

**Program Proposed Budget**

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

Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Exec. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Exec. Budget Fiscal 2009	Total Exec. Budget Fiscal 08-09
FTE	76.50	0.00	0.00	76.50	0.00	0.00	76.50	76.50
Personal Services	3,176,444	389,003	0	3,565,447	399,009	0	3,575,453	7,140,900
Operating Expenses	5,234,268	262,648	0	5,496,916	(115,165)	0	5,119,103	10,616,019
Equipment	0	0	0	0	0	0	0	0
Debt Service	67,714	0	0	67,714	0	0	67,714	135,428
<b>Total Costs</b>	<b>\$8,478,426</b>	<b>\$651,651</b>	<b>\$0</b>	<b>\$9,130,077</b>	<b>\$283,844</b>	<b>\$0</b>	<b>\$8,762,270</b>	<b>\$17,892,347</b>
General Fund	3,639,824	121,093	0	3,760,917	(34,964)	0	3,604,860	7,365,777
State/Other Special	865,080	50,951	0	916,031	41,230	0	906,310	1,822,341
Federal Special	3,973,522	479,607	0	4,453,129	277,578	0	4,251,100	8,704,229
<b>Total Funds</b>	<b>\$8,478,426</b>	<b>\$651,651</b>	<b>\$0</b>	<b>\$9,130,077</b>	<b>\$283,844</b>	<b>\$0</b>	<b>\$8,762,270</b>	<b>\$17,892,347</b>

**Program Description**

Business and Financial Services Division (BFSD), formerly the Fiscal Services Division, 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.

Statutory authority is in Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, Title 50, Chapter 15, and Title 53, Chapter 1, Part 4, MCA.

**Program Highlights**

<b>Business and Financial Services Division Major Budget Highlights</b>	
◆	2009 biennium budget is 3.1 percent greater than the 2007 biennium budget due exclusively to present law adjustments
<b>Major LFD Issues</b>	
◆	The division may be missing a possibility to generate more revenue for the agency through institutional reimbursements

Formerly known as the Financial Services Division, this division was renamed the Business and Financial Services Division following a reorganization that moved the Internal Support, Budget, and Vital Records units to BFSD from the Technology Services Division (TSD), which was renamed the Operations and Technology Division. The reorganization was established at the end of FY 2005 following internal agency discussion and a decision to place only technology-related units under TSD and the other functions under BFSD where they better related to business or fiscal operations. Funding for a total of 21.5 FTE and increased operations was moved to BFSD through a budget amendment that increased the division’s personal services budget by about \$1.7 million and the operations budget by slightly more than \$3.7 million, bringing an additional \$5.4 million into the division for the biennium. A reduction equal to that amount occurred in TSD.

BFSD now comprises three bureaus: Fiscal and Operations; Fiscal Support; and the Budget, Support and Vital Records.

### Program Narrative

#### LFD COMMENT

Along with the division's role to develop, implement, and monitor accounting and fiscal processes in accordance with state and federal fiscal regulations as well as departmental mission guidelines, the division is responsible for addressing recommendations of the agency's financial compliance audit. The audit for the two fiscal years ending June 30, 2001 was quite critical, and the 2001 Legislature included language in HB 2 regarding actions that might be taken by the department to ensure that the issues in the audit opinion were addressed. The department undertook, and for the most part achieved, a corrective action plan that improved the division's financial compliance audit for the two fiscal years ending June 20, 2003. The 2003 audit contained some recommendations for improvement while recognizing that the department made significant improvements in financial management controls, processes and procedures. The 2005 audit showed improvements over the audits of the past two biennia, with 18 audit recommendations that primarily addresses issues of timeliness with regard to state plans or federal reporting requirements. The 18 recommendations crossed three divisions with 9 in the Women, Infants and Children Program (WIC), 3 in foster care, and 2 or fewer in each of the Vocational Rehabilitation, Developmental Disabilities, Child and Adult Care Feeding Program, and Medicaid programs. BFSF staff monitors the recommendations using the corrective action matrix developed in the wake of the negative 2001 audit. As of this writing, the corrective actions for 13 of the recommendations were complete and 5 were implemented, but not yet complete.

#### LFD ISSUE

The division may be able to generate more revenue for the agency in FY 2008 and FY 2009.

The reorganized BFSF has developed goals and objectives for the division and each bureau that focus on professionalism, timely and efficient business and computer systems practices, and accuracy. There is also an action task list that expands the system and business management to more detailed levels. However, the corrective action plan, goals and objectives, and the action item list are without references that tie staff responsible for the tasks and a timeline to a budget. It is therefore difficult to address the success achieved by the number of FTE funded by the previous legislature to the present law services that the legislature intended to fund. It is also difficult to address FTE relative to projected present law adjustments and division needs for this session.

For example, the division's Institutional Reimbursement Bureau is responsible for maximizing revenue to the general fund from medical and mental health services provided to patients at the five institutions throughout the state. The bureau presently has 11.5 FTE and brings about \$20 million annually in Medicaid and other reimbursements to the general fund. The division achieves this task through a financial investigation of the assets and liabilities of each resident in each institution in order to determine the proper charges, which are based on an individual's ability to pay. A proper investigation is time-consuming as payments come from private pay, Medicare, insurance, Medicaid, Indian Health Services and counties. The division has historically mentioned that although staff "gets the work done," there is not enough staff to more thoroughly examine the possibilities for reimbursement that could alleviate the use of some general fund. BFSF is undertaking a business process review that will include return on investment and program management efficiencies, but has no request for additional FTE this biennium, indicating that it would be the next biennium before the process begins.

#### Options

The legislature may wish to consider beginning this process in the 2009 biennium by having BFSF report the status of its review to the Health and Human Resources Subcommittee.

Should the division confirm that one or more additional FTE for the Institutional Reimbursement Bureau would result in increased general fund yielding a sound return on the FTE investment, the legislature may want to further consider funding FTE that might lead to an increase in the general fund in FY 2008 or FY 2009 by:

- Approving an appropriation as one-time-only funding that would give the 2011 Legislature the opportunity to examine the level of success of the program and its possible continuation during the present law adjustments discussion for that session
- Setting performance standards and measures for determining effectiveness that could be included in the LFD Budget Analysis for discussion by the 2011 Legislature

**Funding**

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature. 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 2009 biennium indirect activity represents 100 percent of the federal funding and 55 percent of state special revenue. Federal funding comprises 49 percent of the total biennium budget, while general fund comprises 41 percent and state special revenue 10 percent. There is further discussion of state special revenue in the following biennial comparison.

Program Funding	Base	% of Base	Budget	% of Budget	Budget	% of Budget
	FY 2006	FY 2006	FY 2008	FY 2008	FY 2009	FY 2009
01000 Total General Fund	\$3,639,824	42.9%	\$3,760,917	41.2%	\$3,604,860	41.1%
01100 General Fund	3,639,824	42.9%	3,760,917	41.2%	3,604,860	41.1%
02000 Total State Special Funds	865,080	10.2%	916,031	10.0%	906,310	10.3%
02382 6901-02 Indrct Activity Prog 06	454,499	5.4%	503,649	5.5%	492,256	5.6%
02419 Vital Statistics	410,581	4.8%	412,382	4.5%	414,054	4.7%
03000 Total Federal Special Funds	3,973,522	46.9%	4,453,129	48.8%	4,251,100	48.5%
03591 6901-03 Indrct Activity Prog 06	3,973,522	46.9%	4,453,129	48.8%	4,251,100	48.5%
Grand Total	<u>\$8,478,426</u>	<u>100.0%</u>	<u>\$9,130,077</u>	<u>100.0%</u>	<u>\$8,762,270</u>	<u>100.0%</u>

**Biennial Comparison**

As shown in Figure 41, the 2009 biennial budget for BFSDD increases about \$0.5 million over the 2009 biennial budget projections due to statewide present law adjustments and funding for the pay plan adopted by the legislature.

State special revenue for the 2009 biennium is split 55 percent for cost allocation and indirect activity and 45 percent revenue for Vital Statistics revenue generated from fees charged for items such as birth or death certificates.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “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.

	2007	2009	Change	Percent
	Biennium	Biennium		
FTE	76.5	76.5	0.0	
Personal Services	\$6,612,109	\$7,140,900	\$528,791	8.0%
Operating Costs	10,600,579	10,616,019	15,440	0.1%
Equipment	6,799	0	(6,799)	-100.0%
Debt Service	135,086	135,428	342	0.3%
Total	<u>\$17,354,573</u>	<u>\$17,892,347</u>	<u>\$537,774</u>	<u>3.1%</u>
General Fund	\$6,908,099	\$7,365,777	\$457,678	6.6%
State Special Rev.	1,806,034	1,822,341	16,307	0.9%
Federal Funds	8,640,440	8,704,229	63,789	0.7%
Total	<u>\$17,354,573</u>	<u>\$17,892,347</u>	<u>\$537,774</u>	<u>3.1%</u>

	Fiscal 2008				Fiscal 2009					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					537,563					547,985
Vacancy Savings					(148,560)					(148,976)
Inflation/Deflation					45,551					47,503
Fixed Costs					217,097					(162,668)
<b>Total Statewide Present Law Adjustments</b>					\$651,651					\$283,844
Grand Total All Present Law Adjustments					\$651,651					\$283,844

**LFD COMMENT** The adjustment for personal services is driven by increases in costs associated with longevity, health insurance, and implementation of the pay plan approved by the 2005 Legislature over the division's 76.50 FTE, as well as to support moving 4 FTE to the broadband pay plan and other salary adjustments following the reorganization.

Because BFSD is the centralized business center for the agency, fixed costs annually comprise large portion of operating expenditures. Total projected fixed cost operating expenditures for this biennium are about \$6.9 million, about half of which is driven by costs reflected in the following figure. The increase in warrant writing is primarily to account for the Big Sky Rx Program.

As shown in Figure 42 , the \$380,000 decrease in fixed costs from FY 2008 to FY 2009 referenced in the present law table above, is primarily due to decreases in the fixed cost allocation charged for the State Accounting, Budget and Human Resource System (SABHRS), Insurance and Bonds, and Legislative Audit costs that appear only in FY 2008 because it is a biennial appropriation.

Figure 42  
Fiscal Services Division  
Decrease in Fixed Costs

	FY 2008 Request	FY 2009 Request	Decrease or Increase
Insurance / Bonds	\$924,268	\$892,256	(\$32,012)
Warrant Writing	321,691	328,988	7,297
Payroll Services	116,017	109,738	(6,279)
Legislative Audit	316,342	0	(316,342)
SABHRS	1,599,016	1,559,658	(39,358)
Rent	133,325	140,058	6,733
Capital Grounds Maint.	8,082	8,278	196
	<u>\$3,418,741</u>	<u>\$3,038,976</u>	<u>(\$379,765)</u>