criteria: The objective will be measured by identification of the major financial processes at the beginning of the 2011 biennium, and conducting a risk assessment and mitigation process each year.

Milestones: The objective is met when 100 percent of identified major financial processes are assessed and mitigation activities are completed.

Risk: Major system development without planning and oversight for fiscal and internal control functionality could leave the department vulnerable to risk in providing payments, benefits and service resources to the right people, at the right time, and in the right amount. There is also a risk to the state in timeliness and internal controls over the receivables and collections process.

DP 60010 - Remove Remodel and Relocation Funds from the Base - The legislature reduced the base budget of the Business and Financial Services Division by \$320,000 general fund each year of the biennium to eliminate one-time costs.