

Branch Budget Comparison

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

Branch Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	250.84	250.84	254.34	254.34	250.84	254.34	3.50	1.40%
Personal Services	14,454,328	14,606,442	15,132,177	15,125,209	29,060,770	30,257,386	1,196,616	4.12%
Operating Expenses	25,194,211	23,561,425	24,830,810	25,309,925	48,755,636	50,140,735	1,385,099	2.84%
Equipment & Intangible Assets	110,563	352,787	110,563	110,563	463,350	221,126	(242,224)	(52.28%)
Grants	554,578	550,380	554,578	554,578	1,104,958	1,109,156	4,198	0.38%
Debt Service	148,871	272,707	148,871	148,871	421,578	297,742	(123,836)	(29.37%)
Total Costs	\$40,462,551	\$39,343,741	\$40,776,999	\$41,249,146	\$79,806,292	\$82,026,145	\$2,219,853	2.78%
General Fund	15,604,180	14,472,372	14,996,605	15,142,723	30,076,552	30,139,328	62,776	0.21%
State Special	1,966,753	2,068,890	2,584,865	2,652,668	4,035,643	5,237,533	1,201,890	29.78%
Federal Special	22,891,618	22,802,479	23,195,529	23,453,755	45,694,097	46,649,284	955,187	2.09%
Total Funds	\$40,462,551	\$39,343,741	\$40,776,999	\$41,249,146	\$79,806,292	\$82,026,145	\$2,219,853	2.78%

Branch Description

Operations Services Branch

The Operations Services Branch (Branch) provides budget management, accounting, and operations. The divisions/offices under this branch are:

- Management and Fair Hearings Office (MFH)
- Business & Financial Services Division (BFSB)
- Quality Assurance Division (QAD)
- Technology Services Division (TSD)

Branch Highlights

Operations Branch Major Budget Highlights
<ul style="list-style-type: none"> ◆ The legislature increased total funding for the division by 2.8% from the 2011 biennium primarily through increases in: <ul style="list-style-type: none"> • Statewide present law adjustments across the four divisions • The medical marijuana program that is funded from medical marijuana registry fees • Contracted services and operating costs, the largest appropriation of which was over \$3.0 million total funds (\$508,338 general fund) for major information technology system maintenance and enhancements including the TANF and SNAP systems ◆ Increases were partially offset by reductions of over \$2.5 million total funds (almost \$1.3 million general fund) adopted by the legislature ◆ State special revenue for the branch increases by nearly 30% over the 2011 biennium due to increased staff and operational support for the medical marijuana registry and program costs, including those associated with the passage of SB 423, which revised the medical marijuana laws

Summary of Legislative Action

As shown in the introductory program budget comparison, the legislature approved an Operations Branch budget for the 2013 biennium that is almost 3% higher than the 2011 biennium primarily due increases that include:

- Statewide present law adjustments for personal services and fixed costs across the four divisions
- Increases in the medical marijuana program that are funded with state special revenue from medical marijuana registry fees that primarily impact the Quality Assurance Division
- Increases in contracted services for DPHHS Information Technology (IT) system maintenance and enhancement that primarily impact the Technology Services Division

The increases are offset by the reductions over the biennium in statewide present law adjustments including vacancy savings and fixed costs, and reductions in operating costs. Other reductions for the operations branch were about \$2.3 million in total funds and nearly \$1.3 million general fund for the divisions, primarily including:

- Business and Financial Services
 - \$50,062 general fund (\$126,507 total funds) for reductions in operations
 - \$66,214 general fund (\$166,782 total funds) for general supplies, travel, training, and temporary services
- Quality Assurance Division
 - \$270,438 general fund for: 1) a 4% reduction in personal services that reduced general fund by \$170,896 and replaced it with an increase of equal amount in state special revenue; and 2) a reduction in general fund of \$99,542 (\$111,384 total funds) for operating costs
- Technology Services Division
 - Nearly \$252,000 general fund (over \$553,000 total funds) for operations reductions, systems efficiencies, and to reduce system maintenance and enhancement costs
 - Nearly \$700,000 of general fund to reduce printing and postage costs by using e-mail, reductions for IT system operations and by going to a five year replacement cycle for computers, as well as a \$290,114 general fund (\$1,294,160 total funds) for reductions in facilities management contracts for some legacy systems
- Management and Fair Hearings
 - \$2,532 general fund for reductions in MFH operations
 - \$6,440 general fund (\$16,212 total funds) for temporary services and travel

Funding

The following table shows program funding, by source. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Branch Funding 2013 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
06 Business & Financial Services Division	\$ 7,134,596	\$ 1,329,018	\$ 9,488,540	\$ 17,952,154	21.89%
08 Quality Assurance Division	4,742,305	1,703,150	11,655,817	18,101,272	22.07%
09 Technology Services Division	17,328,137	2,134,639	24,157,971	43,620,747	53.18%
16 Management And Fair Hearings	934,290	70,726	1,346,956	2,351,972	2.87%
Grand Total	<u>\$ 30,139,328</u>	<u>\$ 5,237,533</u>	<u>\$ 46,649,284</u>	<u>\$ 82,026,145</u>	<u>100.00%</u>

The branch receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions serving programs throughout department.

General fund and much of the state special revenue used by the branch primarily serves as match for federal funds. General fund also supports contracted system development; maintenance and enhancement for technology projects serving the entire agency including the Medicaid, TANF, and SNAP eligibility and benefit systems; and the Child and Adult Protective Services system. There is also general fund used in support of some administrative functions and services for which there is no federal support such as licensure for assisted living facilities.

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

- Technology Services Division - Over \$17.3 million, primarily to support system development, project management, system maintenance and enhancement as well as contracted system work for Information Technology systems serving the entire agency
- Business and Financial Services Division - Over \$7.1 million to support its role as the centralized business center for the agency for costs associated with department-wide accounting, payroll, and purchasing services as well as the facility reimbursement function, costs for the Statewide Accounting, Budget and Human Resource System (SABHRS), and the agency-wide fixed costs and audit
- Quality Assurance Division - \$4.7 million for use in its oversight, licensing, certification, and compliance functions as well as state match for eligible costs in Medicaid, Title IV-E (foster care) and federal discretionary child care funds, community residential facilities, and program compliance and state licensure for assisted living or other facilities that receive no federal support
- Management and Fair Hearings - \$934,000 to support the staff and functions of the Office of Fair Hearings and the agency-wide Office of Budget and Finance

The \$5.2 million of state special revenue appropriated across the biennium primarily supports agency-wide fixed costs and functions associated with special fund sources supporting costs of the medical marijuana registry as well as Healthy Montana Kids related system development, network connections, on-line application, as well as the Kids Insurance Determination System. State special revenue also supports some lien and estate recoveries for Medicaid services and alcohol taxes funding staff and operational costs for chemical dependency program licensure in the Quality Assurance Division.

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

Expenditures by Division

Personal Services

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

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

Operations

The legislature provided \$50.1 million in total funds over the biennium for operating costs to support:

- \$35.3 million total funds for TSD to support the contracted computer system development and maintenance contracts and IT services charged by the Department of Administration (DOA) for server hosting, enterprise services, asset broker, and network services. The costs reflect the fact that TSD provides technology support and manages contracted services for technology projects that serve the entire agency
- \$11.0 million total funds for BFS in operating expenses, reflective of its function as the centralized business center for the agency
- About \$3.9 million total funds for QAD and MFH to support general operations

Contingent Language Appropriation

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

Medicare and Medicaid Services (CMS) must be reimbursed the FMAP share of net recoveries after the contingent fee to the contractor has been paid. Full text of the language is contained in the Quality Assurance Division.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	15,604,180	15,604,180	31,208,360	103.55%	40,462,551	40,462,551	80,925,102	98.66%
Statewide PL Adjustments	(130,285)	(226,845)	(357,130)	(1.18%)	(31,605)	(228,252)	(259,857)	(0.32%)
Other PL Adjustments	(37,149)	275,317	238,168	0.79%	1,001,589	1,647,277	2,648,866	3.23%
New Proposals	(440,141)	(509,929)	(950,070)	(3.15%)	(655,536)	(632,430)	(1,287,966)	(1.57%)
Total Budget	\$14,996,605	\$15,142,723	\$30,139,328		\$40,776,999	\$41,249,146	\$82,026,145	

Executive Budget Comparison

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

Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg – Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg – Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	250.84	254.34	254.34	0.00	254.34	254.34	0.00	
Personal Services	14,454,328	15,132,177	15,132,177	0	15,125,209	15,125,209	0	0
Operating Expenses	25,194,211	25,873,091	24,830,810	(1,042,281)	26,286,343	25,309,925	(976,418)	(2,018,699)
Equipment & Intangible Assets	110,563	110,563	110,563	0	110,563	110,563	0	0
Grants	554,578	554,578	554,578	0	554,578	554,578	0	0
Debt Service	148,871	148,871	148,871	0	148,871	148,871	0	0
Total Costs	\$40,462,551	\$41,819,280	\$40,776,999	(\$1,042,281)	\$42,225,564	\$41,249,146	(\$976,418)	(\$2,018,699)
General Fund	15,604,180	15,386,374	14,996,605	(389,769)	15,535,585	15,142,723	(392,862)	(782,631)
State/Other Special	1,966,753	2,480,179	2,584,865	104,686	2,551,483	2,652,668	101,185	205,871
Federal Special	22,891,618	23,952,727	23,195,529	(757,198)	24,138,496	23,453,755	(684,741)	(1,441,939)
Total Funds	\$40,462,551	\$41,819,280	\$40,776,999	(\$1,042,281)	\$42,225,564	\$41,249,146	(\$976,418)	(\$2,018,699)

The decrease in funding between the legislative budget and the executive request for general fund and federal special funds in both years of the biennium is due to the legislative reductions discussed earlier. There is further discussion in the following write-ups for each division.