

**Program Proposed Budget**

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	340.45	(6.35)	0.00	334.10	(6.45)	0.00	334.00	334.00
Personal Services	13,413,633	1,674,415	0	15,088,048	1,681,002	0	15,094,635	30,182,683
Operating Expenses	3,595,357	131,727	0	3,727,084	164,048	0	3,759,405	7,486,489
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Grants	5,445,386	0	1,500,000	6,945,386	0	1,600,000	7,045,386	13,990,772
Benefits & Claims	23,684,654	2,741,989	157,000	26,583,643	4,190,718	157,000	28,032,372	54,616,015
Transfers	0	0	0	0	0	0	0	0
Debt Service	88,687	0	0	88,687	0	0	88,687	177,374
<b>Total Costs</b>	<b>\$46,227,717</b>	<b>\$4,548,131</b>	<b>\$1,657,000</b>	<b>\$52,432,848</b>	<b>\$6,035,768</b>	<b>\$1,757,000</b>	<b>\$54,020,485</b>	<b>\$106,453,333</b>
General Fund	20,903,608	2,924,071	0	23,827,679	3,802,688	0	24,706,296	48,533,975
State/Other Special	1,451,685	1,429	0	1,453,114	1,441	0	1,453,126	2,906,240
Federal Special	23,872,424	1,622,631	1,657,000	27,152,055	2,231,639	1,757,000	27,861,063	55,013,118
<b>Total Funds</b>	<b>\$46,227,717</b>	<b>\$4,548,131</b>	<b>\$1,657,000</b>	<b>\$52,432,848</b>	<b>\$6,035,768</b>	<b>\$1,757,000</b>	<b>\$54,020,485</b>	<b>\$106,453,333</b>

**Program Description**

The Child and Family Services Division (CFSD) is responsible for administration of programs related to: child protective services (child abuse and neglect) including prevention services; domestic violence prevention grants; and other programs designed to keep children safe and families strong. CFSD organizational structure includes a number of local offices, and five regional offices that are advised by local family services advisory councils, which serve as the link between local communities and the division. CFSD is the primary user of the Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and 1370.

**Program Highlights**

<b>Child and Family Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• Total funding for the division increases 10 percent when the 2005 and 2007 biennia are compared. General fund support increases 18 percent between the two biennia</li> <li>• The majority of the general fund increase (\$3.5 million of the \$4.9 million requested) supports foster care and subsidized adoption caseload increases</li> <li>• Federal funds increase due to caseload increases and increases in federal grants</li> <li>• Federal Child and Family Service Review (CFSR) and IV-E eligibility reviews completed in recent years found Montana out of compliance with federal program regulations and subject to potential financial penalties (\$3.4 million) and disallowance of costs (\$0.3 million) claimed for federal reimbursement</li> </ul>

Major LFD Issues
<ul style="list-style-type: none"> <li>• Compliance with federal regulations and performance improvement plans</li> <li>• Request for supplemental appropriation for FY 2005 is \$1.1 million due to the loss of federal reimbursement due to compliance issues. The total anticipated deficit in this division is estimated to be \$3.7 million. The department hopes to mitigate \$2.6 million of this deficit</li> <li>• Most recent department projections indicate that foster care caseload is understated and general fund needed is \$1.4 million greater than the executive budget due to increasing caseload and the loss of federal funding due to compliance issues</li> <li>• Some decision packages are funded with a greater percentage of general fund than the base budget expenditures</li> </ul>



### Program Narrative

The following narrative discusses a number of issues related to the provision of child welfare services in Montana. Several of these issues relate to compliance with federal requirements and performance improvements that are necessary to achieve this compliance. These issues arise, in part, due to changes that have been in progress at the federal level since passage of the Adoption and Safe Families Act (ASFA) in 1997. Since the passage of ASFA, the federal agency responsible for oversight of child welfare programs has been moving toward program evaluation and compliance based upon outcome performance measures. This narrative attempts to provide the reader a synopsis of federal review findings for Montana.

### Federal Reviews

In the past two to three years, CFSD has been the subject of two federal reviews. In August of 2002 the division had its first federal Child and Family Service Review (CFSR) by the Administration of Children and Families, the federal agency responsible for oversight and management of the federal foster care and adoption programs operated under Title IV-E of the Social Security Act.<sup>1</sup> Since the passage of the federal Adoption and Safe Families Act (ASFA) in 1997, states have been reviewed utilizing revised criteria that focus on the achievement of positive outcomes for children. Since the inception of this new type of review, no state has achieved compliance with all of the performance measures, and every state reviewed to date has been required to enter into a performance improvement plan (PIP). Montana's PIP was approved by the federal agency in January of 2004. The estimated penalty to the state as a result of the findings of the CFSR was a \$3.4 million reduction in federal funds.

Montana's CFSR found that:

- The state met the national standards for three of the six standards
- The state achieved substantial conformity for one of seven outcomes
- The state achieved substantial conformity for five of seven systemic factors
- Montana did not meet national standards related to
  - The incidence of repeated maltreatment
  - The number of re-entries into foster care
  - The stability of foster care placement
- Montana did not achieve conformity with the following outcomes:
  - Children are first and foremost, protected from abuse and neglect

<sup>1</sup> Federal reimbursement for foster care and subsidized adoption costs is available under Title IV-E of the Social Security Act. Benefit and claims costs are shared with states based upon the Medicaid participation rate. For Montana this means the federal government reimburses about 70 percent of the costs and the state share is about 30 percent. Administrative costs are reimbursed on a 50/50 state/federal matching ratio. In order for costs to be eligible for reimbursement, the child must be financially eligible as determined by applying the Aid for Dependent Children (AFDC) criteria that the state had in place on July 16, 1996, and a number of programmatic requirements such as required court hearings, reviews and case documentation must be fulfilled.

- Children are safely maintained in their homes whenever possible and appropriate
- Children have permanency and stability in their living situations
- The continuity of family relationships and connections is preserved for children
- Children receive adequate services to meet their physical and mental health needs
- Montana did not achieve substantial conformity with systemic factors related to case review and quality assurance systems.

Among the strengths and weaknesses of Montana's child welfare system noted by the CFSR were:

- Strengths
  - Diligent efforts are being made to maintain children safely in their homes
  - Children are placed in close proximity to their families and with siblings when it is appropriate to do so
  - Children's educational needs are met
  - Ongoing training addressing the skills and knowledge to perform job duties is provided to staff
  - Services offered are individualized to the unique needs of children and families
- Weaknesses
  - Timeliness of investigation of reports of child maltreatment
  - Not assessing the needs of, nor providing services to parents, foster parents and children
  - Not visiting with children and parents frequently enough to monitor and promote the safety and well-being of children
  - Not meeting the physical, dental, or mental health needs of children
  - Not operating a quality assurance system
  - Services are not accessible to families and children in all location in the state

In addition to this review, a review of federal IV-E eligibility compliance was completed in June of 2003. The Title IV-E foster care eligibility review included 80 cases. Of those 80 cases, 22 cases were found to be in error in either all or part of the review period and 7 cases, while not defined as an error case, had a disallowance. Because the number of error cases exceeded four, administration for children and families determined Montana not in substantial compliance with federal IV-E eligibility requirements. As a result Montana must enter into a PIP designed to correct these errors. Per the review report, "An analysis of the error and disallowance cases reveals that the majority of the errors relate to court findings." As a result of this review, \$317,752 of reimbursement claimed under the federal IV-E program was disallowed and must be repaid. The Title IV-E eligibility review also noted a number of strengths and areas needing improvement, including:

- Strengths
  - Staff and judicial training has been done and a judge's handbook was distributed
  - The state regional administrators have worked with their judicial components
  - The division is implementing a quality assurance system
  - Eligibility determination functions will be transferred to CFSD and it is anticipated this will lead to greater consistency
  - The state is committed to continuing agreements with tribes for the pass through of IV-E funding for eligible tribal cases
- Needing Improvement
  - Staff training for tribal, court and child welfare staff regarding IV-E requirements
  - Documentation of hearings/court orders
  - Timeliness of permanency hearings
  - Temporary Investigative Authority (TIA) orders preceding removal by significant amounts of time are not acceptable as removal orders
  - A quality assurance process is needed
  - Eligibility is currently a bi-furcated system with determination done by a separate division leading to issues regarding consistency, documentation, accuracy and timeliness
  - There appears to be an over use of long term foster care
  - Juvenile justice cases do not appear to be in compliance with IV-E requirements.

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The CFSR completed by the Administration for Children and Families (final report issued January 14, 2003) estimated the penalty to Montana as result of issues identified by the review to be about \$3.4 million. This equates to more than 7 percent of the division’s base budget. However, if the state engages in a PIP (performance improvement plan) designed to correct the areas of non-compliance, the penalties are suspended pending completion of the PIP or specific benchmarks within the PIP. If the state successfully completes the PIP, the penalty is rescinded. The legislature may wish to:

- Request that the division review its PIP, and the status and likelihood of successful completion of the PIP, with the Joint Appropriation Subcommittee on Health and Human Services
- Review department policy on the frequency and type (face-to-face, phone, etc) of contact workers are required to make with foster children in care and the foster parents caring for them. Given the national media coverage of issues related to child welfare, such as loss of children within the foster care system, the legislature may wish to consider whether or not department policies are adequate to prevent similar incidents from happening in Montana
- Review the accessibility and funding for physical, dental and mental health services for children in the foster care system. The CFSR found a weakness in this area that is likely connected with known or suspected issues in Medicaid systems such as access to providers and coverage for services. Medicaid is the primary insurance coverage for children in foster care because children in foster care are categorically eligible for Medicaid services during their stay in out-of-home placement.

*Caseload Increases*

Historical increases in the number of foster care and subsidized adoption clients and related costs are illustrated in Figures 24 and 25.

Figure 24

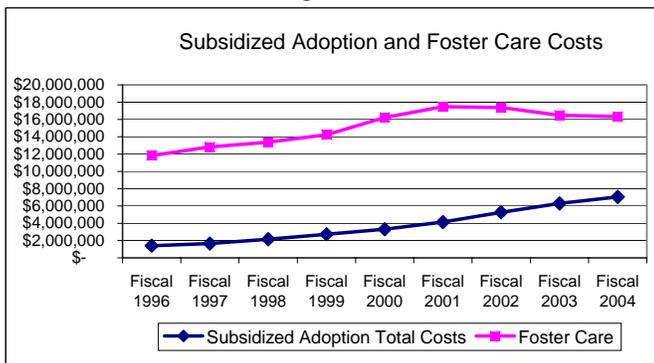
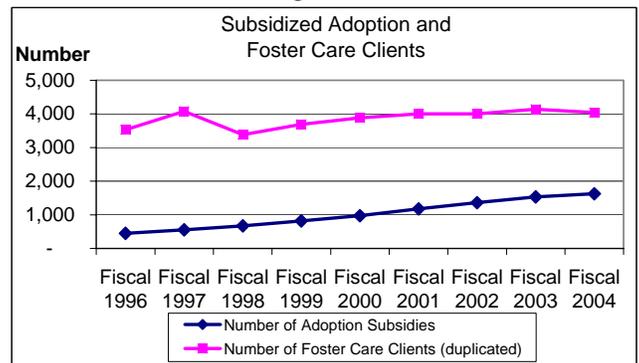


Figure 25



Subsidized Adoption

The requested budget for the 2007 biennium includes increases of \$2.7 million general fund (\$5.7 million total funds) for subsidized adoption caseload increases. The executive budget projects that subsidized adoption costs will increase slightly more than 17 percent between FY 2004 and 2005 and about 13 percent per year in FY 2006 and 2007. Both the number of subsidies and the cost per client is expected to increase. Adoption subsidies continue to increase because the number of children placed with an adoption subsidy each year is greater than the number of children “aging out” and no longer receiving subsidies. The average cost per subsidy increases because new subsidies are generally negotiated at a higher reimbursement rate than the subsidies negotiated a number of years ago. Thus, the subsidized adoption caseload is the result of cumulative increases in the number and costs of adoption subsidies.

Subsequent to completion of the executive budget request, the department revised its estimate of subsidized adoption costs downward. The most recent department projection estimates that the executive budget request for subsidized adoption costs for the 2007 biennium is overstated by \$1,040,152 total funds and \$545,215 general fund.

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Between 1997 and 2004 the average number of adoption subsidies completed each year has been about 147. However, it appears that only about 95 adoptions subsidies were completed in FY 2004. Based upon comparison of year-to-date data for the same point in time in FY 2004 and FY 2005, it appears that the number of adoption subsidies completed in FY 2005 will be more similar to the number completed in FY 2004 than the historical average. Thus, the rate of increase in the subsidized adoption caseload appears to be declining rather dramatically (FY 2004 completed adoption subsidies of 95 is only 65 percent of the historical annual average of 147). Given the decrease in the number of adoption subsidies completed between FY 2003 and 2004 and that data for the first quarter of FY 2005 indicates this trend is continuing in FY 2005, the department estimate of subsidized adoption costs, although revised to a lower level, may be greater than will actually occur. Legislative staff estimates indicate that the executive budget request for subsidized adoption costs may be overstated by as much as \$1.6 million total funds and \$0.75 million general fund.

Foster Care

The requested budget for the 2007 biennium includes increases of \$0.7 million general fund (\$1.2 million total funds) for foster care caseload. The executive budget estimates that total foster care costs will increase by 1.5 percent per year each of the three years between FY 2005 and 2007. Total foster care costs decreased about \$0.8 million between FY 2002 and 2003, and there were also slight decreases in costs between FY 2001 and 2002, and FY 2003 and 2004. Since reaching a high of \$17.5 million in FY 2001, foster care costs have decreased about \$1.2 million to \$16.3 million in FY2004.

During this time the number of children receiving foster care services has remained relatively constant. Thus, the change in costs is likely related to a change in the mix of services utilized to meet the needs of the children in care. The division does not expect this short-term trend in decreasing costs to continue.

The methodology used by the department to project foster care costs included in the executive budget does not appear to be the same methodology as used to project subsidized adoption costs, but rather appears to be a simple application of a percentage (1.5 percent) to the total costs for each year between FY 2005 and 2007. It is unclear how the department arrived at this projected percentage increase in foster care costs.

Subsequent to completion of the executive budget request, the department revised its estimate of foster care costs upward. The most recent department projection estimates that the executive budget request for foster care costs for the 2007 biennium is understated by \$2,058,079 total funds and \$1,901,722 general fund.

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While the percentage increase projected by the department mirrors the average annual rate of change (1.7 percent) in the number of clients between FY 1996 and 2004, it is lower than the average annual rate of change in total foster care costs (4.1 percent) during the same period. If one assumes that the number of clients increases 1.5 percent and there is no change in the average costs per client the requested budget increase is likely to be adequate. Embedded in the assumption that the average cost per client does not change are assumptions that increases in the costs of services can be mitigated or avoided by the division, the overall mix of services provided to clients does not change, and the overall intensity of client needs does not demand more expensive services. Therefore, it would seem more likely that the change in foster care caseload costs would follow the historical trend in total costs than the trend in number of clients. If 2007 biennium costs are similar to the average annual rate of change the anticipated increase would more likely be about 4 percent per year or about \$2.1 million total funds and almost \$1.0 million general fund higher than the executive budget.

The legislature may wish to:

- Discuss with the division the potential ramifications to the program if foster care costs exceed the level requested
- Have the division outline what steps it would take to control and limit foster care costs in the event the caseload costs increases exceed 1.5 percent per year in FY 2006 and FY 2007, particularly given that an increase in excess of 7 percent is anticipated in FY 2005

*Supplemental Appropriation and Revision of Caseload Estimates*

The executive plans to request a \$1.1 million supplemental appropriation for this division. This supplemental appropriation is necessary due to loss of federal funding related to federal compliance issues. The FY 2005 deficit for this division is estimated to be \$3.7 million. The department hopes to mitigate \$2.6 million of the deficit. As of this writing, administrative and benefit reductions have been implemented within the division in an effort to mitigate the projected deficit, but no reductions have been implemented elsewhere in the department to assist with mitigation.

The division anticipates a deficit of this magnitude because they have identified a number of federal compliance issues resulting in a reduction in the percentage of cases eligible for federal Title IV-E reimbursement. As of this writing, division staff indicated that the percentage of children eligible for federal reimbursement had dropped from 60 percent, which was used to develop the FY 2005 budget, to about 38 percent. The division is pursuing a number of efforts internally and externally to resolve the compliance issues and hopes to raise the percentage of IV –E eligible children to about 50 percent.

Additionally, this time period is the period that will be under review by the federal agency during the federal Title IV-E eligibility review scheduled for next year. The results of this federal review will be applied to the total population claimed for federal reimbursement to determine the amount of any disallowances or repayments that may be owed to the federal government. Because the review completed in June, 2003 was an initial review, disallowances and repayments were applied only to the cases reviewed, not the entire population of cases.

*2005 Biennium Refinancing Efforts*

The 2003 legislature reduced general fund support for the division by about \$3 million annually to reflect several refinancing efforts that were to occur during the 2005 biennium. The refinancing efforts impacting the CFSD budget included:

- Implementation of Medicaid targeted case management for children in the child welfare system
- Increased federal IV-E reimbursement via improved documentation and IV-E eligibility determinations including shifting responsibility for IV-E eligibility determinations from the Human and Community Service Division to CFSD
- Increased social security contributions towards the costs of care via improved processes and staff specifically designated to pursue social security on behalf of children in care

Department estimates of the financial impacts of these refinancing efforts were not available at the time of this publication.

*Summary of Benefits and Grants*

Figure 26 on the following page summarizes the costs and funding of benefit and claims costs, and grants for FY 2004 and the 2007 biennium. Foster care and subsidized adoption costs combined comprise more than 98 percent of the benefit and claims costs of the division. Funds for in-home and reunification services comprise almost 34 percent of the grant expenditures for the division. Tribal contracts and contracts to provide stipends to students obtaining degrees in social work (BSW or MSW), both funded predominately with federal Title IV-E funding, comprise more than 45 percent of the grant expenditures. Domestic Violence prevention and awareness grants comprise 14 percent of the grant funds administered by the division.

**Figure 26**  
**Child and Family Services Division**  
**Summary of Benefit and Grant Costs and Funding**

Program	Fiscal 2004 Base				Fiscal 2006 Requested				Fiscal 2007 Requested				Percent Total
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	
<b>Benefits &amp; Claims</b>													
Foster Care	\$8,617,133	\$1,319,848	\$6,397,607	\$16,334,588	\$9,030,107	\$1,318,443	\$6,464,104	\$16,812,654	\$9,199,527	\$1,318,467	\$6,544,502	\$17,062,496	60.9%
Subsidized Adoption	3,374,032	-	3,687,409	7,061,441	4,618,116	-	4,707,248	9,325,364	5,228,429	-	5,295,822	10,524,251	37.5%
Chafee - Independent Living	-	-	102,081	102,081	-	-	102,081	102,081	-	-	102,081	102,081	0.4%
Chafee - ETB - BA	-	-	-	-	-	-	157,000	157,000	-	-	157,000	157,000	0.6%
Children's Trust Fund	-	3,677	96	3,773	-	3,677	96	3,773	-	3,677	96	3,773	0.0%
CPS Child care	-	-	4,646	4,646	-	-	4,646	4,646	-	-	4,646	4,646	0.0%
Domestic Violence	764	532	4,983	6,280	764	532	4,983	6,280	764	532	4,983	6,280	0.0%
In home and Reunification	93,327	-	74,787	168,114	93,327	-	74,787	168,114	93,327	-	74,787	168,114	0.6%
Regional Office Admin	436	-	732	1,168	456	-	712	1,168	457	-	711	1,168	0.0%
Central Office	1,250	12	1,301	2,563	1,066	8	1,489	2,563	1,066	8	1,489	2,563	0.0%
<b>Total Benefits &amp; Claims</b>	<b>\$12,086,943</b>	<b>\$1,324,069</b>	<b>\$10,273,642</b>	<b>\$23,684,654</b>	<b>\$13,743,837</b>	<b>\$1,322,660</b>	<b>\$11,517,146</b>	<b>\$26,583,643</b>	<b>\$14,523,571</b>	<b>\$1,322,684</b>	<b>\$12,186,117</b>	<b>\$28,032,372</b>	<b>100.0%</b>
<b>Grants</b>													
Central Office	\$237,959	\$2,292	\$247,748	\$487,999	\$237,959	\$2,292	\$1,447,748	\$1,687,999	\$237,959	\$2,292	\$1,447,748	\$1,687,999	24.0%
Tribal Contracts	301,897	-	1,140,142	1,442,039	301,897	-	1,140,142	1,442,039	301,897	-	1,140,142	1,442,039	20.5%
CAPTA - Basic State Grant	-	-	20,000	20,000	-	-	20,000	20,000	-	-	20,000	20,000	0.3%
Children's Trust Fund	-	30,618	801	31,419	-	30,618	801	31,419	-	30,618	801	31,419	0.4%
Chafee - Independent Living	-	-	351,981	351,981	-	-	351,981	351,981	-	-	351,981	351,981	5.0%
Community Based Challenge	-	-	133,372	133,372	-	-	133,372	133,372	-	-	133,372	133,372	1.9%
Domestic Violence	122,510	85,343	798,863	1,006,716	122,510	85,343	798,863	1,006,716	122,510	85,343	798,863	1,006,716	14.3%
In-home & Reunification	1,094,666	0	877,194	1,971,860	1,094,666	0	1,177,194	2,271,860	1,094,666	0	1,277,194	2,371,860	33.7%
<b>Total Grants</b>	<b>\$1,757,031</b>	<b>\$118,253</b>	<b>\$3,570,101</b>	<b>\$5,445,386</b>	<b>\$1,757,031</b>	<b>\$118,253</b>	<b>\$5,070,101</b>	<b>\$6,945,386</b>	<b>\$1,757,031</b>	<b>\$118,253</b>	<b>\$5,170,101</b>	<b>\$7,045,386</b>	<b>100.0%</b>

## Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the executive.

Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 20,903,608	45.2%	\$ 23,827,679	45.4%	\$ 24,706,296	45.7%
02089 Child Abuse & Neglect Program	31,103	0.1%	31,103	0.1%	31,103	0.1%
02209 Third Party Contributions-F.C.	1,320,071	2.9%	1,320,071	2.5%	1,320,071	2.4%
02376 02 Indirect Activity Prog 03	7,836	0.0%	9,282	0.0%	9,293	0.0%
02473 Assault Intervention & Trtmnt	85,972	0.2%	85,955	0.2%	85,956	0.2%
02496 Family Preservation Conference	6,703	0.0%	6,703	0.0%	6,703	0.0%
03109 Tanf Benefits	1,799,999	3.9%	1,799,999	3.4%	1,799,999	3.3%
03224 Access & Visitation Grt 93.597	95,205	0.2%	95,205	0.2%	95,205	0.2%
03458 6901 - Chafee - Etv 93.599	-	-	157,000	0.3%	157,000	0.3%
03522 93.556 - Family Preservation	962,847	2.1%	1,162,847	2.2%	1,262,847	2.3%
03526 93.643 - Child Justice	70,893	0.2%	70,893	0.1%	70,893	0.1%
03530 6901-Foster Care 93.658	6,611,618	14.3%	7,922,440	15.1%	7,960,394	14.7%
03531 6901-Subsidized Adopt 93.659	3,739,624	8.1%	4,794,859	9.1%	5,364,733	9.9%
03532 93.669 - Child Abuse	90,853	0.2%	90,853	0.2%	90,853	0.2%
03533 93.671 - Domestic Violence	804,747	1.7%	804,747	1.5%	804,747	1.5%
03534 93.672 - Child Abuse Challenge	147,342	0.3%	147,327	0.3%	147,328	0.3%
03536 93.674 - Iv-E Independent Livi	470,868	1.0%	570,859	1.1%	570,859	1.1%
03593 03 Indirect Activity Prog 03	<u>9,078,428</u>	<u>19.6%</u>	<u>9,535,026</u>	<u>18.2%</u>	<u>9,536,205</u>	<u>17.7%</u>
Grand Total	<u>\$ 46,227,717</u>	<u>100.0%</u>	<u>\$ 52,432,848</u>	<u>100.0%</u>	<u>\$ 54,020,485</u>	<u>100.0%</u>

As the funding figure illustrates, the division is funded from a variety of sources, with the precise funding and federal matching rates varying by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers as one factor in allocating funding the results of a random moment time study of social worker time spent on various activities. The major funding sources for the division include: general fund (almost 46 percent), federal foster care and adoption subsidy funds (almost 25 percent), and federal funds obtained through the cost allocation process (almost 18 percent). Most of the general fund supporting the division is used as matching funds to draw federal funds. The only major activity of the division that is supported entirely by the general fund is the centralized intake function.

## Biennial Budget Comparison

As Figure 27 illustrates, total funding for the division increases 10 percent and general fund support for the division increases 18 percent when the 2007 and 2005 biennia are compared. Personal service costs increase \$2.5 million or almost 9 percent, and benefit and claim costs, which are comprised largely of foster care and subsidized adoption cost, increase \$2.3 million or just over 4 percent. The grant category of expenditure increases the greatest amount of any category, \$5.0 million or more than 56 percent. This increase is largely due to anticipated increases in federal grants.

Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	340.45	334.00		(6.45)	
Personal Services	\$27,684,668	\$30,182,683	28.4%	\$2,498,015	9.0%
Operating	7,457,298	7,486,489	7.0%	29,191	0.4%
Equipment	22,955	-	0.0%	(22,955)	-100.0%
Capital Outlay	28,398	-	0.0%	(28,398)	-100.0%
Grants	8,944,313	13,990,772	13.1%	5,046,459	56.4%
Benefits/Claims	52,345,873	54,616,015	51.3%	2,270,142	4.3%
Debt Service	103,336	177,374	0.2%	74,038	71.6%
Total Costs	<u>\$96,586,841</u>	<u>\$106,453,333</u>	<u>100.0%</u>	<u>\$9,866,492</u>	<u>10.2%</u>
General Fund	\$40,970,711	\$48,533,975	45.6%	\$7,563,264	18.5%
State Special	3,446,235	2,906,240	2.7%	(539,995)	-15.7%
Federal Funds	<u>52,169,895</u>	<u>55,013,118</u>	<u>51.7%</u>	<u>2,843,223</u>	<u>5.4%</u>
Total Funds	<u>\$96,586,841</u>	<u>\$106,453,333</u>	<u>100.0%</u>	<u>\$9,866,492</u>	<u>10.2%</u>

**Present Law Adjustments**

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

**LFD COMMENT** Child protective services (CPS) social workers and social work supervisor positions were moved to pay plan 20 (broad banding), which allows agencies more flexibility in salary levels. The department stated that this action was taken to resolve an ongoing union dispute. The department estimated the increased costs due to this change are about \$640,000 annually and that about 60 percent of that amount (\$384,000) is funded with general fund.

	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,087,764					2,081,953
Vacancy Savings					(620,051)					(619,828)
Inflation/Deflation					(31,665)					(30,773)
Fixed Costs					8,921					9,853
<b>Total Statewide Present Law Adjustments</b>					\$1,444,969					\$1,441,205
DP 15 - Subsidized Adoption Caseload Increase	0.00	1,079,891	0	1,184,032	2,263,923	0.00	1,651,760	0	1,811,050	3,462,810
DP 18 - Foster Care Caseload Increase	0.00	305,962	0	172,104	478,066	0.00	465,861	0	262,047	727,908
DP 35 - Annualize Medicaid Targeted Case Management Costs	0.00	356,941	0	0	356,941	0.00	374,991	0	0	374,991
DP 36 - FMAP Adjustment -Foster Care & Subsidized Adoption	0.00	265,392	0	(265,392)	0	0.00	375,104	0	(375,104)	0
DP 49 - Overtime - Replace Base Budget	0.00	72,000	0	48,000	120,000	0.00	72,000	0	48,000	120,000
DP 53 - Rent Increases	0.00	92,683	0	61,788	154,471	0.00	110,981	0	73,987	184,968
DP 9999 - Statewide FTE Reduction	(6.35)	(126,401)	0	(143,838)	(270,239)	(6.45)	(129,101)	0	(147,013)	(276,114)
<b>Total Other Present Law Adjustments</b>	<b>(6.35)</b>	<b>\$2,046,468</b>	<b>\$0</b>	<b>\$1,056,694</b>	<b>\$3,103,162</b>	<b>(6.45)</b>	<b>\$2,921,596</b>	<b>\$0</b>	<b>\$1,672,967</b>	<b>\$4,594,563</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$4,548,131</b>					<b>\$6,035,768</b>

DP 15 - Subsidized Adoption Caseload Increase – The executive requests \$2,731,651 in general fund (\$5,726,733 total funds) for the biennium to support caseload increases in the subsidized adoption program. The executive projects subsidized adoption costs will increase slightly more than 17 percent between FY 2004 and 2005 and about 13 percent per year in FY 2006 and 2007. Total subsidized adoption costs grow from \$7.1 million in FY 2004 to a projected \$10.5 million FY 2007.

**LFD ISSUE** Please refer to the division narrative for a discussion of subsidized adoption costs.

DP 18 - Foster Care Caseload Increase - The executive requests \$771,823 in general fund (\$1,205,974 total funds) for the 2007 biennium foster care caseload increase. The executive estimates that foster care costs will increase 1.5 percent per year.

**LFD ISSUE** Please refer to the division narrative for a discussion of foster care costs.

DP 35 - Annualize Medicaid Targeted Case Management Costs - The executive requests \$731,932 general fund for the biennium to annualize the impacts of implementation of Medicaid reimbursement for targeted case management (TCM) services provided to foster care children.

DP 36 - FMAP Adjustment -Foster Care & Subsidized Adoption - The executive requests \$640,496 general fund with an offsetting reduction in federal funds to include the impact of the change in the Federal Medical Assistance Participation Rate (FMAP) in the 2007 biennium budget for foster care and subsidized adoption benefit payments.

**LFD  
COMMENT**

Please refer to the agency narrative for a discussion of FMAP rates.

DP 49 - Overtime - Replace Base Budget - The executive requests \$144,000 general fund, (\$240,000 total funds) for the biennium for overtime compensation and the payout of compensatory time earned in excess of 120 hours. Per the division overtime may occur when social workers get called out at night or are required to work additional hours due to staff shortages.

**LFD  
ISSUE**

A review of historical expenditures indicates that between FY 2000 and 2004 the division averaged overtime compensation of about \$53,000 per year. During this time period the division also averaged expenditures of about \$72,000 per year for pay out of compensatory time earned in excess of 120 hours. Combined, these two categories of expenditure total about \$125,000.

This decision package is funded 60 percent from the general fund but the reporting level to which these costs are assigned received only 37 percent of its support in the base year from the general fund. Thus, it appears that general fund support for this decision package is overstated. The legislature may wish to modify the funding of the costs in this decision package and fund only 37 percent of the cost (\$44,400 annually) from the general fund rather than 60 percent as included in the budget request.

DP 53 - Rent Increases - The executive requests \$203,664 general fund (\$339,439 total funds) for the biennium for increased rent costs. The division pays rent in 39 local offices across the state. According to the division most of the rental agreements have been negotiated for several years into the future and include annual inflationary increases ranging from 1.5 percent to 3 percent except for the Billings office (one of the largest offices), which has a negotiated 5 percent increase per year.

Per the division, two major changes make up a significant portion of this rental increase. Due to the expiration of the lease and the sale of the building, the Missoula office has changed location effective July 2004. The new location is co-located with the Office of Public Assistance and resulted in a significant increase in costs per square foot (57 percent). Additionally, the current location of the Great Falls office was seen as inadequate due to safety concerns and inadequate space for confidential family meetings. The Great Falls office is negotiating a change of location and anticipates rent will increase 45 percent above the base year costs.

**LFD  
ISSUE**

This decision package is funded 60 percent from the general fund, but the reporting level to which these costs are assigned received only 37 percent of its base budget year support from the general fund. Thus, it appears that general fund support for this decision package is overstated. The legislature may wish to modify the funding of the costs in this decision package and fund only 37 percent of the cost (\$57,154 in FY 2006 and \$68,438 in FY 2007) from the general fund rather than 60 percent as included in the budget request.

DP 9999 - Statewide FTE Reduction - This decision package reduces general fund support for the division by \$255,502 and total funding by \$546,353 to annualize the personal services across-the-board reduction that was included in the 2005 biennium budget by the legislature.

**LFD  
COMMENT**

Please refer to the Statewide Perspectives, Volume 1 for a discussion of this reduction in personal services.

**New Proposals**

Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 152 - Increased Federal Grants										
03	0.00	0	0	300,000	300,000	0.00	0	0	400,000	400,000
DP 177 - Education and Training Vouchers for Foster Youth										
03	0.00	0	0	157,000	157,000	0.00	0	0	157,000	157,000
DP 178 - Social Services Stipend Program										
03	0.00	0	0	1,200,000	1,200,000	0.00	0	0	1,200,000	1,200,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,657,000</b>	<b>\$1,657,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,757,000</b>	<b>\$1,757,000</b>

DP 152 - Increased Federal Grants - The executive requests \$700,000 federal funds for the biennium for various grants including: 1) \$200,000 in FY 2006 and \$300,000 in FY 2007 for the Safe and Stable Families grant (Title IV-B, Subpart 2) and 2) \$100,000 per year for the Independent Living Grant. Both grants require a 20 percent match. The division states it has adequate matching funds in the base budget to draw the Safe and Stable Families grant and that the match for the Independent Living grant will be provided at the local level.

DP 177 - Education and Training Vouchers for Foster Youth - CFSD requests \$314,000 federal funds for the Education and Training Voucher (ETV) program, which is a newly authorized purpose under the Chafee Foster Care Independence Program (CFCIP). This grant targets resources to meet the specific education and training needs of youth aging out of foster care. This grant requires a 20 percent match, which is provided by the independent Casey Family Program.

DP 178 - Social Services Stipend Program - CFSD requests \$2.4 million federal funds for the biennium to provide stipends for social workers to obtain bachelor or master degrees in social work (BSW or MSW). The matching funds to support this program are provided by participating colleges. Currently, such a program (funded with federal IV-E funds) exists in conjunction with the University of Montana and Salish Kootenai College. BSW or MSW students may be provided a stipend in exchange for a commitment to work for a child welfare agency upon graduation (as required in federal regulations). In addition to the stipends, the schools also assisting in the selection process, create courses specifically focused on child protective services, collaborate with division staff in designing field practicum experiences, and provide other services.

**Language**

The Child and Family Services Division is authorized to pursue the hiring of five FTE provided these actions do not require or commit the state to additional general fund expenditures beyond the amount appropriated for the 2007 biennium by the legislature for this division.

<b>LFD ISSUE</b>	<p>While the division is not requesting any general fund support for these new FTE, the legislature may wish to consider the potential general fund impacts if these positions are funded. The state match necessary to draw these funds is 20 percent. It would seem that general fund for this purpose is most likely to become available due to:</p> <ul style="list-style-type: none"> <li>• Transfer of funds appropriated for another purpose</li> <li>• Use of funds that would otherwise likely revert to the general fund</li> </ul> <p>The potential impacts of these actions that the legislature might wish to consider are:</p> <ul style="list-style-type: none"> <li>• Fund could be diverted from an area that the legislature considers a higher priority than foster care independent living activities</li> <li>• In the event funds that otherwise would have reverted to the general fund are expended for this purpose general fund reversions would be decreased impacting the available general fund balance and if expended in the base year for the next biennium budget these funds would increase the base budget level of the division</li> </ul>
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