

DPHHS: Foster Care/Agency-Wide Budget Status Issues

Prepared for the
Legislative Finance Committee
by

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Background

At the March meeting, the Legislative Finance Committee (LFC) heard a report on the budget status of the Department of Public Health and Human Services (DPHHS), in which staff reported that, according to budget status reports produced by the DPHHS, there would be a budget surplus of about \$136,000 (1/600th of a percent). The committee was also informed that program transfers that were completed by DPHHS had increased foster care appropriations. At the direction of the committee, staff undertook to examine foster care costs and to try to gauge their impact on DPHHS's financial status as the fiscal year progressed. Staff also attempted to update the budget status report on the overall fiscal situation of the DPHHS.

This report provides the committee with an update on the proposed foster care report and on the budget status of the DPHHS. Three points are made in this report:

1. Staff was unable to provide the committee with the foster care report due to the lack of availability and stated inaccuracy of data provided, as well as concerns about the appropriateness of recent transactions on the Statewide Accounting Budgeting and Human Resources System (SABHRS);
2. Staff is unable to provide an updated budget status for the DPHHS due to lack of current data, despite repeated requests of the DPHHS for this information; and
3. The limited data available concerning the budget status of the department indicates that DPHHS is facing financial difficulty in fiscal 2000, for which options are extremely limited.

Foster Care

Funding and the relationships among funding sources, in foster care and subsidized adoption is very complex. Foster care and subsidized adoption services are funded from seven different funding sources, and changes in one funding source can impact some or all of the other funding sources. DPHHS employs the Child and Adult Protective Services System (CAPS) to manage cases, collect statistics, issue payments to providers, and interface financial data into SABHRS. The accuracy of CAPS is extremely important in tracking statistical data, cost of benefits and services, and the funding allocation of the costs of foster care and subsidized adoption.

In order to provide an update on foster care and subsidized adoption, in the week of May 15 staff requested a current projection of foster care and subsidized adoption costs. DPHHS provided information derived from CAPS (and adjusted internally) that indicated that there would be a general fund shortfall of \$1.8 million in the foster care and subsidized adoption program.

Subsequent events occurred that rendered the estimate received from DPHHS in May inoperable. DPHHS contacted staff and indicated that the information presented earlier was in a draft form and was, in fact, inaccurate and should not be used, and that the most recent report (the January budget status report) contained the more valid data. (See

attached mail dated May 31 at 1:09 p.m.) DPHHS indicated that system changes are being implemented in CAPS in an effort to maximize the amount of federal funds utilized for foster care and subsidized adoption costs, and that because these changes have not been fully implemented, the funding data available on CAPS is not accurate.

Staff pursued review and analysis of SABHRS information on foster care expenditures. However, transactions made recently on SABHRS adjusted foster care and subsidized adoption funding and reduced general fund expenditures by \$1.5 million. However, given the DPHHS's statement that CAPS data is inaccurate, staff cannot identify the source of data that indicates whether these adjustments are warranted.

As the result of the stated inaccuracy of the CAPS data and the concern about the reasonableness of recent adjustments done in SABHRS, staff is unable to update the committee on foster care and subsidized adoption costs and their impact on the total DPHHS budget. In addition, there is subsequently a question as to whether or not DPHHS is able to estimate general fund status at this time.

The committee may wish that the department address the following questions.

1. How soon will accurate foster care and subsidized adoption funding be available from CAPS reports?
2. Why has it been necessary to make large dollar adjustments to foster care and subsidized adoption funding on SABHRS? What data has DPHHS utilized to support these adjustments?

Updated Budget Status Report and Potential Fiscal 2000 Supplemental

According to information provided to Legislative Fiscal Division staff prior to June 6, the most recent budget status report produced by the DPHHS was published shortly before the March LFC meeting and was based on January data. In response to requests for budget status reports by Legislative Fiscal Division staff, DPHHS staff stated they had not produced and distributed another budget status report since that time, even though fiscal year end was less than 30 days away.

In addition, even if a budget status report had been available for review prior to the June LFC meeting, the results could be misleading because DPHHS has not completed the cost allocation process¹ since December. Estimates of general fund expenditures could vary widely from final actual costs. The lack of a timely cost allocation process is further exacerbated because some programs have changed the questions that are being asked of

¹ Cost allocation assigns costs to various funding sources. Cost allocation is key to determining how much administrative costs can be assigned to general fund, state special revenue, and federal revenue. Some cost allocation processes used by DPHHS are straightforward, such as those based on employee time sheets that allocate costs by task. However, the largest share of costs are allocated using a complex process that depends on random calls to field staff and their answers to questions about what they are working on at that point in time.

field staff and there have been reorganizations that can affect the amount of costs allocated to the general fund.

Therefore, the committee may wish to ask the department how soon it will run cost allocation for the most recently completed quarter (through March 31) so that the allocation of costs among funding sources can be more accurately determined.

Recent Development

In a report presented to the legislature in special session, Legislative Fiscal Division staff projected a general fund supplemental might be needed in the 2001 biennium. As stated, staff attempted to update and refine this estimate but was unable to secure the necessary information. On June 6, the administrator of the Operations and Technology Division informed the LFA that he intended to report to the Mental Health Oversight Committee that the most current department projections show a \$3.2 to 4.2 million shortfall in fiscal 2000. Of this total, he attributed \$3.6 million to the Addictive and Mental Disorders Division (an increase of \$2.3 million over prior estimated shortfalls). The release of this information raises three further questions:

- 1) How has the department determined the necessity for and level of the shortfall on a department-wide basis if a department-wide financial status report has not been compiled?
- 2) If a report on the financial status of the department has been compiled, why hasn't the department provided this information to the Legislative Fiscal Division as requested?
- 3) How has the department estimated its department-wide financial status without completing the cost allocation calculations?

Section 17-7-311, MCA states that no appropriations transfer can be made without review by the LFC, unless an emergency that "poses a serious threat to the life, health, or safety of the public" exists, in which case the Legislative Fiscal Analyst can waive LFC review. Because this is the final LFC meeting of the fiscal year, DPHHS cannot receive a supplemental appropriation in this year without that waiver by the LFA.

Given that the June 8 and 9 meeting of the LFC is the last scheduled meeting prior to the end of the fiscal year, and that the department has indicated it will not present a supplemental request for LFC review, the committee may wish to address the following:

- 1) How does the department plan to address the projected shortfall in fiscal 2000?
- 2) What direction should the committee give to the LFA regarding possible supplemental appropriations requested after the LFC meeting?